

# Socioeconomic impact of transfers: Subsidy vs Cash?

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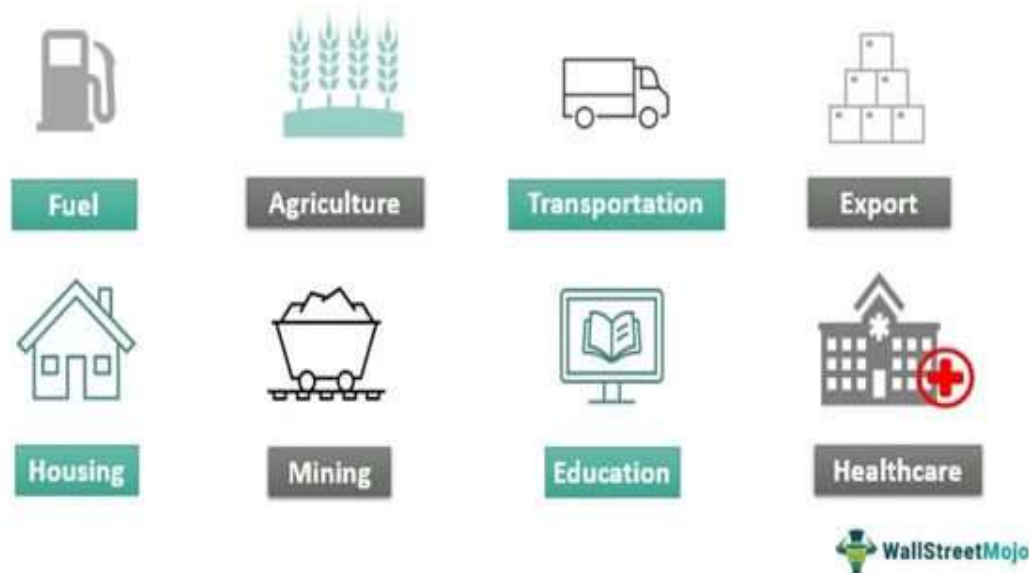
## Introduction

Economic development is the production of wealth for the benefit of the community. It is more than simply a job program; it is an investment in the growth of your economy as well as the prosperity and quality of life of all residents. Economic progress means different things to different people. Growth in the economy, when done correctly, helps a community maintain and expand employment and investment. A subsidy often known as a government incentive, is a type of financial help or support provided to an economic sector with the goal of improving economic and social policies. Although most usually associated with government assistance, the phrase subsidy can refer to any sort of assistance. Subsidies can only maximize their benefits if they are clear, well-targeted, and well planned for successful execution with no leakages or the government may provide Cash transfer programming (CTP) encompasses any programs in which cash is given directly to beneficiaries. It is a strategy that relies on connections, capacities, incentives, and relationships to promote successful market recovery.

## Literature Review

**Subsidy** has many definitions one of the definition of Subsidies that they're state aid and one of the strategies that governments might use to attain many goals and numerous regulations. Starting with food subsidy, which aims to address the issue of food costs, which have a significant impact on impoverished people's well-being and poverty alleviation in developing countries, and moving on to energy subsidy, which is a direct financial payment from the government to an energy producer or user with the goal of increasing the production or use of a specific type of energy. Finally, government subsidy related to household utilities such as water supply, as well as Subsidizing manpower and many other types.

### Subsidy Types

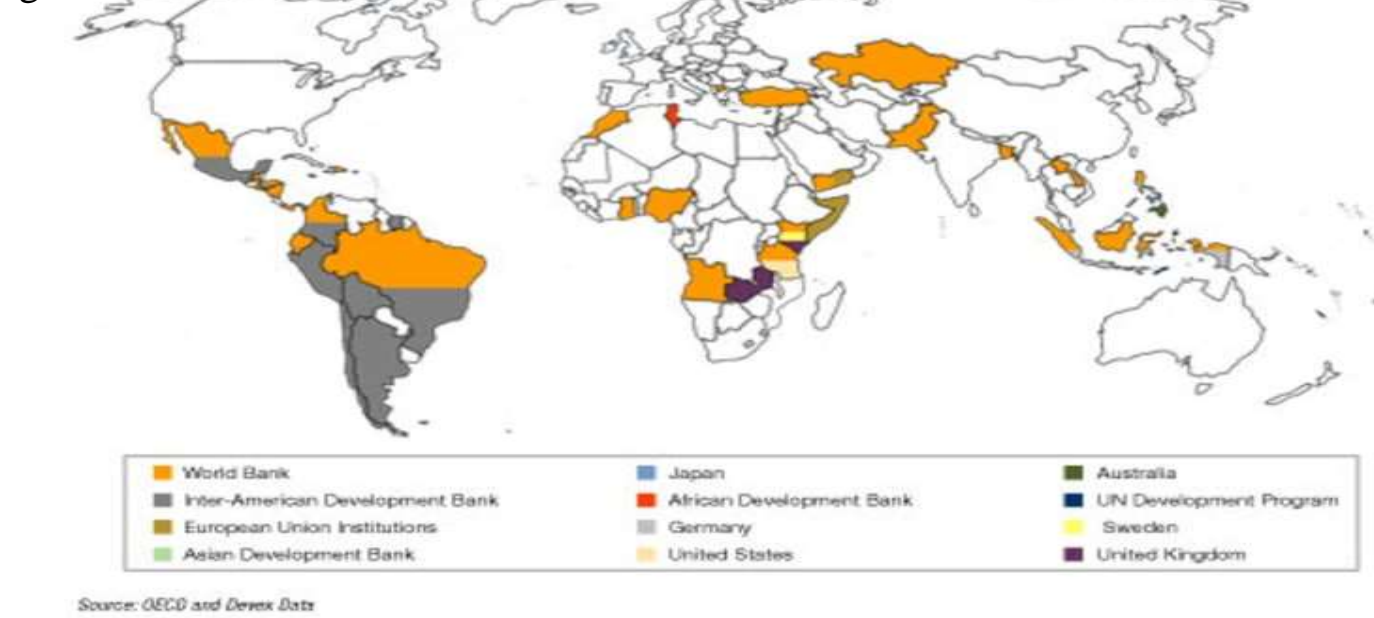


Cash transfers, on the other hand, are explained. Raising educational attainment around the world is one of the Millennium Development Goals' main aims. Conditional and unconditional cash transfer programs are a typical social protection mechanism in developing countries, with the purpose of improving, among other things, education performance. Recent worldwide policy disputes have centered on whether or not these initiatives should be subject to conditions. This systematic study aims to contribute to the continuing discussion over how to design cash transfer programs by adding to the body of knowledge concerning the effectiveness of these programs in improving educational outcomes.( Baird et al.:2013)

Conditional cash transfer programs are an excellent approach to deliver social services. They give money to low-income families in exchange for human capital investments, whereas the cash transfer is unconditional (universal cash transfer) In its most basic form, an unconditional cash transfer would only solve two limits directly: liquidity and insurance, in the absence of any explicit message or additional activity.



here are supporters and opponents for both programs but a wide number of countries have implemented or are considering CCT programs. A program like this exists in almost every Latin American country, Bangladesh, Indonesia, and Turkey have large-scale initiatives, as well as pilot efforts in Cambodia, Malawi, Morocco, Pakistan, and South Africa. From impoverished to developed countries, interest in cash-based schemes that encourage parents to participate in their children's education has grown. CCTs have been hailed as a means of reducing inequality, promoting child health, nutrition, and education: an



## Methodology

To investigate the topic, "what are the explanatory tries to show the socioeconomic impact of transferring from subsidy to cash transfer?" A qualitative descriptive analysis of secondary data was used to conduct a comparative case study between Egypt and Iran. A case study is an in-depth evaluation of a specific instance – such as a policy, program, intervention location, implementation method, or participant – that is frequently conducted over time. Comparative case studies examine two or more examples in order to get more generalizable information regarding causal problems, such as how and why specific programs or policies succeed or fail. Comparative case studies are conducted over a period of time and focus on comparisons within and across settings (Goodrick, D. ,2020). In this paper transfers' cash vs subsidy is the process under investigation

Exploring the effect of Transformation from subsidy to cash transfer

On Economic growth, Poverty, inequality, women empowerment

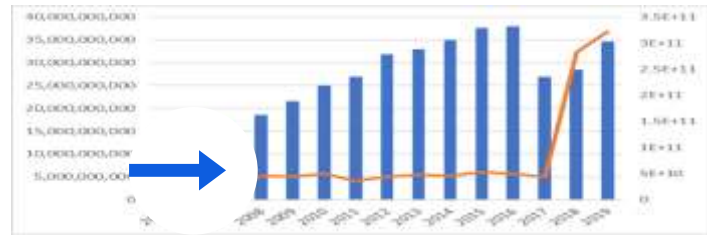
In Egypt, Iran

## Results

### A In Egypt:

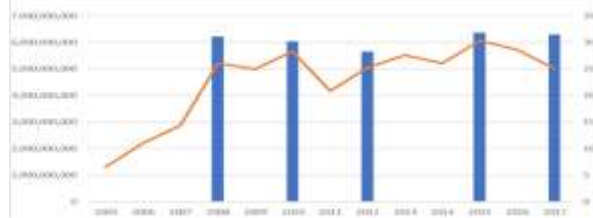
1-Our first variable that the effect of transformation from subsidy to cash transfer will be tested on it is economic growth (GDP) in Egypt as shown by this graph shows the relationship of economic growth in Egypt from 2005 to 2019 and Government spending on support, grants and social benefit. which shows that there is no relationship between economic growth and government spending on support, grants and social benefit .

(source: world bank)



2-Our first variable that the effect of transformation from subsidy to cash transfer will be tested on it is economic growth (GDP) in Egypt as shown by this graph shows the relationship of economic growth in Egypt from 2005 to 2019 and Government spending on support, grants and social benefit. which shows that there is no relationship between economic growth and government spending on support, grants and social benefit .

(source:world bank)

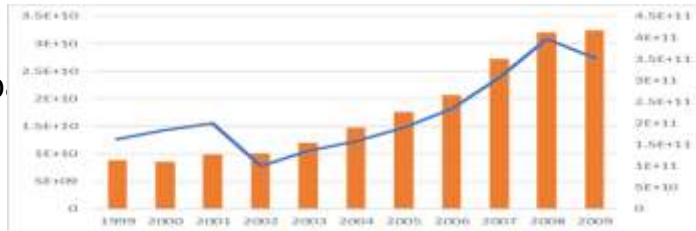


3-Women's empowerment is the third variable on which the impact of the transition from subsidy to cash transfer will be assessed in Egypt. Women may take control of their life and make financial decisions with the support of cash transfers, which are a simple but powerful method to empower them. The cash transfer program "Takaful and Karama," which was introduced in 2015, is an example of this. The initiative has reached 2.26 million households, or around 9.4 million people, or about 10% of Egypt's population. The good news is that women make up around 88 percent of the program's recipients (1,998,280 women.) Both conditional and unconditional cash transfers are available through this scheme. The "Takaful" component of the program provides monthly conditional pensions to disadvantaged families, while the "Karama" component provides non-conditional pensions to destitute, elderly citizens over 65, people with severe illnesses and diseases, as well as orphans.

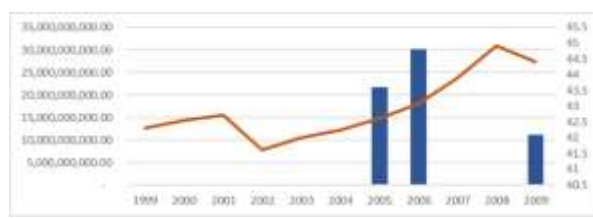
### B In Iran:

1-Economic growth (GDP) in Iran will be the first variable on which the impact of the shift from subsidy to cash transfer will be assessed. The graph shows how government spending on subsidies affect economic growth of Iran from 1999 to 2009. This graph indicates that government spending on subsidies has no relationship with economic growth of Iran from 1999 to 2009 them as government spending on subsidies in year 2001 is approximately as much as 2005 however GDP in 2001 is significantly less than 2005

(source:world bank)



2-Poverty and inequality will be the second variable used to measure the impact of the switch from subsidies to cash transfers in Iran. This graph represents the relationship between total government expenditure on subsidies and other transfers and Gini index which represents inequality from 1999 to 2003. This graph indicates that government spending on subsidies and other transfers has no relationship with decreasing poverty and inequality as shown in the graph government spending on subsidies and other transfers in 2000 is much lower than in 2003 however inequality is significantly more in 2000 than in 2003.



3-The third variable used to measure the impact of the transition from subsidy to cash transfer in Iran is women's empowerment. Iran started using universal cash transfers to replace energy subsidies on nearly 4 million equivalent barrels per day of oil and gas products. The logic of replacing a policy that distributes the country's natural wealth as in-kind transfers to households and businesses based on their energy consumption, while distorting production costs and polluting the environment, with one that gives citizens cash and allows them to spend it on whatever they want is compelling. However, since its inception in 2011, the cash transfer program has been heavily criticized, partly due to its supposed negative impact on the poor's labor supply. Cash transfers can help lower-income people overcome credit constraints, increasing their labor supply. Women with small children may be able to use transfers to pay for child care while also increasing their labor supply. Without a borrowing limit, timing would be irrelevant, and individuals who received cash sooner or later would experience the same change in overall wealth and so labor supply behavior.

## Conclusion

The paper discusses the economic difference between subsidy and cash transfer which is important topic to discuss as how both affect the economic development of countries. Subsidies include food subsidy, energy subsidy, water subsidy and Variable renewable energy has already made its way into power markets. From an economic standpoint, consumer welfare will be defined as the difference between final customers' values and the price they actually pay. In the second chapter comparative analysis in Arab countries between subsidy and cash transfer. Subsidies for energy are one of the most prevalent and contentious fiscal policy measures in the Middle East and North Africa (MENA) Then explaining impact of cash transfer and subsidy on poverty and inequality in terms of economic efficiency.

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