

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5968
ANSWERED ON:11.05.2012
DIRECT TRANSFER OF SUBSIDIES
Jawale Shri Haribhau Madhav;Shantha J.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has received the report of Task Force on Direct Transfer of Subsidies on Kerosene, LPG and fertilisers; and

(b) if so, the details of recommendations made thereon and reaction of the Government thereto?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) The Government has received an Interim Report of the Task Force. Final report of the Task Force is yet to be received.

(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 contained in the interim report

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