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Context

- **Cash transfers have long been part of social protection schemes across the globe**, designed to address specific challenges like poverty, health access, and education.
- **India's National Social Assistance Programme (NSAP), one of the oldest cash transfer initiatives, exemplifies this by providing pensions** to vulnerable populations such as the elderly, widowed, and disabled.
- However, **recent trends reveal that cash transfers have evolved from targeted safety nets to political tools** used as a panacea for a wide array of social and economic challenges.
- While they have gained popularity among political parties, **their efficacy in addressing underlying issues remains questionable.**

The Rise of Cash Transfers in Indian Politics

- In recent years, **cash transfer schemes have become a favoured strategy for political parties to secure electoral success.**
- For instance**, incumbent governments in Maharashtra and Jharkhand successfully utilised cash transfer schemes targeted at women voters**, contributing significantly to their re-election.
- Similarly, **states like Telangana and Odisha adopted cash transfers to address agrarian distress**, a model later expanded by the central government through the PM-KISAN scheme in 2019.
- **These schemes have since been extended to tackle unemployment**, with several states implementing or promising direct financial assistance for the unemployed.
- The **appeal of cash transfers lies in their simplicity and immediacy.**
- With the expansion of financial inclusion, **these schemes are easy to implement and provide direct, tangible benefits to voters**, bypassing bureaucratic inefficiencies and middlemen.
- Additionally, **their fungible and unconditional nature makes them highly attractive to beneficiaries.**
- For politicians, **they offer a direct connection with the electorate**, enhancing their popularity and electoral prospects.

Arguments Against the Cash Transfer Policy: The Problematic Assumptions

- **Cash Transfers Solve Root Problems**
  - A prevalent belief is that direct financial assistance can **effectively resolve issues like poverty, unemployment, and agrarian distress.**
  - However, **this assumption overlooks the multi-dimensional nature of these problems.**
  - **Poverty, for instance, is influenced by factors such as lack of education, inadequate healthcare,** and limited access to infrastructure.
  - Similarly, **agrarian distress arises from systemic challenges**, including outdated farming techniques, volatile markets, and inadequate policy support.
  - **Cash transfers provide temporary relief** but fail to address the structural issues underlying these crises.
- **Universality Equals Effectiveness**
  - Another flawed assumption is that **cash transfers, being fungible and universal, inherently meet the diverse needs of beneficiaries.**
  - While their unconditional nature provides flexibility**, it also limits their capacity to address specific issues effectively.** For example, **a farmer receiving cash under an agrarian distress scheme might use it for immediate household expenses rather than investing in agricultural inputs** or modern equipment.
  - Similarly, **unemployed youth might use funds for consumption rather than skill development or entrepreneurship.**
  - The u**niversal application of cash transfers disregards the varied and nuanced needs of different demographic groups.**
- **Cash Transfers Bypass Bureaucratic Inefficiencies**

- **While cash transfers do circumvent some layers of bureaucracy** and reduce the role of intermediaries, they are not immune to implementation challenges.
- **Issues such as exclusion errors, where eligible beneficiaries are left out**, and inclusion errors, **where ineligible individuals receive benefits, are common.**
- These errors **undermine the fairness and effectiveness of such schemes.**
- Additionally, **the dependence on robust financial infrastructure and digital literacy excludes marginalised populations**, particularly in rural areas where access to banking services remains limited.

- **Political Success Equals Policy Success**
  - Perhaps the **most problematic assumption is the conflation of political and policy success.**
  - The **electoral gains achieved through cash transfers are often seen as evidence** of their effectiveness.
  - However, **this ignores the broader metrics of success**, such as improvements in human development indicators, economic growth, or social equity.
  - **Political parties focus on the immediate popularity boost from cash transfers** without evaluating their long-term impact or sustainability.

Arguments Supporting the Cash Transfer Policy

- **Empowering Women Through Direct Transfers**
  - India’s performance in global indices of gender equality reveals a stark reality.
  - Ranked 129 out of 146 countries in the 2023 Global Gender Gap report, India has seen a declining trend in women’s workforce participation despite robust economic growth.
  - **Direct cash transfers to women have shown promise in dismantling barriers to education**, employment, and dignified living.
  - For instance, **the Delhi government’s 2019 initiative of free bus rides for women resulted in a 24% increase in employment among women** from marginalized communities, as reported in a 2023 independent study.
  - This **program illustrates how targeted subsidies can empower women by providing affordable mobility**, a critical factor in accessing work and education.
- **Broader Impact on Society**
  - Over the last decade, **the Delhi government has introduced multiple subsidies, such as free electricity and water,** aimed at enhancing the quality of life for lower- and middle-income groups.
  - **These measures not only act as social safety nets but also stimulate economic demand** by boosting purchasing power.
  - **Contrary to fears of misuse**, global evidence suggests that beneficiaries of cash transfers prioritise essential expenses such as nutrition, education, and healthcare.
  - **A study across 119 developing countries found recipients of unconditional cash assistance programs improved their quality of life significantly**, underscoring the utility of such schemes in addressing poverty and inequality.
- **Balancing Welfare with Development**

- The **concern that welfare schemes might divert resources** from critical investments in infrastructure and human capital is **valid but context-dependent**.
- The **Delhi Model provides an instructive case**. Approximately 40% of its annual budget is allocated to health and education, leading to significant improvements in these sectors.
- **Delhi now boasts some of the best government schools** and public healthcare systems in India.
- **Simultaneously, the state has made significant strides in infrastructure development**, from doubling the Delhi Metro's length to expanding green mobility through e-buses.
- **These achievements demonstrate that welfare schemes and developmental investments can coexist,** provided there is prudent fiscal management.

Way Forward: Rethinking the Assumptions

- The **problematic assumptions** underpinning the over-reliance on cash transfers **highlight the need for a paradigm shift in policy design.**
- **Cash transfers should be viewed as one component of a broader strategy**, complementing investments in infrastructure, education, healthcare, and social services.
- **Policymakers must recognise that sustainable solutions require time, effort, and collaboration** across stakeholders.
- **Without addressing these flawed assumptions, cash transfers risk becoming a superficial fix** rather than a transformative tool for development.

Conclusion

- While cash transfers have their merits, **their overuse as a political tool risks undermining the very objectives they aim to achieve.**
- **The need of the hour is a more balanced understanding** of the role of cash transfers in social welfare.
- Rather than being viewed as quick-fix solutions, **they should be integrated into broader strategies aimed at strengthening social safety nets and addressing systemic issues.**
- **This requires prioritising investments in critical sectors and designing interventions that go beyond electoral gains** to achieve sustainable development outcomes.

Q) Why are cash transfers considered insufficient in addressing complex societal problems?

Cash transfers are insufficient because they provide temporary relief without addressing the systemic and multi-dimensional nature of issues like poverty, unemployment, and agrarian distress. These problems often require long-term structural reforms, targeted policies, and investments in education, healthcare, and infrastructure. While cash transfers may offer immediate benefits, they fail to tackle the root causes of these challenges.

Q) What are the risks of over-relying on cash transfers as a political tool?

Over-reliance on cash transfers risks fostering a culture of competitive populism, where governments prioritize short-term political gains over sustainable development. This leads to fiscal strain, neglect of essential investments in health, education, and infrastructure, and ineffective solutions to deeper societal issues. Additionally, it perpetuates the flawed assumption that cash transfers alone can resolve complex problems.

Source: The Indian Express
