Centre's unsolved worry on cash transfer scheme

The government has a fly in the ointment in the implementation of the direct cash transfer of food subsidy.

Draft proposals show the government could lose the subsidy amount credited to bank accounts of beneficiaries who don't use it to lift foodgrain for two months. This money would have to written off, senior officials said. "Some mechanism needs to be developed to address this," said an official. The government is working towards implementing the direct cash transfer of food subsidy in six Union Territories from April 1.

The subsidy, as estimated by the food department, would be the difference between the "appropriate cost" (as fixed by the central government) and the central issue price of grain (the rate at which it is sold through ration shops). It is to be credited into the bank account of beneficiaries in advance. The appropriate cost will be close to the market rate.

Ration card holders will get foodgrain at this appropriate cost plus all the incidentals, while the central government will transfer the difference between the ration shop price and the approximate market price directly to the bank account of card holders.

Some experts said a rough calculation indicated it should be Rs 550-650 a month for a below-poverty-line family having five members, assuming the appropriate cost of wheat was around Rs 18 a kg and of rice at Rs 25 a kg.

For the Food Corporation of India, the government will continue to release the subsidy every quarter. But it would be substantially lower than the current payment, as the bulk of the subsidy would now be transferred directly to the accounts of beneficiaries.

Senior officials said banks would send an SMS to the beneficiary in the number registered every time the cash subsidy amount was credited.

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