

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:913

ANSWERED ON:25.11.2011

DIRECT TRANSFER OF SUBSIDY

Kashyap Shri Virender;Kumar Shri Vishwa Mohan;Reddy Shri Magunta Srinivasulu;Thakur Shri Anurag Singh;Yadav Shri Om Prakash

**Will the Minister of FINANCE be pleased to state:**

- (a) the terms of reference of the task force set up to work out modalities for the proposed system of direct transfer of subsidy to the targeted population;
- (b) the recommendations of the interim report of the task force and response by the Government thereto, point-wise;
- (c) whether the final report has been received by the Government;
- (d) if so, the details thereof and response of the Government thereto and if not, the time by which the report is expected; and
- (e) the steps taken or proposed to be taken by the Government to transfer subsidy directly to the beneficiaries including persons living below poverty line?

**Answer**

Minister of State in Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a) The Terms of Reference of the Task Force are as below:

- i The Task Force will study the present mechanism of transfer of subsidies on Kerosene, LPG and Fertilizer, challenges and problems in the governance structures and delivery systems;
- ii Examine and suggest an implementable solution for direct transfer of subsidies on Kerosene, LPG and Fertilizer to intended beneficiaries with the use of Aadhaar numbers (Unique Identification numbers), aadhaar enabled transactions and aadhaar authentication infrastructure of the UIDAI;
- iii Identify and suggest required changes in the existing systems, processes and procedures, IT frameworks and supply chain management;
- iv Oversee and evaluate the implementation of the solution proposed on a pilot basis through the concerned Implementing Ministries; and
- v Suggest a common framework to adopt the above solution of direct subsidies in cash or otherwise for other Government welfare schemes.

(b) The gist of the recommendations of the interim report of the task force is as follows:

- i A subsidy, by its very nature, introduces two or more prices for the same good, and creates incentives for pilferage and diversion. As a result, the underprivileged suffer the most. Ensuring that goods move in the supply chain at market prices can minimize the incentives for diversion.
- ii Where possible, it is best to empower beneficiaries and give them the choice to receive subsidies in the form of subsidized goods and services or as cash, based on their own preferences. Further, beneficiaries should also be offered choice to exercise their preference at any participating location, rather than restricting the service delivery point to a specific location.
- iii Creation of a Core Subsidy Management System (CSMS) for the purpose of maintaining bookkeeping information on entitlements and subsidies for all beneficiaries. The CSMS will also provide increased transparency in the movement of goods, levels of stocks, prediction and aggregation of demand, and identification of beneficiaries. It will be able to use analytics to detect fraud and diversion. It can also integrate with a contact centre for grievance handling. Beneficiaries can report malpractices to the Government directly making it possible for the Government to react in a timely manner.
- iv Just as a real-time transfer of funds takes place when people top up their mobile talk time, the Government, through the CSMS will transfer the cash component of subsidies directly and in real-time to the bank accounts of beneficiaries. Beneficiaries may then access these funds through various banking channels such as bank branches, ATMs, business correspondents, internet, and mobile

banking. Achieving full financial inclusion is crucial for direct transfer of subsidies.

v As the subsidy management systems assume same configuration under CSMS, integration of all subsidies, entitlements under one umbrella is also achievable.

The Government has accepted all the recommendations.

(c) No sir.

(d) As per the Terms of Reference of the Task Force, the Final Report is due by the end of December, 2011.

(e) Based on the recommendations contained in the Final Report of the Task Force, decision shall be taken by the Government.