Social Safety Nets and Poverty Alleviation in India: Effectiveness of Current Policies

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Abstract

Social Safety Nets are policies or schemes of the government directed towards providing assistance for the marginalised and backward sections of society. It seeks to provide them security from exploitation in the economic, social, and political spheres. The objective of this research paper is to examine the effectiveness of numerous social safety nets designed to alleviate poverty in India. This paper will comprehensively study the effect of these government initiatives in promoting financial inclusion and economic upliftment among the poor. It provides an overview of approaches addressing specific aspects of poverty to combat its various causal factors - such as subsidies in certain industries and on essential commodities, direct cash transfers, welfare payments, and employment guarantee acts to name a few. It seeks to understand the outcome of the implementation of vocational training in an attempt to build human resource capital as a means to uplift people from poverty. In the process of evaluating the success of these schemes in achieving their objective, the paper also aims to bring to light the challenges en route to effective implementation of these policies. This study offers an extensive insight into the complexities of solving the problem of poverty in India and the challenges obstructing a holistic development and upliftment of economically weaker sections of India.

Introduction

Social Safety Nets are non-contributory transfer programs that aim to support and provide assistance to those sections of society that are vulnerable to facing economic hardship. Examples of safety nets include cash transfers, food distribution schemes, general price subsidies, and employment guarantees, to name a few. The concept of social safety nets emphasises the role of government investment in human development in order to ensure greater economic equality, equitable wealth distribution, and social mobility, which is vital for sustaining a prosperous growth cycle.

In India, the primary focus of Social Safety Nets is to alleviate poverty, one of the biggest factors causing the country's underdevelopment. India is home to 28% of the world's poor population—the second largest number of poor households in the world[1]. **These policies targeting the poor aim to provide them with basic necessities such as food, cash, employment and other subsidies**, with the **intention of maintaining minimum level of household consumption, preventing hunger, and reducing poverty.**[2] Social Safety Nets and their effective implementation are of utmost importance, as they also offer a means to optimise India's sizable

[1] Springer Link
[2] Springer Link

population by investing in and building human capital in the form of a resilient and skilled labour force.

The successful implementation of these schemes are met by various hurdles. **Inadequate availability of data, issues with targeting, leakages, fraud and theft, corruption and diversion all obstruct these policies from significantly impacting those who require its provisions.** Various problems also arise from the planning and decision making process of these policies. According to a report by the World Bank, India spends just about 0.72 per cent of the Gross National Product (GDP) on social safety net programmes. The report, however, does not include the public food distribution system as a social safety net programme, on which India spends 0.6 per cent of GDP.[3] These issues are a serious hindrance towards achieving the goal of poverty alleviation.

According to data from the World Bank, **over 350 million individuals are supported by social safety net programs across the world.** The crisis caused by the COVID 19 pandemic encouraged the large-scale introduction and implementation of social protection schemes in many countries. An estimated 36% of the poorest people were able to escape extreme poverty with the help of social safety nets, adding credibility to their impact in reducing poverty. Data shows that these programs lower inequality, and reduce the poverty gap by about 45%. Both middle income as well as low income countries from several diverse regions in the world have benefitted from social safety nets. [4]

Success stories of social safety schemes from some of the most economically backwards regions, such as the Sahel in Africa, South America, and the Middle East, are evidence for the positive impact of social safety nets.

Social safety nets in Egypt cover 2.26 million households, with 88% of the beneficiaries being women. They include programs that provide conditional pensions to vulnerable families, and non-conditional pensions to the elderly, disabled and orphans. Populations affected by extreme drought and disaster in Lesotho, Madagascar, Malawi and Mozambique are assisted primarily using cash transfers. During the pandemic, 45 countries in Sub-Saharan Africa, had introduced social safety net programs, to support vulnerable populations, reaching 100 million individuals. Cash transfers were also provided in Madagascar to over 80,000 poor households while promoting nutrition, early childhood development, children's school attendance and productive activities of families. Ethiopia's Productive Safety Net Program reaches about 8 million people in poor and chronically food insecure households. It combines cash transfers with training and savings groups,

[3] Counterview

[4] World Bank

helping with the skill development of the people. The direct effect of the payments has reduced poverty by 7%.
The Juntos cash transfer program in Peru helped address chronic malnutrition, reducing childhood stunting rate in half in just 8 years, from 28% in 2008 to 13% in 2016. [5]

Even developed countries are shown to have benefitted from social safety nets. Census data from the USA in 2021 shows that safety net programs such as unemployment insurance benefits and the Child Tax Credit were responsible for poverty rates being lower in 2021 as compared to before the COVID-19 pandemic. Social Security had the most significant impact in lowering poverty in 2021, with the number of people in poverty being reduced by 26 million. Policy expansions including refundable tax credits, such as the earned income tax credit (EITC) and Child Tax Credit (CTC), as well as the economic impact stimulus payments also reduced the number of people in poverty by roughly 10 and 9 million people respectively. [6]

In May 2020, The World Bank approved a package of $750 million to enable immediate cash transfers to 320 million bank accounts as well as provide food rations for about 800 million individuals in India through the pre-existing safety net program of Pradhan Mantri Garib Kalyan Yojana, (PMGKY). 84% of India's poorest households received at least one benefit of the PMGKY, 77.5% received food grains, and almost 80% received direct cash benefits through the Prime Minister's Jan Dhan Yojna (PMJDY) bank accounts. Data from the Ministry of Finance shows that as of Sept 7 2020, more than 42 crore people had received financial assistance of 68,820 crore under Pradhan Mantri Garib Kalyan Package.

Key Social Safety Nets in India

Public Distribution System (PDS)

The Public Distribution System was introduced post World War II, **primarily to address the concern of food insecurity in India.** Prior to this system, India was largely dependent on food grain imports, which provoked the expansion of this system in the 1960s to address the food shortages of the time. This included setting up of the Agricultural Prices Commission to facilitate the domestic procurement and storage of foodgrains for PDS. This system works in a twofold manner - firstly **it seeks to increase domestic production, secondly, to improve food security.**

[5] World Bank
[6] Economic Policy Institute

By the 1970s, PDS had evolved into a universal scheme for the distribution of subsidised food. The introduction of Revamped Public Distribution System (RPDS) in 1992 brought with it various measures to strengthen the system as well as make its provisions more accessible to remote and isolated regions, which are home to a significant section of the poor. Area specific programmes such as the Drought Prone Area Programme (DPAP), Integrated Tribal Development Projects (ITDP), Desert Development Programme (DDP) were being implemented to further expand the reach of the program.

Subsequently, in 1997, the government launched the Targeted Public Distribution System (TPDS). **This system necessitates centre and state collaboration for identifying poor households, purchasing food grains at a rate above the market price, and distributing it to individual consumers at highly subsidised rates through ration shops.** Essential household commodities such as rice, wheat, sugar and kerosene are thus provided to the poor consumer at more affordable rates, while also ensuring that the producers of these commodities are also not adversely affected.

The enactment of the **National Food Security Act (NFSA)** in 2013 was instrumental in bringing about reforms to strengthen the PDS. The introduction of this act marked **a new rights based approach to the existing TPDS,** reiterating that poor households are legally entitled to receive foodgrains in accordance with the fundamental right to food and nutrition.

Following the implementation of the NFSA, the PDS was able to cover 75% of the rural population and around 50% of the urban population.[7] Pregnant women were provided with nutritional and monetary support, and children aged 6 to 14 were also covered through the Integrated Child Development Services and Mid-Day Meal Schemes. The NFSA was also effective in improving transparency and accountability in the system, as well as addressing major hindrances such as corruption and leakages.

Effectiveness of the PDS

In the last twenty years, India has seen a surge in its economic growth. However, the development aspect that should accompany this growth seems to be missing. Many Indians particularly those in the rural areas are still not receiving benefits despite this boost in the economy, and continue to struggle with food insecurity, malnutrition, undernourishment, and increasing obesity.[8]

In order to critically examine the effectiveness of the PDS, various academic articles and papers specifically studying the PDS were studied. All research papers that were examined indicated that

[7] National Library of Medicine

[8] Wiley Online Library

the **PDS was not working efficiently, with high amounts of food wastage, and intended beneficiaries not receiving the foodgrains.**

According to the Indian Human Development Survey, **83% of households have PDS ration cards, 85% in rural areas and 79% in towns and cities.** Bureaucratic difficulties are the most common reason (43%) why many households do not hold a PDS card. The number of card holders is lesser in poor and inaccessible states, for example, in Chhattisgarh 31% households do not hold a ration card, while in Jharkhand the number is 38%, and in Bihar it is 33%.[9]

It has been observed that a significant number of households in relatively higher income groups have been issued BPL cards despite not being eligible to hold them. **From among those families categorised in the lower quintiles and are eligible to possess BPL cards, only 59% and 57% actually hold BPL cards.** This indicates **issues with targeting resulting from lack of proper data due to volatility in annual income.**

A survey of 154 households in the Coimbatore-Tiruppur region in Tamil Nadu conducted by Dhanaraj and Gade in the year 2012[10], found that **61% of households hold a rice card, allowing them to purchase all commodities from a Fair Price Store (FPS)**. 25% hold a sugar card, entitling them to all PDS commodities except rice, while 25% hold a white card, which is possessed only for identification purposes and does not guarantee them access to any commodities. **The households that did not possess any type of ration card reported delay in the issuing of cards by government officials.** The main complaints regarding FPS by households eligible to purchase PDS commodities include **fraud and cheating by FPS owners, long waits and travelling distances, and inefficiency and irregular operation of shops.**

94% of the rice card holders reported purchasing rice from FPS on a monthly basis. Most households reported that the **PDS commodities are poor or average in quality**, thus many households resorted to using these commodities for feeding livestock or selling these foodgrains at a higher price than the purchase price. Around 18% of urban households and 37% of rural households make a profit out of the free of cost PDS rice by either selling at a higher price or using it as cattle/poultry feed. **Thus in both rural and urban areas, less than 60% of the households consume the PDS rice.** This study also estimated that for every 5.43 kgs of PDS rice distributed by the government, only 1 kg reached those in need. The inefficiency in distribution was even more

[9] Indian Human Development Survey
[10] SSRN

pronounced in the case of sugar, for every 8.21 kgs distributed, only 1kg was consumed by those in need.

Kumar [11] conducted a vast study across 12 states and found that there were instances where even 100% of subsidised foodgrains were being diverted. According to a field study conducted by Khera in 2011 in Rajasthan, the utilisation of the PDS to purchase wheat was found to be low, many households instead choosing to purchase foodgrains from the market at higher prices than at subsidised rates offered through the PDS. This research also indicates that **lesser purchasing is due to issues on the supply side, and that PDS affects the composition** (away from more nutritious 'coarse cereals'), **rather than level, of cereal consumption**.[12]

Sudha Narayanan's research in 2015 found that the PDS is an effective government instrument to achieve the objective of providing food security in rural India as it guarantees supply of the most essential and basic food requirements of the poor. The study states that with various reforms being implemented at the state level, the functioning of the PDS has considerably improved. However, the objectiveness of in-kind distributions being the most effective way to guarantee food security presumes that the foodgrains actually reach the intended recipients. The ratio of foodgrains diverted was estimated to be around 54% in 2004-05, decreasing to a 41% in 2009-10, which is a considerable improvement but still not a desirable amount.[13]

In 2014, some states like Andhra Pradesh, Chhattisgarh, Odisha and Tamil Nadu formulated a 'new-style' of PDS combining low prices with better and smoother administrative functioning that sought to provide nearly universal access to subsidised foodgrains under the PDS, which significantly improved availability of foodgrains in FPS and helped curb the leakages and diversions. **Chhattisgarh is widely recognised as the prime example for the success of PDS reforms,** with a survey of 900 households in eight districts of Chhattisgarh indicating that **92% of respondents received their full quota of food-grains and 97% of the respondents were satisfied with the food quality.**[14] Sen and Dreze (2013) found that nearly 75% of rural households in the state receive 35 kg of rice from the PDS every month. This study also estimates that the **transfer of cheaper cereals through PDS reduced the poverty gap index of rural poverty by 39–57% in the state in 2009–2010.** However, it is still unclear how much of this increase in consumption of subsidised grains is due to higher subsidy, or if its success is to be attributed to better targeting.

[11] Sage Journals
[12] Taylor & Francis Online
[13] Wiley Online Library
[14] Science Direct

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

The National Rural Employment Guarantee Act (NREGA) was enacted on August 25, 2005, and was renamed as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on 2nd October 2009. The act serves to provide for the strengthening of livelihood security in rural areas of India by **providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteer to perform unskilled manual labour.**

The focus of this act is to **reinforce economic inclusiveness by building productive rural labour markets in order to stimulate agricultural production through employment generation and asset creation.** It generally provides short term employment requiring unskilled labour in public related work. In regions with severe unemployment and poverty, transfer incomes are also provided to aid in reduction of poverty. **Asset creation is also a highlight under this scheme, as construction of necessary infrastructure can provide long run solutions to the problem of unemployment.** The scheme also aims to promote inclusivity of vulnerable groups such as scheduled castes, scheduled tribes and women. Improved bargaining power of unskilled labourers, assuring better wage rates, work environment and reduced exploitation are also key targets of this act.

Effectiveness of MGNREGA

According to the Ministry of Rural Development, a total of **83.82 lakh works have been completed and 133.09 lakh works are ongoing under Mahatma Gandhi NREGA in the FY 2021-22.** According to the Government of India, MGNREGA generated 235 crore person days' work in 2015–16. **In 2011, the number of assets created was 7.08 lakh, providing employment to 3.34 households throughout the country.**

Chhattisgarh and Madhya Pradesh, states having poverty rates much higher than the national average reported having achieved more than 50% coverage of the households, followed by Bihar and Jharkhand having very high levels of poverty, but only 30% of household coverage. Uttar Pradesh, with fairly high levels of poverty, has extended MGNREGA to only about 20 percent of its rural households. MGNREGA provides a maximum of 100 days of employment in a year. Rajasthan has been able to provide an average of 77 days of employment, followed by 63 days in Madhya Pradesh and 58 days in Chhattisgarh. [15]

However, the feature of asset creation and capacity building has been largely overlooked and even its implementation in an impactful manner has been largely unsuccessful. **The overall fund utilisation of the Act has declined to 60%.** Fund utilisation in most of the states is very poor, leading to an inability to allocate funds to improve the efficiency and functioning of the scheme.

The state wise differences in implementation of MGNREGA is quite pronounced, which affects its final results. With the exception of Tripura, Mizoram and Manipur, no other state could provide even one-third of the 100 days of employment assured for every household. There is substantial improvement reflected in the MGNREGA earnings of these states being marginally over 20% of the poverty threshold. However, states with more significant poverty and inequality such as Bihar are still struggling with combating rural poverty, with 55% of the rural population still facing abject poverty as of 2009-10.[16] Such stark state-wise variations highlight the need for a stronger central authority to improve the implementation of the scheme.

Since its inception in 2006, approximately 20.97 crore has been paid in form of salaries to rural households for the 12 crore person-days of employment. This is the result of the provision of employment to 5 crore households, every year since 2008. The program has helped the contractual power of workers, with the **average person-day wage going up by 81% since 2006.** The program has also significantly benefited disadvantaged households belonging to Scheduled Castes, accounting for 51% of the total person-days generated, as well as women, accounting for 47% of the total beneficiaries of the program, surpassing the mandated 33% as required by the MGNREGA Sameeksha Act of 2012.[17]

Several studies on the scheme indicate that the scheme has had a positive impact on poverty reduction. Liu and Deininger (2013) in a study of five districts in Andhra Pradesh, found **improvement in consumption expenditure and asset accumulation in households, particularly those relying on casual employment and belonging to scheduled castes and scheduled tribes.** The scheme has also noticeably increased the monthly per capita expenditure, the additional income being spent mostly on food, durable and non-durable consumer goods. The improved

[15] Core UK
[16] Taylor & Francis Online
[17] Journal of Development Effectiveness, Taylor & Francis Online

spending on food has significantly reduced the number of meals skipped per week by poor households.

Direct Benefit Transfers

Direct benefit transfers were introduced in 2013 with the aim of ensuring accurate targeting of beneficiaries, reducing duplication, leakages and fraud in the process of distributing the benefits of welfare schemes. It also seeks to provide a simpler and faster flow of information and funds through a thorough alteration of the existing system in welfare schemes. So far, there have been 315 schemes from 53 ministries. [18] The primary goal of the DBTs is to **address and take adequate steps towards deterring several factors obstructing the successful implementation of various welfare schemes.**

For example, the Direct Transfer for LPG (DBTL) policy **transfers subsidies directly into the bank accounts of verified recipients, which assists the state to eliminate ghost identities and falsified accounts.** The highly subsidised rate at which fuel is provided to households for domestic cooking, combined with taxes on commercial users, leads to the emergence of a black market where the subsidy is deflected from the domestic to the commercial sector through fake "ghost" accounts. The use of DBTS also diminishes the need for various intermediaries and administrators in disbursing the subsidies. **Having a bank account is a basic requirement to avail the benefits of this scheme,** which necessitates the verification of identities, implying that any fraudulent activities resulting in leakages would leave behind detectable trails. Additionally, the security of the DBT is strengthened by its Unique Identification System based on biometrics (known as UID or Aadhar) used for verification and to reduce duplicate benefit transfers. Thus, the DBT takes a preventive approach to reduce subsidy diversion through ghost and duplicate recipients. A study by Prabhat Barnwal found that **directly transferring subsidies to households reduces fuel purchases in the domestic fuel sector by 11% to 14%, suggesting a reduction in subsidy diversion.[19] It was also found that about 16.5 crore beneficiaries received a total of Rs. 66921 crore in LPG subsidies in 2013-14, the year DBT was introduced.**

The subsidy reforms have been largely effective in the sense that they have improved targeting so that intended beneficiaries are receiving the subsidy. The most significant hurdle in the DBT approach is the dependence on a strong banking network. Bank accounts are essential for the direct

[18] DBT Bharat
[19] World Bank

transfer of subsidy benefits to the recipients. **Widespread creation of bank accounts particularly in the rural areas was attempted through the Jan Dhan Yojana program, but its impact is still limited.** Even in the implementation of the NPY (Nikshay Poshan Yojana) scheme, one of the most marked difficulties faced by beneficiaries were related to the lack of bank accounts or the necessary documents to open an account. Much fewer ration cards, many marginalised and vulnerable groups such as migrants and the homeless population lack Aadhar cards or any sort of identity proof to create bank accounts. These groups are often the most in need of the benefits of such welfare schemes but are unable to access them. This points to a lack of operational simplicity and timely disbursal of benefits.

The DBT approach is overall a more effective option than the PDS, as it addresses and resolves many of the issues faced while implementing the PDS.

Effectiveness of DBTs

The **number of schemes incorporated into DBT** has increased from **28 in 2013-14** (the year of the introduction of DBT) to **433 in 2018-19.** The **Compound Annual Growth Rate** (an indicator of an investment's annual growth rate) for all schemes in total is found to be **58%.**[20] According to the progress report of the government, there has been a consistent growth in the number of beneficiaries, from 10.8 crore in 2013-14 to 130 crore in 2018-19, with PAHAL and MGNREGS having the most number of beneficiaries. The data shows a sudden uptick in beneficiaries from 35.73 crore in 2016-17 to 124 crore in 2017-18, due to the implementation of PMAY, a scheme intended to facilitate affordable housing for people of lower income groups. **As of 2022, the total number of beneficiaries under PAHAL, also known as DBTL, (Direct Benefit Transfer for LPG) stands at around 28.36 crore, compared to 20 crore in 2018, indicating a steady increase in beneficiaries.**[21] The **total amount of funds transferred in 2013-14 was 7367.7 crore**, which increased to **159880 Cr in 2018-19.**

A crucial parameter to measure the impact of DBTs is to assess its effectiveness in preventing leakages and duplicate or false identities and accounts, which are the problems intended to be addressed while bringing in subsidy reforms. **The data indicates that an estimated Rs. 90012 crore has been saved.** After the removal of ghost beneficiaries, the highly popular schemes of PAHAL and PDS show the highest amount of saving, estimated at around Rs. 42275 crore and Rs. 29708 crore respectively. **The Finance Minister in the 2024 Budget Session claimed that a total**

[20] SSRN
[21] Open Government Data Platform

of 34 lakh crore had been spent on DBTs, saving the government an estimated 2.7 lakh crore.[22]

PMJDY accounts have grown 3.4 times from 14.72 crore in 2015 to 50.09 crore in 2023. As per the instruction of the government of India, all those initiating a bank account under the Jan Dhan Yojana are given a Rupay card. Around 33.98 crore RuPay cards have been issued to PMJDY account holders. As of August 2023, 67% of total Jan Dhan accounts have been opened in rural and semi urban areas.[23]

The PMJDY itself has struggled realising its goal of creating bank accounts to make the benefits of welfare schemes more accessible. The scheme has largely succeeded in opening a large number of new bank accounts, but a significant portion of these are dormant or inactive due to insufficient income. There is also the problem of duplicate accounts which is a major hindrance to the effective functioning of the scheme. The target beneficiaries, that is the economically backward section, cannot access digital financial services such as UPI. Although the scheme guarantees a RuPay debit card to all account holders, beneficiaries report delays in the process of renewing debit cards, leading to a skewed ratio in the number of bank accounts to the number of RuPay debit cards. Shortage of ATMs, inefficiency on behalf of bank employees, lack of information and awareness about the scheme as well as digital illiteracy are all challenges resulting in the PMJDY falling short of its objective.

The PMJDYs aim was to achieve financial inclusion among backward, poor and rural sections of society. However it is important to recognise that merely opening bank accounts is not a sufficient metric to evaluate the success of the scheme. It is equally necessary to measure an individual's level of financial awareness, behaviour, and participation. Although quantitatively speaking, a considerable amount of progress has been made, the quality of implementation of this scheme and its success should be brought under scrutiny.

Skill Development Initiatives

Skill development initiatives aim to impart adequate training to both youth as well as adults to enable them to secure gainful employment and earn a livelihood with dignity. Such initiatives intend to create a long-term solution to uplift people from poverty, as well as to mobilise

[22] The Hindu
[23] Press Information Bureau of India

a large youth population by inculcating in them the essential skills to form an effective labour force, which in turn will boost economic growth.

National Skill Development Mission

The National Skill Development Mission was launched on July 15 2015. It aims to create a **convergent and high powered decision making framework for the purpose of consolidating and coordinating large scale, high standard skill training activities across states and sectors.** With the introduction of this scheme, bodies such as the National Skill Development Agency (NSDA), National Skill Development Corporation (NSDC), Sector Skills Council (SSC) were brought under a central governing body, which is the Ministry of Skill Development and Entrepreneurship (MSDE).

PMKVY

Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the **flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE).** The implementation of this scheme is entrusted to the National Skills Development Corporation (NSDC), which was given an initial target of training over 24 lakh youth.

The objective of this scheme is to **train the youth to develop requisite industry-relevant skills to improve their employability, completely free of cost. This training will enable them to seek dignified employment, earn a livelihood and thus improve their socio economic status.** The scheme is conscious of the different backgrounds from which its recipients are from. Those with prior learning experience or skills are also assessed and certified under Recognition of Prior Learning (RPL). It also provides assistance to those who are school or college dropouts and lack any kind of certification, under the Short Term Training (STT). Additionally, special projects are undertaken for the benefit of vulnerable and disadvantaged groups of backward regions of the country. Placements may be in the form of wage employment or self–employment.

Phases of PMKVY

Under the first phase of PMKVY, known as PMKVY 1.0, the goal was to provide free short-duration skill training and incentivise the youth by guaranteeing monetary rewards for skill certification. In the year of its implementation in 2015-16, 19.85 lakh candidates were trained.

Phase 2 or PMKVY 2.0 spanning a duration of 2016-20, was executed while also keeping in line with other government missions such as Make in India, Digital India and Swachh Bharat. The budget of 12000 crore was successful in training a total of more than 1.2 crore youth in the first two phases.

The third phase of PMKVY, PMKVY 3.0, aims to achieve the goal of 'Atmnanirbhar Bharat'. The structure of this phase allocates greater powers to the States and Districts, creating a more decentralised functioning. It aims to achieve the training of over 8 lakh candidates from 2020-21 with an outlay of Rs. 948.90 crore. The focus of this phase of the scheme is to make it more learner-centric as well as to impart vocational education at an early level
The primary emphasis of the fourth phase PMKVY 4.0 PMKVY 4.0 was on inclusion of women, and tribal communities, as well as to provide support for those who lost their jobs during the pandemic, focusing on reskilling and upskilling.[24]

Effectiveness of PMKVY
According to data from NITI Aayog, **a total of 20 lakh candidates were enrolled in the RPL programme under PMKVY, and 14 lakh candidates have already passed the training for RPL as of May 13, 2019. 29 lakh students have been enrolled in the STT programme, 26 lakh candidates have already been trained, and 21 lakh candidates have passed the training of which 53.88% candidates have been successfully placed** by May 13, 2019. **Under the special projects** which provide training to marginalised groups of society, **1 lakh candidates have been enrolled, 78,547 candidates have been successfully trained and 43.43% of candidates have been placed successfully.**[25]

According to the National Skill Development Corporation (NSDC) the **income of candidates before and after RPL certification was analysed, and it was found that the average income had increased by 25%.** The relevance of the RPL program for its participants is indicated by the fact that 78% of employed RPL certified respondents were working in the domain for which they had been trained and skilled. 38% of those who were RPL certified were self-employed, while the number of salaried employees was 32%. When asked about the greatest improvement after their completion of the RPL certification program, 75% respondents reported an improvement in technical skills, 77% reported improved soft skills and 79% reported an increased confidence in their prospects of securing better employment. [26]

A study conducted on attendees of PMKVY training programs by Neelu Kumari in the Ranchi district of Jharkhand, found that a majority of respondents reported that they felt the training provided by PMKVY is relevant and that the training program is useful in their work. The respondents also found that the scheme is helpful in gaining employment, both through a salaried

[24] Semantic Scholar
[25] Niti.gov.in
[26] Skills IP

job or through self employment. It was found that respondents felt the scheme was significant in providing skill development courses for unskilled labour. The study also reported that participants under the PMKVY had a positive impact on their income and savings.

However, under PMKVY 2.0, **only 23% of the total candidates were placed (only 21.3 lakh out of 91.4 lakh). Under PMKVY 3.0, only 30,599 (8%) of the total 4 lakh candidates had been placed.** The ministry reported that this amount is due to the incomplete assessments and certification of the candidates. [27]

Thus, it is evident that the training received under PMKVY provides a much needed boost for domain specific skill training and employment. It is worth noting that the scheme not only allows for employment in one designated field, but also builds the confidence and potential of the people to allow them to seek various forms of employment, including self employment. The scheme is quite effective both in terms of guaranteeing employment to the trained candidates, as well as building the productive capacity of the population.

Challenges and Limitations in Policy Implementation

Despite the great progress made by the government in terms of formulating policies to achieve poverty alleviation and financial inclusion, several hurdles persist that inhibit these policies from effectively reaching their intended objectives. Some of the general issues with policy implementation are as follows:

1. Targeting Problems: This is an issue very common with schemes that are specifically intended for a certain group or section of society. The PDS for example, shifted its approach from a uniform universal system to a system targeting those who needed it the most. This change in approach is an attempt to **streamline the process, as well as to reduce the cost burden of the program and to ensure that those subsidised essentials were being provided to those who needed it the most**. This involved classifying households as either Above the Poverty Line (APL) or Below the Poverty Line (BPL). Various issues made this process difficult, such as a **lack of reliable data, and regular official estimates of household incomes, leading to many BPL households not being classified as such, and the inability to hold ration cards**. The **creation of illegal cards** only further aggravated this problem.

[27] PRS Legislative Research

2. Leakages: This is a problem that arises in the case of granting subsidies on certain commodities. The provision of commodities such as rice and other food grains at a much cheaper rate than the prevailing market price makes it highly profitable for stakeholders to sell these commodities in the open market for a much higher price. The **diversion of these commodities results in the intended beneficiaries not receiving the essential commodities,** which affects their faith in the system to provide them assistance for even the most basic needs. **Ghost beneficiaries or those holding fraudulent accounts leading to duplicate transfer of subsidies cause severe losses in monetary terms as well as in kind**. Exploitation of this scheme negatively affects the resources and capacity of the government to provide for those in need. Discussions in the Rajya Sabha about the problem of fake and duplicate ration cards indicate that about **55 lakh duplicate beneficiaries (as of 2023) have been reported by the states and union territories.**[28]

3. Corruption and Bureaucracy: Perhaps one of the most universal problems throughout the implementation of schemes is corruption on the part of officials and administrators. For example, in the PDS system, Research by Gupta and Singh[29] also found that store owners exchange high-quality goods for lower-quality goods from local stores. If the administration of the policy operates in a decentralised system, it means that there is no single central authority that monitors the functioning of the system that can take preventative action against corrupt activities. **Lack of a central authority In the case of MGNREGA, wage skimming by administrators, over-reporting the number of jobs required and caste bias are some of the common factors contributing to its ineffective implementation.** In the case of DBTs, the intended recipients of the direct subsidy must have a bank account. Several people, particularly those in rural areas, reported unwillingness or uncooperativeness on the part of bank officials to assist them in creating bank accounts.

4. Regional Disparities: Another implication of the lack of a centralised system is the inconsistencies in the implementation and impact of the policy across different regions of the country. State-wise differences are prominent in the MGNREGA scheme. To distribute the benefits of welfare schemes equitably, **state and village-level efforts need to be enforced with greater central authority to ensure better coverage to bridge the gap between different states.**

[28] Rajya Sabha Question
[29] Indian Journals

5. Lack of Digital and Banking Infrastructure: Having a bank account is the most primary requisite for receiving the benefits through direct transfer schemes such as the DBT. However, those in poverty-stricken areas, particularly in rural regions, don't hold bank accounts, lack access to banking systems or may even harbour suspicions and doubt about the process of banking. T**he complexity in the process of accessing such schemes is isolating for the truly marginalised and vulnerable population who lack necessary documentation for initiating a bank account.** With many aspects of scheme implementation being digitised, the lack of digital infrastructure, such as internet access, mobile data network, in rural areas prevents people from accessing information about certain schemes, or receiving redressal for their grievances. The use of electronic payment systems to transfer payments is more convenient and accessible, but is not in widespread use for these particular reasons.

Role of AI in Effective Scheme Implementation

The government and policymakers can leverage modern advanced technologies such as AI, blockchain technology, IoTs, big data analytics, etc, to improve the efficiency of the implementation of social safety nets.

One of the biggest limitations to effective policy implementation is the lack of accurate and reliable data. Millions of people in India are in poverty and identifying them and their specific needs can be challenging. The number of people in poverty, the level of poverty in different regions, the monthly incomes of households, and the amount of available resources, are all vast bodies of data. **AI-driven algorithms and machine learning techniques can significantly improve the process of analysing and finding patterns in such data, as well as identifying key trends and connections** which would normally not be possible using manual efforts. The automation of data analysis makes the process of targeting and identifying those most in need of policy benefits more time efficient and minimises risk of human error. This process also makes it easier to update data upon receiving new information in real-time.

Blockchain technology uses a decentralised model of blocks, which are ledgers used to store and update information and data. Information and transactions can be shared between parties, and their permissions can be changed to control who is allowed to view or access it. This technology can be used while implementing social safety nets such as the **PDS and DBT to track and monitor the transfer of food grains, funds, and other subsidies to ensure that the subsidies are reaching the intended beneficiaries, helping to reduce leakages from the system.** The access to such records can also be modified to make them public or private as per requirements. For the same purpose of tracking the movement of subsidies to beneficiaries, the IoT also offers great potential. The Internet of Things or IoT is a network of interconnected devices embedded with sensors, software, and network connectivity that transfer and exchange data with other such devices. **IoT can be used for tracking the quantities of food grains and subsidies as well as tracking the movement of subsidies from distribution centres to beneficiaries**, thereby enhancing the efficiency of the system while also providing more accurate data regarding the actual number of people receiving benefits of the safety nets.

Another major challenge to the effectiveness of social safety nets is fake beneficiaries and duplicate accounts. **Advanced AI-based technology can be of great assistance in detecting such false accounts and preventing fraud.** Advanced analytics can examine transactions, and detect irregularities from typical behaviour patterns using pattern recognition systems, which can then raise alerts to potential fraudulent activity. It can also analyse the manner of fund utilisation to detect abnormal patterns and bring this to the attention of authorities. **Machine learning algorithms can also be used to detect discrepancies in the distribution of benefits, triggering automatic compliance alerts.**

The process of verification using Aadhar can be further strengthened by incorporating additional **AI-powered biometric systems to ensure the legitimacy of identities and accounts to which subsidy benefits are being transferred.** This system can also prevent identity fraud and duplicate accounts receiving multiple benefits. In remote and isolated rural areas, verification using biometric systems such as facial recognition and fingerprint scanning can be made feasible using AI.

Other ways in which AI can be potentially used in scheme implementation is by using it to analyse vast amounts of data to identify which regions, areas and demographics are most in need of socio-economic support. AI can also enhance the system of circulating information and awareness regarding new schemes, deadlines, and updates.

Conclusion

Over the years the government of India has designed and enacted various policies and provided social safety nets to uplift its large rural and poor population to achieve a more just and equitable socio-economic order. These schemes use a variety of approaches - the PDS and DBT utilised the method of directly transferring benefits, while the MGNREGA and PMKVY focused on poverty alleviation through skill development and employment generation. These schemes have been effective in many aspects, but there is still room for improvement and reform. Various state governments are unable to meet the needs of those seeking benefits under the scheme due to lack of adequate resources and funds, leakages and corruption in the system and among officials, insufficient infrastructure to support the efficient delivery of benefits, lack of clarity and reliability in information and data, etc. It can also be inferred that certain approaches for safety nets are more suitable than others.

Improving targeting using advanced technology can ensure better utilisation and allocations of foodgrains and other subsidies by providing them to only those who are genuinely in need are receiving benefits. To ensure that only legitimate accounts receive benefits, the reliability of the **authentication system using Aadhaar must be improved by eliminating technical glitches and providing proper identification. Expanding banking infrastructure** and increasing the availability of ATMs and bank branches, particularly in the rural areas, will allow more individuals to access the benefits of the schemes. Along with this, it is also crucial to **spread awareness and education about financial services and digital payments.** Accessibility can also be improved by making digital platforms of schemes simpler and more accessible to those in rural areas, with little technical knowledge or limited literacy. For example, voice-based systems in regional languages can be a good solution to this barrier. With the **ease of access of digital platforms, the process of grievance redressal can also become more convenient.** These **platforms can also host dashboards providing updates on the progress of the scheme,** such as the funds allocated to the scheme, the number of beneficiaries, and the success rates, which would aid in building trust in the system.

To counter the issue of l**eakages and diversion of funds, a real-time monitoring system can help track the flow of subsidies to beneficiaries.** Schemes under social safety nets must not be viewed in isolation. **Integrating schemes with one another can help address various aspects of poverty.** For example, integrating DBT benefits with skill development and employment generation programmes such as the PMKVY allows beneficiaries to gain meaningful employment and become self-sufficient to uplift themselves from poverty. The introduction of **conditional cash transfers for education, health, and nutrition can incentivize positive behaviours among beneficiaries**, such as enrolling children in schools or undergoing regular health check-ups. **Regional disparities in policy implementation can be addressed by implementing a more flexible policy framework** that can be modified and adjusted as per specific local needs. This can be achieved by initially **implementing pilots of new schemes in certain regions to assess their impact** before making any needed changes and scaling them to a nationwide implementation.

Thus, it is evident that the most pressing challenges to be addressed are preventing corruption, reducing complexity and increasing accessibility of schemes, and enabling greater central authority along with local level efforts. There is also an urgent need for a more transparent system to facilitate the flow of funds, information and data between various levels of administration, so that better awareness and knowledge can aid in the development of an informed decision making process. By drawing comparisons between the effects of PDS and DBTs, it is clear that direct transfer of funds, as opposed to indirect subsidies on commodities, are more popular as well as effective to provide the poor population with essential goods. The same can be said for the provision of skill training, which allows for building of human potential and capacities, encouraging them to seek employment on their own terms, rather than the direct provision or guarantee of jobs.

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