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Randhir Kumar
M. Com., NET, L. N. Mithila
University, Darbhanga, Bihar,
India

Role of direct benefit transfer in curbing of pilferage

Randhir Kumar

Abstract

As a comprehensive socio-economic protection package, DBT will certainly fulfill the living expectation of the government and people specially the deprived and hapless through 'Aap Ka Paisa Aap Ke Haath'. We hope more schemes shall be covered under DBT and the whole country and its people will get the benefits directly without any delay or deficiencies. However, just creation of system, structure and institutions for better economic development by providing autonomy through decentralization and participatory management of various schemes is not enough rather to create a sustainable people-centered environment in which the various segments of the society can exercise their voice and choice and will get the benefits from the schemes. The beneficiaries should understand and enjoy their rights and can get involved in the decision making process for better inclusiveness, In fact, democracy loses its shine if the poorer and the deprived masses of a country are not able to share the progress and prosperity generated by that country, which is visible in various sectors. Hence; deliberate effort has to be made by the government in various quarters of planning for the betterment of deprived and hapless segments of the society. In this regards, DBT is a welcome step in creating enabling environment where people would enjoy long, healthy and creative lives. This paper is a modest attempt to study the role of Direct Benefit Transfer.

Keywords: Direct benefit transfer, financial inclusion, ICT, pilferage

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

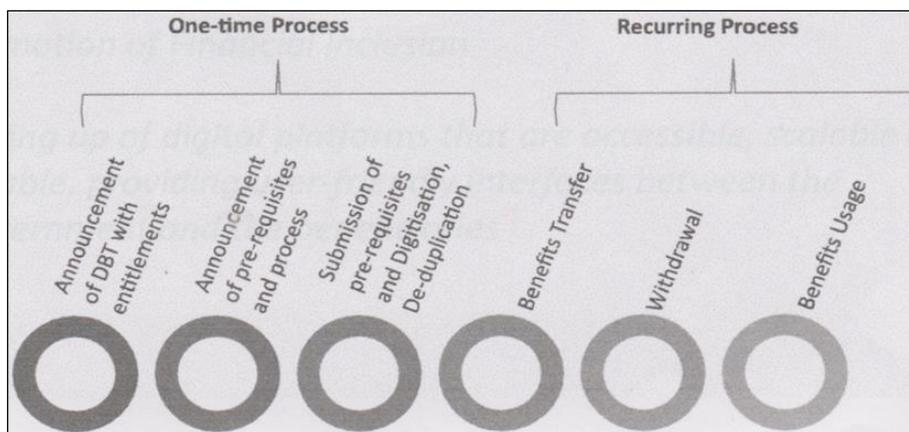
DBT is an attempt to ensure a better and timelier delivery of benefits to the people. This marks a paradigm shift in the process of delivering government benefits like wage payments, fuel subsidies, food grain subsidies, etc. directly into the hands of the beneficiaries, speeding up payments, removing 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.

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.

Correspondence Author:
Randhir Kumar
M. Com., NET, L. N. Mithila
University, Darbhanga, Bihar,
India

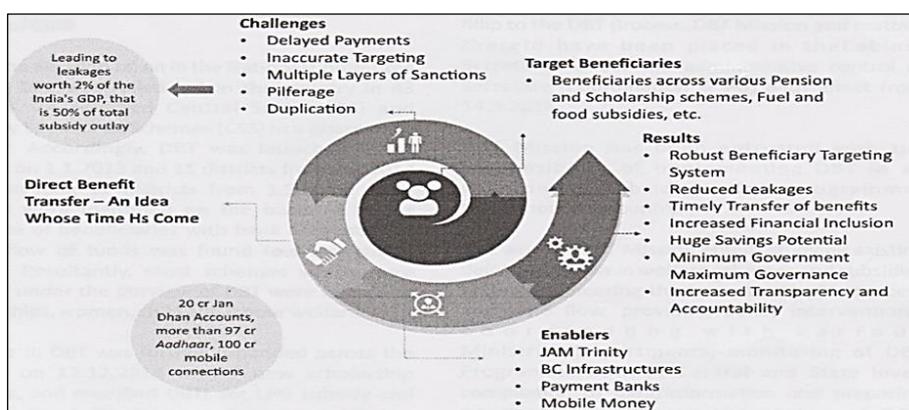
Thus, DBT will hugely empower the unbanked and accelerate financial inclusion thereby ensuring end-to-end

transparency of subsidy and transfer of benefits from the government to the beneficiaries.



Source: www.dbtbharat.gov.in

Fig 1: Beneficiary's journey to DBT



Source: www.dbtbharat.gov.in

Fig 2: Why DBT

Review of Literature

Laura and Rubio (2005) evaluated the impact of direct cash transfer programmes in bringing effectiveness in household behaviour in their study on six countries Mexico, Columbia, Turkey, Honduras, Jamaica and Nicaragua. Das Do and Ozler (2005) made an attempt to review the impact of conditional cash transfer programs implemented to increase investment in human capital and found that households will behave differently when given unconditional cash. Households would consume less of conditioned on goods and more of other goods.

Bryant (2009) found that cash transfers have played a key role in reducing poverty in industrialized nations for more than 50 years, but until the past decade, cash transfers were thought to be unaffordable or impossible to deliver in poorer countries. The Programme has led to criticism that it will generate a dependency culture.

Scorzafave and Lima (2010) analyzed the effect of different income sources on Brazilian income inequality for the period 1993 to 2007 and revealed that informal labour income and self-employment income sectors reduce income inequality, while public sector wages showed increased inequality during the period under study. It was found that social transfer programs had a positive but limited impact on equality.

Ghosh (2011) in his research reported that cash transfers cannot and should not replace the public provision of

essential goods and services, but rather supplement them. In other words, cash transfers are desirable and can play a positive redistributive role if they are additional to other public expenditure on essential goods services that are required by all citizens, including the poor. Economic and Weekly (2013) highlighted the financial inclusion data and grass root problems.

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. 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.

Objective of Study

This study is intended to achieve the following objectives:

- To find out the issue related to the Direct Benefit Transfer Scheme,
- To identify the major hurdles for the implementation of DBT scheme and
- To suggest the measures to overcome these hurdles for better results.

Importance of Study

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. The present study is intended to make an appraisal of Direct Benefit Transfer Scheme. Hence the study is justified.

Role of DBT Mission

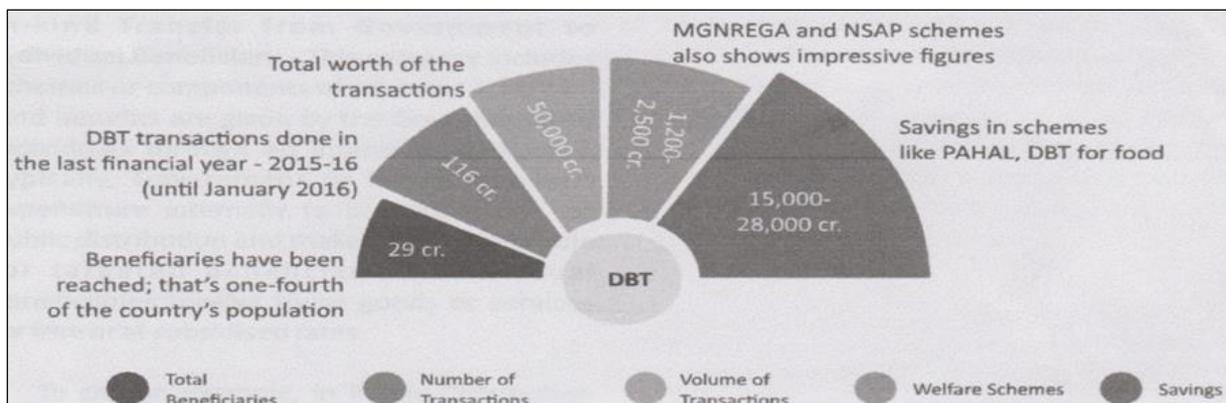
DBT Mission was initially created in the Planning Commission to act as the nodal agency for implementation of DBT in government schemes. The Mission was transferred from Planning Commission to the Department of Expenditure, Ministry of Finance in July 2013. To give a further fillip to the DBT process, 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 Puducherry, 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.



Source: www.dbtbharat.gov.in

Fig 3: Current Status of DBT in India

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.

Pre-requisites for DBT

The design and implementation of any cash transfer has many elements, all of which need to be addressed for the cash transfer system to operate smoothly. Before launching a cash transfer system, the following elements need to be in place-

- **A unique-identification card for all:** It is necessary to cover all likely recipients of any cash transfer under a unique identification system. This is being done under the UIDAI's Aadhaar scheme and its linking up with NPR.
- **Universal access to banking:** There is a need for everyone to have access to the banking system in some form or the other within a reasonable distance.
- **Financial inclusion-** in addition to having access to the banking system, everyone individual must have a bank account of some form or the other; the KYC norms are too aggressive and are against the poor. Making Aadhaar as an adequate KYC would enable financial inclusion.
- **Data Bases for transfers and link with Unique ID:** Apart from an identification system and financial inclusion, a Cash Transfer System needs a database of beneficiaries. These databases will be different for different programs - each benefit type can have a different target group and each benefit program will have separate clientele. These databases need to have a correspondence with the unique i.d. database so that there is common platform for financial transactions.

The linkage seeding of the beneficiary databases with the Unique ID numbers and also with the Bank account numbers is a critical component of the strategy. The Implementing Agency of a particular benefit program would need to ensure that the beneficiary database has the details of the Unique ID number while the Banking system will have to ensure the mapping of Aadhaar to the bank accounts.

Transfer Mechanism/Rules/Procedures/Checks/Audits

There is a large back-end Infrastructure that is needed consisting of Payment systems, bridges between different IT systems (of banks, clearing houses, Aadhaar, etc.), clearing systems, and so on, each of which has to be linked up with the other to be inter-operable. Further, detailed rules and procedures have to be evolved and put in place for transfers to take place across all these systems. All these have to have inbuilt checks and balances for traceability, preventing fraud and facilitating audit of transaction.

DBT Scheme will be successful with the

- Identification of beneficiaries and digitisation of beneficiary database,
- Opening of bank accounts,
- Aadhaar enrolment.

- Seeding of Aadhaar in beneficiary database and bank accounts and
- Last mile connectivity/service delivery.

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:

1. 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.

2. 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.

3. 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.

4. 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 eco-system for carrying out cashless transactions over mobile platform using Aadhaar as

identifiers. This will revolutionise the drive for financial inclusion.

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.

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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