

**KEY ENABLERS FOR DIRECT BENEFIT TRANSFER: A CONCEPTUAL STUDY**

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ABSTRACT

Direct benefit transfer scheme undertaken by the Government of India is a step towards curbing inequality. It has been highlighted that the burning issues related to the implementation of DBT like very few Aadhaar enabled accounts, low accessibility to banking services, very low usage of ATM facilities, and low level of awareness of this scheme at bottom of the pyramid level. Fast expansion of financial inclusion is required for better implementation of this scheme. Socially deprived classes are least among the unaware group, here government may promote this scheme through Gram Sabha and Self Help Groups. Rural people are highly dependent on others to avail banking services so simplified banking services are required so that they can easily yet benefit as they do not feel safe which transacting through others. Among others issues like transfer of subsidy to female member's accounts need to be addressed as cases are of misuse of finance by male members. Moreover, most of the males are daily wage earners and to get subsidy from banks their routine life will also get affected. Above issues require government attention for better implementation and fruitful results. This paper is intended to study the key enablers for Direct Benefit Transfer Schemes.

KEYWORD : BC Infrastructure, Jam Trinity, Mobile Money, Payment Banks.

INTRODUCTION

Learning from the global experiences, Government of India launched DBT in phased manner initially with 20 districts of 16 states. Under the present structure, DBT covers 26 schemes out of the 42 schemes run by the Government. DBT include pension schemes, maternity benefits, scholarships, the MGNREGS, and subsidy on LPG cylinders etc. (Handbook on DBT, Government of India).¹³ The amount of subsidy is directly transferring to bank accounts of beneficiaries. Implementation of this programme rests on the functioning of Unique Identification Authority of India (UIDAI). Electronic transfer of payments/subsidy to identified beneficiaries will be leveraged through the Aadhaar card (biometric identity card) enabled bank accounts or post office accounts. Government is taking this scheme as game changer and plato expand for DBT programme to the entire country by the end of 2013. Planning is going on to convert all government welfare scheme and programmes to UID-driven cash transfers.

Only threat to better results of this scheme is widespread corruption which leads to leakages and under-delivery of government benefits to beneficiaries. A study by the Asian Development Bank found that food subsidies have resulted in an insignificant reduction of the poverty gap for India and, quite surprisingly,

70% of the beneficiaries were non-poor (Jha and Ramaswamy, 2010).¹⁴ Main problem associated with this scheme is that only Aadhaar card holders will get cash transfer. As of today approximately only 30 crore people have Aadhaar cards. Others drawback are 41% of the population in India is unbanked out of which 61% represents rural areas (RBI) and most of the 6,00,000 villages do not have bank branches (Economic & Political Weekly, 2013). These factors can limit the reach of cash transfer. It is feared that the money may not be used for the intended purpose. For better results and smooth implementation of this scheme like Brazilian CCT, public participation is essential. This is high time to examine the actual awareness about this initiative of government after a very good campaign. Issue of stakeholders must be raised as this scheme is in its inception stage of implementation. To examine the awareness and find out other issues related to this scheme, State of Bihar has been selected. The present study made an attempt to highlight reality, issues and challenges related with this scheme at bottom of the pyramid.

The DBT programme aims that entitlements and benefits to people can be transferred directly to them through biometric-based Aadhaar linked bank accounts, thus reducing several layers of intermediaries and delays in the system. The last-mile of the initiative is the most important - the system will allow actual disbursements to take place at the doorstep of the beneficiaries through a dense, interoperable network of business correspondents (BCs) using biometric micro ATM machines. Thus, the yardstick of success is not going to be that the money has reached a bank account, but that it has reached the hands of the intended beneficiary - a student, a pensioner, a widow, an elderly person, a disabled person, a poor family.

There are several dimensions to this. First, the link to Aadhaar and the use of biometrics ensures that the problems of “duplicates,” i.e., the same person getting the benefit more than once, and “ghosts,” i.e., a non-existent person getting the benefit, are addressed. Second, it makes it possible for money to reach the intended beneficiaries directly and on time — so, for example, pensions, which reach the beneficiary once every four to six months in many parts of India, can now reach her bank account on the first of every month. Third, a dense BC network on the ground with micro ATMs will allow payments to happen at peoples’ doorsteps, ensuring that the poor get the same level of service that the rich and middle-class in India get. Fourth, as it is a platform based on an open architecture, State governments can use this platform as much as the Central Government. This is important, because this programme is viewed as a cooperative endeavour between the Centre and the States, and the States will have a critical role to play. Fifth, the potential benefit to internal migrants who send remittances to their homes is huge. It is estimated that Rs.75,000 crore worth of within-country remittances are made in India every year — many of these are lifelines for their families. Seventy percent of these remittances are today channeled through informal (and illegal) channels which impose high costs on them, The Aadhaar-based micro ATM network can ensure that remittances take place instantly and at much lower cost to migrants.

KEY ENABLERS FOR DBT

The success of an ambitious and a highly desirable initiative like DBT depends on a set of a few critical factors. For a heterogeneous and a large country like India, it becomes imperative that these critical success factors are ensured to achieve smooth roll-out of a programme like DBT. The key success factors or enablers for an efficacious implementation of DBT would include:

I. JAM Trinity

With over 21.11 crore Jan-Dhan bank accounts, 100 crore mobile connections and 98 crore Aadhaar numbers, there is a compelling belief that JAM is the way ahead in delivering financial inclusion. It holds the key to one of the biggest reforms ever attempted in India. In fact, it is seen as a new-age solution using technology as the common man’s friend and an economic enabler for financial inclusion. It is here that OBT by leveraging the JAM (Jan-Dhan, Aadhaar and Mobiles) trinity and the technological prowess offers to drastically improve this benefit delivery system. The JAM Trinity will enable this novel system to transfer benefits in a leakage-proof, well-targeted, cashless and timely manner.

II. Business Correspondents (BC) Infrastructure

Reserve Bank of India introduced Business Correspondents / Banking Correspondents (BC) as an alternative to brick and mortar banks for infrastructure. BC is a representative authorised to offer services such as cash transactions where the bank does not have a branch. As per census 2011, there are 23,333 villages with population above 5,000 and 1,19,761 villages above 2,000 population.¹⁴ However, there are only 11,224 villages in the country with population above 5,000 which have a bank branch. Business Correspondents/ Bank Mitrs will have a vital role in operationalising the programme and ensuring the last mile connectivity. The strong presence of BCs will ensure that payments are disbursed to the beneficiaries on time, at their doorstep and of full value.

III. Payments Bank

A payments bank is like any other bank, but operating on a smaller scale, without involving any credit risk. It can carry out most banking operations and enable transfers and remittances through a mobile phone but cannot advance loans or issue credit cards. The main objective of payments bank is to widen the spread of payment and financial services to small business, low-income households, migrant labour workforce, etc. in secured technology-driven environment across the country. On 19 August 2015, the Reserve Bank of India gave in-principle licenses to eleven entities to launch payments banks. With payments banks, RBI seeks to increase the penetration level of financial services in the remote areas of the country.¹⁵

IV. Mobile money

Mobile money is a fast moving way of payment in the country and could be helpful in providing solution to last mile issue for better accessibility of DBT. There is a need to develop a comprehensive ecosystem for carrying out cashless transactions over mobile platform using Aadhaar as identifiers. This will revolutionise the drive for financial inclusion.

OBJECTIVES OF THE DBT

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 NREGAsoft 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.

CONCLUSION

The Direct Benefit Transfer (DBT) system was launched in January, 2013 in 20 districts covering scholarship and social security pensions. DBT is an attempt to change the mechanism of transferring subsidies launched by government of India on 1st 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, delay, etc.

Former Union Minister of Rural Development Mr. Jairam Ramesh and the former Chief Minister of Andhra Pradesh N. Kiran Kumar Reddy inaugurated the scheme of galloper in East Godavari district on 6th January 2013. The first review was undertaken on 15th Jan 2013. In April 2013 the government decided to extend the DBT scheme in UP, MP, Bihar, Tamil Nadu, Gujarat and West.

The DBT system is an experiment in delivering services to citizens. It provides the guarantee that the funds are reaching the accounts of the beneficiaries. It also ensures that funds are being withdrawn by beneficiaries themselves through the biometric system.

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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