



ROLE OF DIRECT BENEFIT TRANSFER IN ENSURING END-TO-END TRANSPARENCY OF SUBSIDY AND TRANSFER OF BENEFITS

Sanjay Kumar Chaudhary

Research Scholar , L.N. Mithila University, Darbhanga.

ABSTRACT:

Direct Benefit Transfer or DBT is an attempt to change the mechanism of transferring subsidies launched by Government of India on 1 January 2013. This program aims to transfer subsidies directly to the people through their bank accounts. It is hoped that crediting subsidies into bank accounts will reduce leakages, delays, etc. The primary aim of this Direct Benefit Transfer program is to bring transparency and terminate pilferage from distribution of funds sponsored by Central Government of India. In DBT, benefit or subsidy will be directly transferred to citizens living below poverty line. Central Plan Scheme Monitoring System (CPSMS), being implemented by the Office of Controller General of Accounts, will act as the common platform for routing DBT. CPSMS can be used for the preparation of beneficiary list, digitally signing the same and processing of payments in the bank accounts of the beneficiary using the Aadhaar Payment Bridge of NPCI.



KEYWORDS: Central Plan Scheme Monitoring System, Direct Benefit Transfer,

INTRODUCTION

Direct Benefit Transfer (DBT): An Introduction

Direct Benefit Transfer is a major reform initiative launched by Government of India on 1st January, 2013 to re-engineer the existing cumbersome delivery processes using modern Information and Communication Technology (ICT). This programme aims to transfer benefits directly into the bank/postal accounts, preferably Aadhaar seeded, of accurately

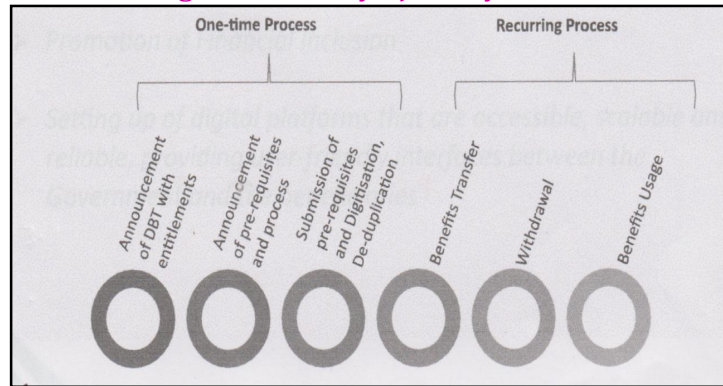
targeted beneficiaries. In a nutshell, DBT intends to achieve:

1. Electronic transfer of benefits, minimising levels involved in benefit flow
2. Reduced delay in payments
3. Accurate targeting of the beneficiary
4. Curbing pilferage and duplication

DBT is an attempt to ensure a better and more timely delivery of benefits to the people. This marks a paradigm shift in the process of delivering government benefits like wage payments, fuel

subsidies, food grain subsidies, etc. directly into the hands of the beneficiaries, speeding up payments, removing leakages, and enhancing financial inclusion. As depicted in the figure above, the DBT system through its customer-friendly processes ensures the last mile connectivity, allowing actual disbursements to take place at the doorstep of the beneficiaries through a network of bank branches and Business Correspondents (BCs) with micro ATM machines.

Fig 1: Beneficiary's journey to DBT



Source: www.dbtbharat.gov.in

Mission of DBT

Mission of DBT Scheme is to facilitate a paradigm shift in the process of delivering entitlements to all those who are eligible through:

- Accurate identification and targeting of the intended beneficiaries
- Re-engineering government processes for simpler flow of information and funds
- Promotion of Financial Inclusion
- Setting up of digital platforms that are accessible, scalable and reliable, providing user-friendly interfaces between the Government and the beneficiaries

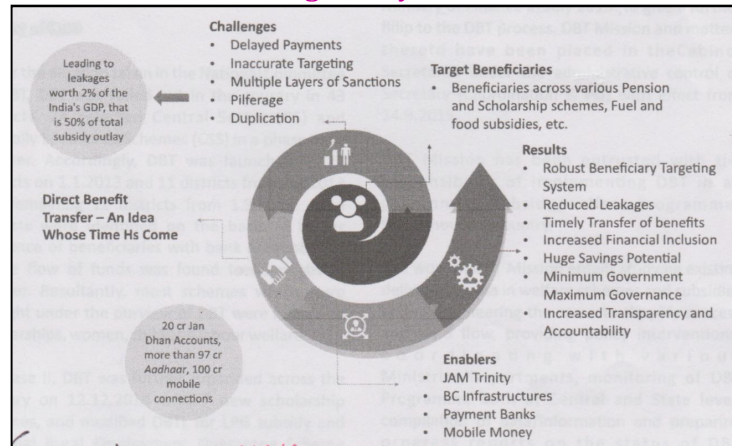
Vision of DBT

Vision of DBT Scheme is to provide a governance regime which ensures a simple and user-friendly Government to People (G2P) interface and directly delivers entitlements to eligible individuals and households in a fair, transparent, efficient and reliable manner.

Necessity of DBT

The Central and the State government transfers and subsidies in India today stand at about 4% of India’s Gross Domestic Product (GDP). Currently, these transfers happen through multiple channels. In the process, the payment gets delayed and its intangible value to the beneficiary reduces before it reaches him or her. Schemes introduced in the past have often struggled to achieve their goals due to ill-targeting, leakages and ineffective service delivery. These kind of delays and other hurdles leave a huge leakage gap of 2% of GDP every year. Apart from this, the several levels of sanctions within the federal structure lead to further delays, thereby creating space for various inefficiencies and duplication of effort. Thus, subsidies and benefits which are needed for different sections of the society require a well-targeted system of delivery which ensures timely transfer of benefits to the citizens of the country. DBT will bring efficiency, effectiveness, transparency and accountability in the Government system and infuse confidence of citizen in the governance. Thus, DBT entails leveraging modern technology and IT tools to realize the dream of maximum governance and minimum government.

Fig 2: Why DBT



Source: www.dbtbharat.gov.in

Additionally, DBT through its direct and time-bound transfer system enables the governments to transfer benefits using just an individual’s bank account number preferably linked through Aadhaar. This Aadhaar number or the biometric input, being unique in nature, removes ‘duplicates’ and ‘ghosts’ from the government databases. With the help of a vast network of business correspondents, DBT will bring banking to the doorsteps of the rural poor who earlier did not have access to modern financial services. The ease of access shall also enable beneficiaries to withdraw benefits from anywhere irrespective of their status of migration. Thus, DBT will hugely empower the unbanked and accelerate financial inclusion thereby ensuring end-to-end transparency of subsidy and transfer of benefits from the government to the beneficiaries.

As per the decision taken in the National Committee on DBT, DBT was rolled out in the country in 43 districts, 24 selected Central Sector (CS) and Centrally Sponsored Schemes (CSS) in a phase-wise manner. Accordingly, DBT was launched in 20 districts on 1.1.2013 and 11 districts from 1.2.2013 and remaining 12 districts from 1.3.2013. The districts were identified on the basis of higher incidence of beneficiaries with bank accounts and where flow of funds was found to be relatively simpler. Resultantly, most schemes which were brought under the purview of DAT were related to scholarships, women, child and labour welfare.

In Phase II, DBT was further expanded across the country on 12.12.2014 with 7 new scholarship schemes, and modified DBTL for 196 subsidy and National Rural Employment Guarantee Scheme (300 districts) brought under its ambit. To operationalise DBT in government schemes, the framework for electronic payments was laid down (vide O.M. dated 13.2.2015 and 19.2.2015) which is to be followed by all Ministries/Departments and their attached Institutions / PSUs. These guidelines are also applicable to all Central Sector (CS)/Centrally Sponsored Schemes (CSS) and for all schemes where cash component is transferred to individual beneficiaries.

Role Of DBT Mission

DBT Mission was initially created in the Planning Commission to act as the nodal agency for implementation of DBT in government schemes. The Mission was transferred from Planning Commission to the Department of Expenditure, Ministry of Finance in July 2013. To give a further fillip to the DBT process, DBT Mission and matters thereto have been placed in the Cabinet Secretariat under the administrative control of Secretary (Coordination & PG) with effect from 14.9.2015.

DBT Mission has been entrusted with the responsibility of implementing DBT in all government subsidy/welfare programmes throughout the country.

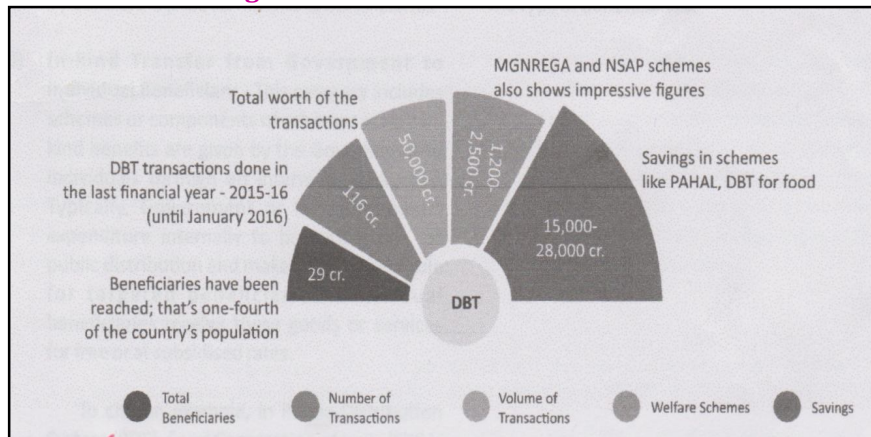
The work of DBT Mission entails studying existing delivery process in welfare schemes and subsidies and re-engineering the same to simplify process and fund flow, providing policy interventions, coordinating with various Ministries/Departments, monitoring of DBT Programme both

at Central and State level, compilation of data/information and preparing progress reports on the status of DBT implementation.

Present Status of DBT

Over the past three years, DBT has shown promising results in pilot schemes being run in different parts of the country. These include PAHAL (modified DBTL for LPG subsidy), Public Distribution System (PDS) in Punducherry, Chandigarh and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) payments in Jharkhand, Bihar, etc. The programme has already been universalised since February 2015 and more than 29 crore beneficiaries are withdrawing their benefits every month using Aadhaar biometric authentication. As on 30th April, 2016, DBT Mission is monitoring data from 15 Ministries/Departments on 66 government schemes operational in the country. The number of DBT transactions in the financial year 2015-16 (upto January, 2016) has crossed 100 crore. More than Rs 60,000 crore have been transferred to about one fourth of the total population of the country.

Fig.3 Current Status of DBT in India



Source: www.dbtbharat.gov.in

In the current scheme of things, the potential savings in programmes like PAHAL and DBT for Food are pegged at around Rs 15,000 and Rs 28,000 crore per annum, respectively. In welfare programmes like MGNREGA and NSAP scheme, the savings amount to around Rs 1,200 and Rs 2,500 crore per annum, respectively. This huge amount, if saved, can be utilised by the government in other ways to improve citizen’s confidence in governance.

CLASSIFICATION OF GOVERNMENT SCHEMES/COMPONENTS COVERED UNDER DBT

- I. **Cash Transfer to Individual Beneficiary** - This category includes schemes or components of schemes wherein cash benefits are transferred by Government to individual beneficiaries. Example: PAHAL, MGNREGA, NSAP etc. This transfer of cash benefits from Ministry/Department to beneficiaries happens through different routes, as given below:
 - a) directly to beneficiaries
 - b) through State Treasury Account to beneficiaries
 - c) through any Implementing Agency as appointed by Centre/State Governments to beneficiaries
- II. **In-kind Transfer from Government to Individual Beneficiary** - This category includes schemes or components of schemes where in-kind benefits are given by the Government to individuals through an intermediate agency. Typically, Government or its agent incurs expenditure internally to procure goods for public distribution and make services available for

targeted beneficiaries. Individual beneficiaries receive these goods or services for free or at subsidised rates.

To cite an example, in Public Distribution System (PDS), Food corporation of India (FCI) is the Government agent responsible for procurement, movement, storage and distribution of food grains to Fair Price Shops. FCI issues the food grains at subsidised rates, as fixed by the Government. The rates so fixed do not cover the full economic cost incurred by the Corporation. The difference represents the consumer subsidy for the PDS, and is paid to the Corporation by the Government of India. Similarly, Government incurs internal expenditures for provision of subsidies in kind on other products like kerosene, fertilisers, books, medicines, vaccines, etc.

The main objectives of the DBT are to facilitate direct credit of payments at right time and in right account. Its aims are following:

- Reducing time and cost required for processing wage payments.
- Automating all processes involved for effecting direct transfer of payments to bank accounts of the beneficiaries.
- Ensuring availability of data at all level of governance for strategic decision making.
- Taking care of the problem of large unspent opening balances and help streamline the fund flow process.
- Reducing workload in term of data entry in NREGAssoft at program office/post office/grampanchayat.

The DBT System has used a new method of disbursing funds. The use of biometric technology of authentication, common platform for processing intra and interbank payments and end to end computerization in the process are parts of this system. It allows for complete transparency that makes it a radical innovation.

The DBT Scheme Started with generation of Aadhar numbers for everyone. This Aadhar number was then linked with the beneficiary's bank account and benefits are transferred directly to his or her Aadhar linked bank accounts. DBT enables disbursements to take place at the doorstep of the beneficiaries. Cash withdrawal is made possible through 250,000 post office branches and 100,000 ATM's in the country. One million Aadhar enabled micro-ATMs' are added and the aim is to incorporate over 750 million mobile phone devices.

The entire system is run on a 'Aadhar Payment Bridge' (APB) and 'Aadhar-enabled payment system' (AEMS). This system can handle millions of transactions on daily basis. It talks to all banks and business correspondents. DBT is a new system but not a new scheme. It aims to make the payments under existing government schemes reach people faster and more efficiently.

ROLE OF GRAMEEN BANKS IN DIRECT BENEFIT TRANSFER

Though it is not viable to have a commercial bank branch in every village, all villages can be served through the Grameen Banks, new payments banks and banking correspondents. However, it is widely reported that bank staff are reluctant to cooperate in opening accounts, especially unprofitable 'zero balance' accounts, for poor customers. These customers are quite unfamiliar with opening and operating bank accounts and they are often seen as supplicants rather than clients. Standard excuses are used such as spellings of names not matching, signatures not matching, address inaccuracy, etc., to avoid opening an account or making a payment. An important step in cracking this problem is the linking of Jan Dhan Yojana with Aadhaar, the unique biometric identification system. Aadhaar is now backed by an Act of Parliament and is reported to have covered virtually the entire population. Linking of the two systems is also being actively pursued. However, this is a work in progress and there is still a long way to go.

CONCLUSION:

The DBT system is an experiment in delivering service to citizens. It provides the guarantee that the funds are received only by the beneficiaries. It also ensures that the funds are being withdrawn by

the beneficiaries themselves. DBT has been applicable to only very few schemes. The amount is dynamic which is proposed and already sanctioned through DBT system. Therefore, it is still to be seen whether this scheme is successful or not.

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