

# The Direct Cash Transfer Scheme: Aapka Paisa Aapke Haath in India

## Abstract

Direct Benefit Transfer (DBT) programme is an initiative by the Government of India, which involves the direct transfer of cash into the beneficiary's cash account. Initially, the customer is expected to deposit the complete amount and the admissible subsidy is transferred into their accounts later on. This scheme was launched on 1st January, 2013, by the UPA-II Government in order to transform the service delivery in the country. Under this programme, Aadhaar, a biometric based identification system, is used to transfer the subsidies and the cash benefits directly into the beneficiary's accounts. Poverty elimination and inclusive growth are the top most priority for the welfare of every state. To meet these socio-developmental objectives, a number of Government sponsored programs and schemes have been introduced. However, there have been issues associated with the efficiency and effectiveness of the same. Rampant leakages and corruption have made many of the schemes and programs dysfunctional. Direct Cash Transfer to the poor has been aimed to mitigate these malaises. The new scheme aims to plug leakages in the current subsidy regime and will cover more than half of India's population, making it the world's largest cash transfer programme.

**Keywords:** Direct Cash Transfer, Objectives, Aadhar Identification, Its Advantages, Beneficiaries of DBT.

## Introduction

Direct Cash Transfer Scheme or DBT is an attempt to change the mechanism of transferring subsidies launched by Government of India on 1 January 2013. This programme 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. Direct Cash Transfer can be an important part of social policy for the future, declining poverty, economic instability income inequality, while boosting economic growth in low income areas. This year 2013 started with the announcement of the first phase of Direct Cash Transfer Scheme rolled out in 20 districts of the country. Now it only covers 7 schemes. Previously decided for 51 districts. The implementation of scheme has generated a debate in the country on the impact of this scheme & its implementation. The scheme in different forms have been implemented in many countries in the world. The cash transfer has existed in India too as in case of payment of scholarships, old age pension. But the importance of the step lies in the fact that the government has for the first time decided to experiment this scheme to keep check on corruption. There will be transparency in the system.

The Government's Economic Survey for 2010-11 proposed a scheme of cash transfers, which was followed by an announcement by the finance minister to replace subsidies on goods with cash transfers. The announcement comes as a huge relief for all who believe it will solve all problems of poor delivery, mismanagement, and corruption by government agencies. In a recent study by the Planning Commission, it is ascertained that the Public Distribution System (PDS) is so ineffective that 58% of the subsidized grains do not reach the targeted group and almost a third of it is trajected off the supply chain. According to the Finance Ministry, the inefficiencies of the PDS cause the government to spend 3.65 for transferring ₹1 to the poor. To generate budget savings and reduce corruption, the Government of India launched the Direct Benefit Transfer (DBT) scheme on January 1st, 2013. The DBT program aims that entitlements and benefits are transferred directly to the beneficiaries with the help of biometric Aadhaar-linked bank account. The programme covers schemes like education, scholarship for the Scheduled Castes and Scheduled Tribes and pension to the widows. Food, fertilizers, and fuel have been kept out of its purview at this time. The DBT scheme aims at



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cutting a subsidy bill of 1,64,000 crores apart from other benefits like better delivery, accurate targeting, broader choice, reducing delays and corruption. "Aapka paisa, aapke haath" (your money in your hands) is the slogan coined by UPA II to promote the "Direct Cash Transfer" scheme which would be rolled out in phases, initially covering 43 districts (out of 51 announced earlier) from 1 January 2013 and then entire country (640 districts) by end 2013. The Central and State Government's transfer of subsidies happens through intermediaries. This resulted in the considerable diminishing of the originally intended subsidy or the amount, by the time it reached the end user. The DBT aims to do away with the multiple layers of intermediaries in the process and directly transfer the amount electronically into an individual's bank account.

The Direct Benefits Transfer (DBT) scheme is very much important because it has taken up the challenge of defining a new social security structure, & has high potential. It would be incorrect that the implementation of DBT indicate cutting down jobs in the public services. On the other hand, it would free up resources which can be used for the provision of more extensive & better-quality public services. National Institute of Public Finance & Policy (NIPFP) has done study & estimated that linking of AADHAR with DBT for major programmes of the government such as MGREGS, Food & Fertilizer subsidy, SARVA SHIKSHA ABHIYAN can lead to huge savings which can be used for other programmes.

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. All relevant orders related with the DBT are available on the CPSMS Central Plan Scheme Monitoring System website.

To meet the socio-developmental objectives of poverty elimination and inclusive growth, a number of Government sponsored programs and schemes have been introduced. However, efficiency and effectiveness have not been achieved by any of the programs and schemes optimally. Rampant leakages and corruption have made many schemes dysfunctional. Direct cash transfer scheme has been aimed to mitigate these malaises. Direct cash transfer scheme aims to reduce leakages, cut down corruption, eliminate middlemen, target beneficiaries better and speed up transfer of benefits to eligible individuals. The broad thrust and evolution of direct cash transfers along with its operation model in India. Also included is a critical evaluation of the problems, impact, and readiness of the scheme in India followed by important inferences and suggestions. This

programme is inspired by Bolsa Familia plan of Brazil reveals the key ingredients of a successful cash transfer scheme.

#### **Review of Literature**

Fathima (2014) pointed out that central government of India would fetch fruitful results to the Indian economy provided proper implementation is made. This will not only make inflow of cash to the weaker sections but also strengthen the bank penetration to the remote and backward areas of India.

FarhinaSardar Khan (2014) argued that the initiative steps taken by the government of India for introducing direct cash transfer to the beneficiary personal savings account is in itself a milestone in the history of economic yet a lot of work is still needed to make it flawless in its implementation.

Karen Macours (2013) stated that adequate evidence from the studies has substantiated the argument that cash transfer has helped to break the poverty cycle by enabling human capital formation among the youth of the poor families.

ParthaMukhopadhyay (2013) studied that the real potential lies in shifting thinking from targeting to traceability and mitigating transactional instrumentalism in market transactions.

SuyashRai (2013) analyzed that as long as operation is satisfactory, the basic direct cash transfer scheme that has initiated, and the direct non-cash transfer of welfares based on Aadhaar-based verification, are good thoughts.

Palanithurai (2013) stated that the person of India has less awareness about this scheme. People who are living in the rural and remote villages are totally unaware from the decision taken at the capital. They are not being provided the necessary background data and detailed information about the various programmes and schemes implemented by the government

On November 2014, the scheme of direct benefit transfer was little modified whereby the consumers who have not yet availed the benefits will be able to get cash subsidies in their bank accounts by purchasing the cylinder at market price.

In March 2015, Prime Minister NarendraModi launched Give up LPG subsidy campaign. The aim of this campaign to motivate those LPG users who can afford to consume LPG at market rate should Give Up their subsidy. Up to April 2016, Around 105 lakh households have voluntarily given up their LPG subsidy, Nearly 63 lakh new LPG connections have been released to BPL families in Financial Year 2015-16 linked to Giveback campaign utilizing CSR funds of OMCs.

In December 2015, the government decided that the benefit of LPG subsidy will not be available for consumers if the consumer's or his/her spouse had taxable income more than 10, 00,000 during the previous financial year computed as per Income Tax Act, 1961.

In May 2016, Prime Minister Narendra Modi launched a social welfare scheme with the name Pradhan Mantri Ujjawala Yojna. Under this scheme, the Government has approved Rs. 8000 crore under

the Pradhan Mantri Ujjwala Yojana (PMUY) for release of 5 crore deposit free new LPG connections to Women of BPL families over three years, i.e. FY 2016-17, 2017-18 and 2018-19. The scheme will provide an initial cost of Rs. 1600/- for providing LPG connection to poor households in the name of the women of the household. The Prime Minister launched the scheme on 01.05.2016 at Balia, Uttar Pradesh.

As of 09.12.2016, Oil Marketing Companies (OMCs) have released 12288517 new LPG connections under Pradhan Mantri Ujjwala Yojana (PMUY).

#### **What is Direct Cash Transfer Scheme?**

As the name suggests, direct cash transfer is the direct transfer of government subsidies and other benefits to the entitled people usually provided by the government. In India, the UPA government is going to introduce the scheme to reach out to poor people directly in order to plug leakages and cut delays in transfer of subsidies to the poor. The areas that would be covered by the program include scholarships, pensions and unemployment allowances and later MNREGA and Public Distribution Schemes.

The Direct Benefits Transfer (DBT) simply involves transferring the subsidy amount and other benefits (called transfers) directly to the beneficiaries' bank accounts instead of providing it through government offices.

Transfer means payment made by the government without receiving anything in return from the beneficiary. Subsidies, scholarships are the main example for transfers. The program was launched in selected cities of India on 1 January 2013. It was launched in 20 districts, covering scholarships and social security pensions initially.

Former Union Minister for Rural Development of India Jairam Ramesh and former Chief Minister of Andhra Pradesh N. Kiran Kumar Reddy inaugurated the scheme at Gollaprolu in East Godavari district on 6 January 2013. The government has decided to review the progress on regular basis.

#### **Programs Part of DBT**

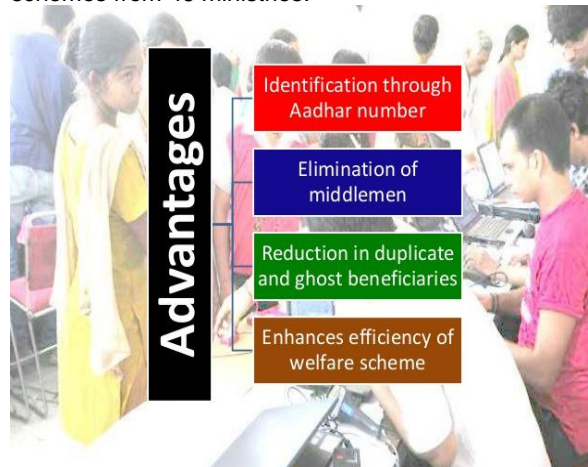
1. National Child Labour Project
2. Student Scholarship
3. LPG subsidy

On June 1, 2013, the minister of Petroleum & Natural Gas, M Veerappa Moily formally launched the scheme direct benefit transfer for LPG (DBTL) Scheme in 20 high Aadhaar coverage districts. The subsidy on LPG cylinders will be credited directly to consumers' Aadhaar-linked bank accounts. All Aadhaar-linked domestic LPG consumers will get an advance in their bank account as soon as they book the first subsidized cylinder before delivery. On receiving the first subsidized cylinder subsidy for next will again get credited in their bank account, which can then be available for the purchase of the next cylinder at market rate until the cap of 12 cylinders per year is reached.

Modified Version of DBTL Scheme: (November 2014) Government of India Introduced Modified Direct Benefit Transfer of LPG (DBTL) scheme in 54 districts in 11 states including all in

Kerala starting November 15, 2014 whereby LPG consumers who have not yet availed the benefit will be able to get cash subsidy amount transferred into their accounts to buy Liquefied Petroleum Gas (LPG) cylinders at market price.

74 Schemes of 17 ministries of central government were under DBT by 31 May 2016. As on Dec 2017, DBT has been implemented in 400 schemes from 46 ministries.



#### **Vision of DBT**

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.

#### **Mission of DBT**

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

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

#### **Process of DBT**

1. User agency (Government Department) sends a file to their bank consisting of a list of beneficiaries and benefits containing only three fields UID number and amount to be credited.
2. Bank debits user agency account and forwards the file to NPCI adding bank data.
3. NPCI credits accounts linked to the UIDs. Thus UID is like financial address of the resident.
4. Resident approaches CSP payment. CSP accesses account online, pays cash to customer taking his finger print biometric authentication on micro ATM, issues transaction print out.

#### **Objectives of Direct Cash Transfer Scheme**

The DBT is the real tool against corruption & that keeps check on corruption if it implemented properly. Our nation has many social welfare schemes but problem is in its implementation. If this scheme implemented properly, there will be definitely

chances of unwanted money spending & it can be used for other schemes. The Government of India has announced DBT initiative with the aim of ensuring better & timelier delivery of benefits to the people. This mark a paradigm shift, where the State is explicitly taking responsibility to ensure that welfare schemes & basic entitlements reach the intended beneficiaries much more effectively than at present.

of India (UIDAI) will issue for all residents in India (on a voluntary basis).



- The objectives of the study are as follows:-
1. To bypass corrupt middlemen, it would help in cutting down wastage and duplication.
  2. To ease the burden of subsidies and letting the genuine beneficiaries avail the advantage.
  3. It will help the government reach out to identified beneficiaries and can plug leakages. Currently, ration shop owners divert subsidized PDS grains or kerosene to open market and make fast buck. Such Leakages could stop. Money is sent into the bank account of the beneficiary.
  4. To enhance efficiency of welfare schemes.
  5. To help the government to better target the beneficiary. Here the facilitating mechanism is Aadhaar. Since Aadhaar is the universal ID, government can identify the beneficiary from his Aadhaar details while connecting it with DBT.

**Functions of DBT**

The DBT programme aims that entitlements & benefits to people can be transferred directly to them through biometric based Aadhaar linked bank accounts, thus reducing several layers of intermediaries & delays in the system. 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 bank accounts, 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.

**What is Aadhar?**

Aadhaar card, consisting a 12 digit number issued for every individual, including infants. Each individual of a family will have separate Aadhaar UID number. While enrollment it verifies all the documents pertaining to an individual and collects biometric information - photograph, ten fingerprints and iris through scanning. The Unique Identification Authority



**Benefits of Aadhaar**

1. Easily verifiable in an online cost effective way.
2. It is unique and robust enough to eliminate the large number of duplicate and fake identities in government and private databases.
3. Aadhaar's guarantee of uniqueness and centralized, online identity verification would be the basis for building these multiple services and applications, and facilitating greater connectivity to markets.
4. It would give any resident the ability to access these services and resources, anytime, anywhere in the country.
5. Aadhaar card can be used for opening Bank account, Gas connection, Ration card, Phone connection, PAN card, Passport.
6. It would also be a foundation for the effective enforcement of individual rights.

**Aadhaar authentication in Banking**

The strong authentication that UIDAI will vastly reduce the documentation that the poor are required to produce for a bank account, and significantly bring down Know Your Customer (KYC) costs for banks. So if every rural resident has an Aadhaar card then the banks can help him or her opening an account with minimum costs than earlier.

**UID and its Applications**

**Government Benefits**

Government can transfer the benefit amount directly to the bank account of the beneficiaries to which their Aadhaar card is linked. For the rural people if the bank branches are not there in their village we can provide them the microATM facility where he needs to verify his identity by making a thumb impression on the microATM. Then the person carrying the microATM will pay the benefit amount and the bank will deduct this amount from the beneficiary's account.





**Voting**

Using Aadhaar card as Voter's ID and implementing a technology at election counter where voter can either type his Aadhaar number or swipe his card, we can eliminate duplicates thereby reducing rigging in elections.

**Criminal Acts**

In a huge country like India it is always difficult to capture culprits. If any CCTV camera fortunately records video of culprit then by using that photo we can easily find out through the database of UIDIA. Also in some criminal acts if we get the fingerprints of the criminal, we can try to match them with the database and easily catch the culprit.

**Corruption**

As Aadhaar card number is linked to a bank account, instead of ATM's we can use Aadhaar card to withdraw cash, pay bills, cash transfer etc. Corruption, a major issue in India can be solved by this approach as we use the card for every transaction that we make, so it is easy to find the persons who transact in large amounts or who transact or spend more than their income. By this, illegal transactions can be controlled and corruption can be easily controlled.

**Perfect Authentication**

Aadhaar UID uses biometric scanning to ensure the authentic identity of a person, whereas a Voter ID, driving license, even a passport can be forged.

**LPG**

Distribution LPG for Domestic Cooking is heavily subsidized. So people are using fake connections and misusing the benefits. If Aadhaar card is integrated with the customer database of LPG we can eliminate illegal diversion of cylinders.

**Mobile Connections**

Mobile connections are widespread and these connections can be used for anti-national activities. If we authenticate all the mobile connections of a person by linking them to his Aadhaar number we can have a control on the fake connections.

**E-Commerce**

Due to cash on delivery payment system offered by various e-commerce players there is a risk of a fake customer order or a customer denying that he didn't order it. To avoid this we can authenticate the customer by asking his Aadhaar card number and the mobile number, which is linked to the Aadhaar.

Figure: 8.1 Aadhaar Card: One card for all

**One Card for All**  
If the Aadhaar card consists of all the information including address, photo, PAN card number, license details, Voter ID, ration card we can remove all the cards and use only Aadhaar card for all purposes thereby reduce large amount of paper. Link all vehicle registrations to Aadhaar card, all PAN card details to Aadhaar card. So Aadhaar card will be the only card providing Unique Identification.

**Direct Cash Transfer through Aadhaar**

According to a study by National Institute of Public Finance & Policy (NIPFP) substantial benefits would accrue to the government by integrating Aadhaar with schemes such as PDS, MNREGS,

Fertilizer & LPG subsidies, as well as housing, education & health programmes. The benefits arise from the reduction in leakages that occur due to identification & authentication issues.

The study estimates the leakages due to identification & authentication errors, i.e. the existence of duplicates & "ghost" beneficiaries. Any reduction in leakages is considered a benefit, the money can then be utilized for its real purpose that is for the targeted beneficiaries or if the reduction in leakages leads to a reduction in the overall government expenditure required for the respective scheme, it is a benefit because the money can then be utilized in other programs.

**Public Distribution System (PDS)**

The PDS system is envisaged to provide food to 65 million households. Studies report large leakages & diversions of subsidised food grains. According to reports almost 58 percent of the subsidised food grains issued does not reach targeted beneficiaries. One of the reasons is identification errors in the PDS delivery system. These errors may be due to many reasons. Example, beneficiaries may be non-existent, or may be duplicates. This study relies on the conclusions drawn by the study conducted by the planning commission in 2005 concerning the PDS. It is estimated that diversion of subsidised grains to non-existent beneficiaries at 16.67 percent. The estimate is adjusted downwards by 25 percent to account for improvements in the system that may have taken place since the report was published. Thus, the benefit through reduction in leakages assumed is 12.5 percent of the subsidy.



According to official data the total food subsidy for the year 2010-11 was Rs 58,500 crore. The value is adjusted downwards by 30 percent to account for subsidies in the form of back-end costs, which are not consumer subsidies, for which exact data is not available.



The expenditure on kerosene subsidies in 2010-11 was around Rs 19,600 crore out of which 38

percent of PDS kerosene does not reach intended recipients. The estimated leakage is 11.1 percent of the subsidy. Again, the estimate is adjusted downwards by 25 percent to account for improvements in the scheme since the study was conducted. So, the benefit from integrating with Aadhaar is assumed to be 8.3 percent of the value of the expenditure on PDS.

#### **Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)**

The MNREGS programme is envisaged to provide 100 days of employment to all rural households. The cost of wages under the scheme constitutes about 70 percent of the total scheme expenditure. In 2011-12, the wage expenditure bill of the government was to the tune of Rs 24,864 crore. In order to ensure that this money reaches the intended beneficiaries, the MNREGS guidelines stipulate various transparency & accountability measures in the form of measures in the form of issuance of job cards, maintenance of muster rolls, monitoring & implementation systems & regular social audits. Despite these measures, studies indicate that implementation problems have been encountered in various states.



A key problem with the implementation of MNREGS is diversion of funds, through ghost beneficiaries & inflated/ fake work records. Using data from various surveys, it is estimated that a leakage of approximately 12 percent is being caused to the government on account of ghost workers & manipulated muster rolls. Study assumes that 5 percent of leakages can be plugged through wage disbursement using Aadhaar enabled bank accounts & 7 percent through automation of muster rolls.

#### **Education**

SarvaShikshaAbhiyan (SSA) & Mid-day Meal Scheme (MDM) are the government's flagship programmes in the field of primary education. Under SSA, the government pays for schooling, teacher's salaries, textbooks & uniforms for children. The MDM programme addresses the nutritional requirements of the students through provision of cooked meals. The allocation of benefits under these schemes is on the basis of enrolment figures provided by each state.

The introduction of MDM & SSA is noted to have contributed greatly to improved enrolments in schools. But the government has to face losses in the form of wasteful expenditure & leakages arising due to inflated enrolment data. Aadhaar can help address this concern by providing a robust tracking mechanism to monitor the enrolment & attendance of

students. On the one hand this will help address the problem of inflated enrolments of fictitious students & on the other, it will allow for real-time monitoring of the benefit distributions using attendance records. The study assumes that the integration of Aadhaar with MDM scheme in the manner contemplated above will enable the government to save approximately 10 percent of costs that it currently incurs on the schemes.

To estimate the benefits of integration with Aadhaar, the expenditure for teacher's salaries, books & uniforms is taken as Rs 16,491 crore in 2011-12 & for MDM, it is taken as Rs 9,128 crore in 2010-11 of which 85 percent of the value is accounted for administrative expenses.

#### **Fertilizer Subsidy**

The government prescribes the maximum price at which fertilizers will be sold. Those prices are usually lower than the cost of fertilizers or the cost of importing them. In 2010-11, the entire subsidy bill for fertilizers amounted to about Rs 62,301 crore.

The task force on Direct Transfer of Subsidies on Kerosene, LPG, & Fertilizer has proposed a three phase process of moving towards direct transfer of subsidies into the bank accounts of the beneficiary farmers. Once this process has been implemented, it should be possible to directly transfer the subsidy amount into the bank account of the farmer, when the farmer buys the fertilizer. There are no comprehensive studies on the losses due to leakages & inefficiencies in this subsidy schemes. Using the estimates for PDS & MNREGS as benchmarks, the study assumes that using such an Aadhaar enabled system would result in a benefit of 7 percent of the total value of subsidies.

#### **LPG Subsidy**

The government subsidises the rate at which LPG cylinders are sold to household consumers. The subsidy is not meant for commercial use. There are reports of widespread diversion of LPG cylinders towards commercial use & other forms of leakages in the system. The total subsidy bill for the government in the year 2009-10 on LPG was Rs 16,071 crore.

Though there are reports of raids finding extensive use of subsidised LPG cylinders for commercial purposes. There are no comprehensive studies documenting the extent of leakages & diversion. But study assumes that use of Aadhaar would result in a benefit of 10 percent of the value of subsidy.

#### **Other Schemes**

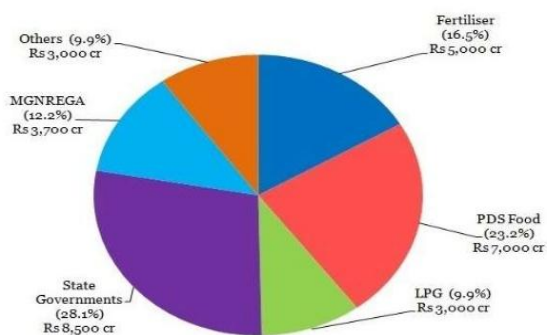
Since the transfer of benefits for scholarships, pensions etc takes place through bank & post offices accounts in these cash transfer schemes, the study assumes that Aadhaar-enabled accounts will result in a benefit of 7 percent of the value of the transfer.

#### **Scholarships**

A number of the scholarships schemes have been put in place by the government to support meritorious students belonging to disadvantaged backgrounds. Disbursing payments through Aadhaar-enabled bank accounts will make the process more efficient & prevent funds from being diverted to bogus

bank accounts. The aggregate government expenditure of Rs 4,519 crore on various scholarship schemes has been used to compute the cost savings through integration with Aadhaar.

**Govt Could Save Over Rs 30,000 Crore Every Year Through Direct Cash Transfer**



Potential Savings = Rs 30,200 crore

**Direct Cash Transfer in Other Parts of World**

The direct transfers to the poorer section of the society to meet the basic necessities such as food, health, education etc in life will certainly bring down poverty & inequality in India. There are evidences of success of conditional cash transfers in Latin American countries, particularly in Brazil & Mexico. The DBT programmes in Latin America have been lauded & followed in other developing countries.

Already there are studies (such as Veras et al, 2007) showing that cash transfers in Brazil through Bolsa Familia programme DBT had substantial impact in reducing poverty & inequality between 1995-2004. The study reports that cash transfer welfare scheme led to increased income of 80 percent Bolsa Familia households during this period.

Money in hands of poor people will enable them to buy from markets & may widen their choices of goods & services. It is also argued that the money flowing to rural areas will create its own market & economic activities. Though initially the administrative cost would be huge in putting together the proper infrastructure required for DBT to be effective, the experiences of cash transfer schemes in Brazil & Mexico reveal that the cost would substantially decline in subsequent periods. The best part of DBT would be less corruption as there is hardly involvement of middlemen in the process.

Cash Transfer schemes which are quite successful in Brazil & Mexico cover very limited population to be covered. Moreover, the total population of Brazil & Mexico together is around

1/3rd of India's population. In fact, the targeted population under cash transfers scheme in India is much more than the total population of both countries. The conditions & necessary infrastructure in these Latin American countries & in India are very different. For example, bank branches per one lakh population in Brazil & Mexico are 14 & 15 respectively where as it is 10 in case of India. The success of cash transfers depends on the literacy & educational level of the people. The adult literacy in Brazil & Mexico is

90 percent & 95 percent respectively where as it is 75 percent in India.

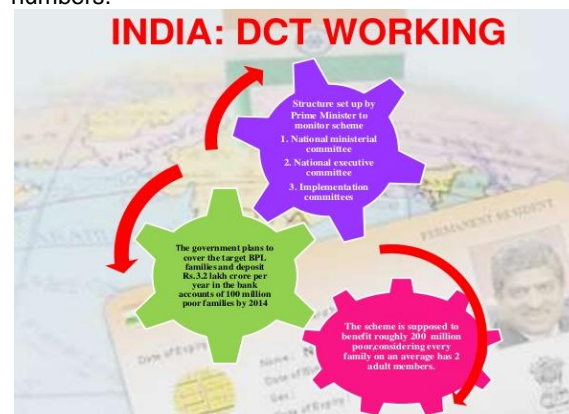
Brazil has introduced Bolsa Familia cash transfer system since 2003. Though the impact numbers vary from study to study, the achievements in reducing poverty & inequality is substantial. The cash transfers with conditions such as attending school & children vaccinations have substantially improved school attendance & reduced infant mortality. Brazil spends only 1 percent of GDP on cash transfers which serves many purposes such as improving education, health & reducing poverty. Since the payment is made directly to the beneficiary's bank account, substantial money is reaching the poor.

**Review of Literature**

The first review was scheduled to be undertaken on 15 January 2013. According to P. Chidambaram, former Union Minister of Finance of India, the scheme will be rolled out across 11 more districts by 1 February and 12 more districts by 1 March 2013.

In April 2013 the government decided to extend the DBT scheme in 78 more districts of the country from July 1, 2013. The decision was taken by then Prime Minister Dr. Manmohan Singh after a review meeting. The 78 new districts will include 6 districts each from Uttar Pradesh and Himachal Pradesh, 3 each from Bihar and Tamil Nadu, 2 from West Bengal and 4 each from Odisha and Gujarat.

In a review by the Prime Minister's Office on 5 August 2013, the minutes reported that two schemes dominated transfers through CPSMS - 83% of all transfers were for the Janani Suraksha Yojana and scholarships. Lack of computerized records for schemes to be linked to DBT was hindering rollout. The minutes show that out of 39.76 lakh beneficiaries who ought to have been covered under various schemes, only 56% had bank accounts, 25.3% had both bank accounts and aadhaar numbers, but only 9.62% have bank accounts seeded with aadhaar numbers.



**Challenges for DBT**

Till now the cash transfer is done through post office and banks. But now it is about to undergo a significant expansion in the scope of direct cash transfer. A change of this magnitude might have challenges that have analyzed and government is yet to find a justifiable solution to it. Some of these challenges are.



1. There are infrastructure gaps that impede the development of banking networks in some remote geographies.
2. Connectivity is poor, cash movement is risky, & it is difficult to ensure timely delivery of benefits.
3. Will everyone receive their Aadhaar number in time .
4. Issued a bank account in time: According to the deputy governor of RBI, only 40% of Indians have bank accounts. Talking about villages in particular, about 188,000 villages had banking connectivity in June 2012 whereas India has 700,000 villages. The experience with bank accounts in the 43 stage-I districts may not be an appropriate benchmark for the rest of India.
5. Will banking channel be ready in time: Currently, the banking correspondents cover only 70,000 villages which require a further 10-fold expansion. At present, BC companies are very few and even if the target is achieved it will take time to find people and train them.
6. Who actually should benefit from the Direct Cash Transfer Scheme: The last BPL census was done in 2002 and an overly optimistic estimate of the time by which the new list would be ready is mid 2013, however a realistically optimistic deadline would be Dec 2013. A major question in front of the Indian Government is that whether it should use the 2002 list or wait for the new list. If it uses the old list then money would keep going to a lot of people who should not be getting it and if it waits for the new list by leaving the BPL programs out of the scheme, then a lot of benefits for which it is originally planned will not be getting transferred. A separate issue to be tackled is how to ensure that reasonably affluent families do not make it to the BPL list as has happened in the part due to linkage of various governments welfare programs to the BPL list.
7. Possible scam under its way: With the entire banking system going on line, a dishonest bank employee can even access the signatures of the poor borrower. This is happening in several states.

Direct Cash Transfers, which are now becoming possible through the innovative use of technology and the spread of modern banking across the country, open the doors for eliminating waste, cutting down leakages and targeting beneficiaries better. It is also being looked upon as a very effective tool in combating corruption when it comes to implementing welfare programmes of the government.

#### **Recommendations**

##### **Identification of Beneficiaries**

Selection criteria should be kept broad-based and inclusive. Lessons can be learnt from the successful implementation of Brazil's BolsaFamília Program.

##### **Vulnerability to Fluctuating Market Prices**

Prices can be averaged out yearly based on forecasts. Cash subsidy should allow flexibility in the choice of commodity to the beneficiary. The amount of subsidy should be calculated based on the number of

individuals per household rather than assuming an average household size.

##### **Transfer of cash subsidy**

To expedite the implementation, bank accounts can initially be opened for one member per household. The withdrawal can be done at bank branches and ATMs through debit cards and through the business correspondent model using smart cards, PoS devices, etc.

##### **Infrastructure**

We believe that the infrastructure must be built before starting a scheme and not vice-versa.

##### **For Women's**

It would be better if it is thoroughly meant for women, as they are responsible for the household needs such as food, health, education, kerosene, LPG etc.

##### **Digital India & DBT**

Digital India has 9 key pillars amongst which 4 are of very high significance to DBT namely

##### **Broadband Highways**

Laying of NOFN in all 2.5 lakh GPs.

##### **Universal access to Mobile**

Ensuring mobile access in around 44,000 uncovered villages

##### **e-Governance**

Business process re-engineering undertaken to improve service delivery, integrated with UIDAI, payment gateway and mobile platform.

##### **e-Kranti**

Focus on electronic delivery of services whether it is education, health, agriculture, justice and financial inclusion.

Universalization and success of DBT will be immensely expedited with the achievement of the above.

##### **Conclusion**

The programme is inspired by such successful schemes existing in countries like Brazil and Mexico and cities like New York and Washington. In India too, introducing this new way of physically-delivering subsidies may seem a brilliant technological shot to end the middlemen fraud, but the government still needs to substantiate its fool proof preparedness against the trepidation it has been confronting from the masses and quite a few experts.

The new system is expected to reduce this cost and subsidy bill through better targeting. If the entire system is managed through efficient targeting, disbursement and regular monitoring of the disbursed funds this can result into transforming the rural India.

The real success of the policy lies in the accuracy and efficiency in identification of worthy beneficiaries, i.e. BPL Households.

With political polls around the corner, that is 2014 election, UPA 2 has taken decision to implement this Direct Benefits Transfer scheme to woo AAM AADMI. Whether it will be beneficial for UPA 2 to again win the confidence of common people. But Congress party has denied all allegations saying this Direct Cash Transfer was in the manifesto of 2009 elections & at this time they have played their part.

Yes, this scheme will be of great importance as today's world is of Technology, obviously we as a



nation has to keep pace with technology, that's beneficial for a country to progress. As we see information / data from other countries which are implementing this scheme definitely proved beneficial to reduce poverty. The biggest advantage will be corruption reduction & there will be transparency in the system. Also Nation will save much money if it is implemented properly. And that money will be useful for other social purpose. Some related points are as follows :-

1. The new system is expected to reduce this cost and subsidy bill through targeting.
2. If the entire system is managed through efficient targeting, disbursement and regular monitoring of the disbursed funds this can results into transforming the rural India.
3. The real success of the policy lies in the accuracy and efficiency in identification of worthy beneficiaries, i.e. BPL households.



Direct Cash Transfer Scheme is in P. Chidambaram's words, "**A Game Changer**" Although not entirely true in the present, it could be for the benefit of the country, as long as we efficiently ensure the "**Aapka Paisa Aapke Haath**" motto is achieved. That's why Direct Cash Transfer Scheme the Most ambitious scheme for all of us.  
**"Aapka Paisa Aapke Haath"**



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