

## **A study of direct benefit transfer with special reference to MGNREGA**

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### **Keywords**

Dilli Annashree Yojana, Public Distribution System, NREGAsoft, Business Correspondent (BC)

### **Abstract**

The Direct Benefit Transfer (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 It also ensures that funds are withdrawn by beneficiaries' themselves through the biometric system. This system reduces the time and cost of transferring funds. Through this research it has been tried to see whether this system is useful or not at various levels. This paper finds out the main advantages of DBT system and also finds out how this system can be useful in transferring funds to MGNREGA beneficiaries.

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### **Introduction**

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 1<sup>st</sup> 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 6<sup>th</sup> January 2013. The first review was undertaken on 15<sup>th</sup> Jan 2013. In April 2013 the government decided to extend the DBT scheme in UP, MP, Bihar, Tamil Nadu, Gujarat and West.

### **Steps Involved in Implementation of DBT**

The following steps are required for implementation of DBT in any sector:

- 1) Identification of key bank of the state
- 2) Arrangement with key banks enables seamless electronic payment mechanism.
- 3) Co-ordination with the identified bank for interfacing NREGAsoft with the core banking solution of banks.
- 4) Freezing, verification and updating of bank account information of workers, vendors and staff.
- 5) Identification of payment level and the signatories. The signatories are authorized to approve payment at each level.
- 6) Issuance of digital signatures to all approving authorities.
- 7) Positing technical manpower at state and district levels for handling and supporting the activities on a daily basis.

### **Objectives of 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:

- 1) Reducing time and cost required for processing wage payments.

- 2) Automating all processes involved for effecting direct transfer of payments to bank accounts of the beneficiaries.
- 3) Ensuring availability of data at all level of governance for strategic decision making.
- 4) Taking care of the problem of large unspent opening balances and help streamline the fund flow process.
- 5) 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.

### **Working of DBT Scheme**

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' (AEPS). 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.

### **Present Status of DBT Scheme**

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 following programs at present are covered under DBT:

- The Dilli Annashree Yojana
- National Child Labour Project
- Student's scholarship
- LPG subsidy and many more.

**The Dilli Annashree Yojana (DAY)** was started with the objective of providing assistance to 2 lakh BPL families. INR 600/- is transferred monthly to the bank accounts of the senior most female member of BPL households. It is also tied up with Business Correspondent (BC) in the process of financial inclusion.

The Dilli Annashree Yojana was conceptualized using Aadhar card only as a unique identification mechanism with payments to be carried out through non-Aadhar banks. The scheme is targeted at providing funds to the senior most female members of households. This is facilitating women empowerment.

In October 2013, 1 lakh households were receiving benefits under the DAY through the DBTs. At the inauguration of this yojana payment was made to 6,500 Aadhar based beneficiaries on the 27<sup>th</sup> of February 2013. The government of Delhi transferred funds amounting to INR 8.5 Crore to 13,640 beneficiaries which is largest amount transferred under the scheme. A total of

INR 95 crore has been released to banks until October 2013. INR 6 crore per month is disbursed to the beneficiaries through these banks.

**National Child Labour Project** is being run for rehabilitation of child labour in several districts. Government of India has decided the amount of stipend to the beneficiaries covered under the Aadhar enabled DBTs. To familiarize the implementation of the Direct Benefit Transfer Scheme Training session of project directors was conducted on 5<sup>th</sup> March 2013.

**For Students Scholarship** the Ministry of Social Justice and Empowerment has proposed implementation of DBT scheme to ensure proper reach and utilization of the scholarship for reserved categories students.

The meeting held on 8<sup>th</sup> May 2013 chaired by Kumari Selja, then Minister for Social Justice and Empowerment was called to discuss the centrally sponsored scholarship schemes of the SC and OBC students. During the 11<sup>th</sup> plan the number of beneficiaries has gone up from 31.58 lakh to 46 lakh. The total expenditure under the scheme including the committed liability of the states, has increased from Rs. 2,158.70/- crore in 2001-08 to Rs. 3,994.96/- crore in 2011-12..

**For LPG subsidy**, in June 2013, the then Minister of Petroleum and Natural Gas M. Veeappa Moily launched the scheme of direct benefit transfer in 20 Aadhar covered districts. The subsidy on LPG cylinders was credited directly to consumer's Aadhar linked bank accounts. All Aadhar linked LPG consumers are getting an advance in their bank account until the 12 cylinders per year. The growing demand for LPG has put increased pressure on the LPG subsidy.

#### **DBTs and MGNREGA**

The DBT program has been launched by Government of India for effecting direct transfer like scholarship, pensions, wages etc to beneficiaries. The Ministry of Rural Development implements MGNREGA scheme which guarantees employment of 100 days to every rural households. The DBT system will enable the credit of wages in the right account without any delays through DBT.

MGNREGA aims at the enhancing the livelihood security of people in rural areas by guaranteeing 100 days of wage employment in financial year who is an adult member and is able to do unskilled work. It is currently operational in 632 districts, 6554 blocks and 2478528 gram panchayats. National Information Centers (NIC) along with the Ministry of Rural Development (MoRD) and the stakeholders conceptualized a web enabled management Information system known as NREGAsoft.

DBTs are a solution for enabling direct transfer of payments under MGNREGA including the payment for material and administrative expenditure to beneficiary account without any intermediaries. The main advantages are mentioned below:-

- Encouraging electronic transfer benefit to MGNREGA beneficiaries including payments.
- Reducing delays in payments.
- Reducing number of bank accounts and help to reduce the float amount in different account.
- Avoiding parking of funds at various levels.
- Eliminating middlemen and keeping away with paper work.
- Reducing administrative cost and saving expenditure on instruments' like cheque, DD drafts etc.
- Simplifying book keeping audit.

#### **Problems faced by DBTs**

- 1) The main problem faced by this system is the exclusion of deserving and inclusion of undeserving beneficiaries.

- 2) Entitlements are claimed on the basis of bogus identities. These identities exist on the names of deceased or ghosts. Sometimes one person manages to get more through unfair means.
- 3) There are also same technical problem i.e. operational errors such as spelling variations in names and change in address by the beneficiaries. It becomes difficult to verify the same person every time.
- 4) Lack of computerized records to be linked to DBT was hindering rollout.

In spite of the above mentioned problems which are faced by DBTs, this system has become very popular and effective.

### Conclusions

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 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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