

## Inclusive of direct benefits transfer schemes into financial inclusion in India

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### Abstract

There are many schemes and programmes of the Government of India under which many benefits are provided to the people such as subsidies, scholarships to students, benefits for feeding and pregnant mothers, and micro credit to poor women. Till now the beneficiaries were not getting this amount directly in their bank accounts. Financial inclusion is the new model of economic growth which plays a major role in eradicating poverty. The concept of financial inclusion is primary to the process and efforts for achieving inclusive growth and sustainable development of the country. It is a policy of involving a wider section of population deposit mobilization and credit intermediation. The financial stability and development council under the ministry of finance, government of India is committed to provide financial literacy and financial inclusion and it has directed all the financial entities in the country including the financial sector regulators, reserve bank of India, commercial banks and other financial service providers to stay focused on the same cause. Empirical evidence has proved that countries which are having a large excluded population from the services of the formal financial institutions show a higher rate of inequality and poverty. Thus, we can say that banking sector is a key player in achieving inclusive growth as well as financial inclusion.

**Keywords:** Aadhaar UIDAI, Rupay cards, Atal Pension Yojana, Below Poverty Line (BPL) & NABARD

### 1. Introduction

The Government of India has now started the Direct Benefits Transfer scheme. With this scheme, the beneficiaries get the amount directly in their bank accounts. This is presently being done in 25 schemes which include many scholarship schemes where the money is deposited directly in the account of the student, and housing subsidy for Beedi workers, stipend for SC/ST for coaching, guidance and vocational training, and micro credit to women. From 1 June 2013, the scheme will also cover cooking gas cylinders. From 1 July 2013, 121 districts will be benefited through this scheme. DBT will be expanded to include schemes run through Post office Accounts from 1st of October, 2013. Getting money directly to the beneficiary's account under welfare schemes was something that the people in the village Dimapur had never known. So when they got to know that the Central Government had started this unique Direct Benefits Transfer scheme, everyone was excited about it.

The banking sector in India has recognized the importance of inclusive growth and as a result has endured a few essential changes over the period of the last twenty years. Banking reforms which began in the early nineties has facilitated the entry of new private and foreign players in the sector which has increased the competition benefiting the consumers and changing the operational mindset of the banks, the new generation private sector banks have introduced a wide range of services and delivery channels using technological breakthroughs. With the increase of use of technology the traditional brick-and-mortar infrastructure like staffed branches have transformed into a system offering services to their customers such as ATM, credit / debit cards, internet banking, online money transfer, etc, thus impacting both the delivery channels and access to financial services.

### 1.1 Schemes of DBT

The Direct Cash / Benefit Transfer scheme provides for direct transfer of money into the bank accounts of eligible persons for pension, scholarship, payments under the Employment Guarantee Scheme and benefits/subsidies under other Government welfare programs. This can facilitate beneficiaries to use this money to buy goods and services in quantity and of quality from the market at competitive prices. Under the scheme the difference between the market price and subsidized price is directly transferred to the beneficiary in cash in proportion to the quantity uplifted from the market.

The scheme depends upon basic two requirements viz. Aadhaar, the Unique Identification (UID) Number and Bank Account. Aadhaar is a 12-digit individual identification number issued by the Unique Identification Authority of India [UIDAI] to serve as proof of identity and address. The cash transfer will be enabled through 'Aadhaar,' a numerical biometric identification that is currently being given to all citizens of the country. The bank account is the most important criterion for the scheme.

### 1.2 Benefits of DBT

The scheme aims at minimizing incidence of corruption, eliminating falsification and duplication with regard to payments of subsidies. Incidentally, other benefits include

- i) Bringing transparency into the subsidy system
- ii) Significant improvement in the governance of government programs as benefits would reach the beneficiary without any intermediation and delay
- iii) Elimination of fraudulent claimants and saving "considerable" amount.
- iv) Direct cash through bank account would empower poor because they can decide how best to spend the cash to

meet with their emergencies for which surveys exhibit they are compelled to borrow from informal money lenders

- v) Effective implementation of this scheme leaving cash in the hands of people would lead to higher demand for goods, spurring manufacturing and eventually boosting economic growth

**1.3 Initiatives for DBT**

Government has directed banks to reach half a million unbanked villages through bank branches, BCs and Common Service Center [CSC]. Banks would add this year 45,000 BCs to already 65,000 at present. CSCs would be ready in terms of equipment, connectivity, biometric device, card reader and printer within three months. Government will incentivize banks by paying a transaction fee and developing a business model to help banks recoup transaction costs. With the efforts put in by the UDAI to invite applications from approved commercial banks deploying micro-ATMs to enable Aadhaar-based payments, it is possible that these ATMs will be

operational in due course.

By end of August 2013, every gram panchayat, mandal and district will be on the micro ATM network. Beneficiaries need not to run to banks or post-offices to get money but will receive at their doorsteps. Today, it is one bank, one business correspondent, one beneficiary. The new model would be one bank, multiple BCs and one beneficiary. The beneficiary will have choice of BC. In 43 districts camps are organized to enroll every beneficiary of 34 welfare schemes and 3500 machines are deployed each with a capacity of about 50 enrolments per day and put in place accelerated process of generating Aadhaar for these beneficiaries.

**2. 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:

**Table 1:** Financial Inclusion – Banks Status and Progress

Particulars	Year ended 2011	Year ended 2012	Year ended 2013	Year ended 2014
Banking outlets in villages				
▪ Branches	34,811	37,471	40,837	46,126
▪ Villages *BCs	80,802	1,41,136	2,21,341	3,37,678
▪ Other modes	595	3,146	6,276	-
▪ Total	1,16,208	1,81,753	2,68,454	3,83,804
Basic Saving Bank Deposit A/c – Branches				
▪ No. in millions	73.13	81.20	100.80	126.00
▪ Amt. (billion)	57.89	109.87	164.69	273.30
Basic Saving Bank Deposit A/c – BCs				
▪ No. in millions	31.63	57.30	81.27	116.90
▪ Amt. (billion)	18.23	10.54	18.22	39.00
OD Facility Availed in BSBDA A/c				
▪ No. in millions	0.61	2.71	3.92	5.90
▪ Amt. (billion)	0.26	1.08	1.55	16.00
KCCs (No. in millions)	27.11	30.24	33.79	39.90

**2.1 Pradhan Mantri Jan Dhan Yojna (PMJDY)**

The objective of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. PMJDY is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The plan envisages universal access to banking facilities with at least one basic bank account for every household, a strong financial literacy drive, access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance cover of Rs.100000/-. The plan also envisages channeling all Government benefits (from Centre / State / Local Body) to the bank accounts of the beneficiaries and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government. The technological issues like poor connectivity, on-line transactions will be addressed. Mobile transactions through telecom operators and their established centres as Cash Out Points are also planned to be used for Financial Inclusion under the Scheme. Also an effort

is being made to reach out to the youth of this country to participate in this Mission Mode Programme.

The main objectives pillars of this scheme include:

- To achieve universal access to banking facilities.
- Providing basic bank accounts with overdraft facility and RuPay Debit card to all households.
- A robust financial literacy programme. Creation of a credit guarantee fund to cover the defaults on the overdraft accounts.
- To provide micro- insurance to all willing and eligible persons.
- To provide for a way to implement unorganized sector pension schemes.

**2.2 Direct Benefit Transfer Scheme for LPG (DBTL)**

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. 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.

### 2.3 Direct Benefit Transfer Scheme for Students Scholarship

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 8th 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 11th 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.

### 2.4 Direct Benefit Transfer Scheme for Benefits to Pregnant of Mothers and Marriage

Ministry of Women and Child Development, Government of India implemented Indira Gandhi Matritva Sahyog Yojana (IGMSY) -Conditional Maternity Benefit (CMB) which is a new scheme for pregnant and lactating women has been approved by the Government initially on pilot basis in 52 selected districts across the country. The scheme would contribute to better enabling environment by providing cash incentives for improved health and nutrition to pregnant and lactating mothers. The Scheme will be implemented using the platform of ICDS.IGMSY would be a Centrally Sponsored Scheme under which the grant-in-aid would be released to States/UTs. The Scheme envisages providing cash directly to P&L Women during pregnancy and lactation in response to individual fulfilling specific conditions. It would address short term income support objectives with long term objective of behaviour and attitudinal change. The scheme attempts to partly compensate for wage loss to Pregnant & lactating women both prior to and after delivery of the child.

The objectives of the scheme are:-

To improve the health and nutrition status of pregnant, lactating women and infants by:

- i) Promoting appropriate practices, care and service utilisation during pregnancy, safe delivery and lactation
- ii) Encouraging the women to follow (optimal) IYCF practices including early and exclusive breast feeding for six months
- iii) Contributing to better enabling environment by providing cash incentives for improved health and nutrition to pregnant and nursing mothers

Pregnant Women of 19 years of age and above for first live births are entitled for benefits under the scheme. All Governmental PSUs (Central & State) employees will be excluded from the scheme as they are entitled for paid maternity leave. The beneficiaries will be paid Rs.4000/ in three instalments per P&L women between the second

trimester till the child attains the age of 6 months on fulfilling specific conditions related to maternal and child health to partly compensate for wage loss to mothers/women during pregnancy and period of lactation. Anganwadi worker (AVWJ) and Anganwadi helper (AWH) would receive an incentive of RS.200/- and Rs. 100/- respectively per P & L woman after all the due cash transfers to the beneficiary are complete.

### 2.5 Direct Benefit Transfer Scheme for 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 NREGA soft

DBTs area 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.

### 2.6 Direct Benefit Transfer Scheme for Pension Schemes

It is a government-backed pension scheme in India targeted at the unorganised sector. It was originally mentioned in the 2015 Budget speech by Finance Minister Arun Jaitley in February 2015. It was formally launched by Prime Minister Narendra Modi on 9 May in Kolkata. As of May 2015, only 11% of India's population has any kind of pension scheme, this scheme aims to increase the number. In Atal Pension Yojana, for every contribution made to the pension fund, The Central Government would also co-contribute 50% of the total contribution or Rs.1,000 (US\$15) per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years. The minimum age of joining APY is 18 years and maximum age is 40 years. The age of exit and start of pension would be 60 years. Therefore, minimum period of contribution by the subscriber under APY would be 20 years or more. Aadhaar would be the primary KYC document for identification of beneficiaries, spouse and nominees to avoid pension rights and entitlement related disputes in the long-term. The subscribers are required to opt for a monthly pension from Rs. 1000 – Rs. 5000 and ensure payment of stipulated monthly contribution regularly. The subscribers can opt to decrease or increase pension amount during the course

of accumulation phase, as per the available monthly pension amounts. However, the switching option shall be provided once in year during the month of April. This scheme will be linked to the bank accounts opened under the Pradhan Mantri Jan Dhan Yojana scheme and the contributions will be deducted automatically. Most of these accounts had zero balance initially. The government aims to reduce the number of such zero balance accounts by using this and related schemes.

### 2.7 Direct Benefit Transfer Scheme for Self Help Groups (SHGs)

A self-help group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men. A mixed group is generally not preferred. Most self-help groups are located in India, though SHGs can be found in other countries, especially in South Asia and Southeast Asia. Many self-help groups, especially in India, under NABARD's 'SHG Bank Linkage' program, borrow from banks once they have accumulated a base of their own capital and have established a track record of regular repayments. This model has attracted attention as a possible way of delivering micro-finance services to poor populations that have been difficult to reach directly through banks or other institutions. By aggregating their individual savings into a single deposit, self-help groups minimize the bank's transaction costs and generate an attractive volume of deposits. Through self-help groups the bank can serve small rural depositors while paying them a market rate of interest. NABARD estimates that there are 2.2 million SHGs in India, representing 33 million members that have taken loans from banks under its linkage program to date. This does not include SHGs that have not borrowed. The SHG Banking Linkage Programme since its beginning has been predominant in certain states, showing spatial preferences especially for the southern region – Andhra-Pradesh, Tamil Nadu, Kerala and Karnataka. These states accounted for 57 % of the SHG credits linked during the financial year 2005–2006.

### 2.8 Direct Benefit Transfer Scheme for Kerosene

According to government estimates, the subsidy outgo for kerosene for the financial year 2014-15 was about 24799 crore rupees. Also, the allocation of subsidized PDS kerosene at 86.85 lakh kilolitres was more than the consumption at 71.3 lakh kilolitres. In light of this, Union Government announced in January 2016 to launched the DBTS in Kerosene. It will be rolled out in 26 districts across eight states from 1 April 2016 including Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Punjab and Rajasthan. In order to incentivise states to implement DBT in kerosene, they will be given cash incentive of 75% of subsidy savings during the first two years, 50% in the third year and 25% in the fourth year.

### 3. Review of Literature

Priyanka Vyas and Sharma (2014) <sup>[1]</sup>, 'Modus Operandi for Implementing Direct Cash Subsidy in India', Australian Journal of Basic and Applied Sciences, To sum up it may be safely deduced that the Government of India is providing subsidies on fuel, fertilizers, LPG and food grains to facilitate the common man to access the basic necessities at affordable price. Indeed, it is great contribution of Indian government for

the people living below the poverty line. The government has good mechanism for providing subsidies to the people i.e. direct cash transfer, conditional cash transfer, CSMS, Adhaar Card etc. Despite all efforts, people are yet to get benefited from the subsidies because of lack of awareness about the government schemes, less than 50% of the Indian population is having Adhaar Card, and there are no banking facilities in villages or remote areas for rural people. Moreover, literacy is also one of the biggest hurdles in implementing modus operandi for providing cash subsidy. The need of the hour is to overcome these hurdles at an early date to ensure the speedy implementation of the cash subsidy schemes of the government.

Balaji (2013) <sup>[2]</sup> "A Study on the Problems, Perspectives and Implications of the New Direct Benefit Transfer Scheme With Reference To Kancheepuram District of Tamil Nadu", The Direct Benefit Transfer Scheme introduced by the UPA-II Government has invited mixed response among the general public, though it is welcome widely. The Government should play a major role in addressing the issues and shortcomings of the scheme so as to make it more effective in order to achieve the very purpose of it, i.e. achieving total financial inclusion in the country and taking the social security benefits and the benefits of the subsidies directly to the common people eliminating the existence of middlemen.

### 4. Conclusion

It is becoming increasingly apparent that addressing financial exclusion will require a holistic approach on the part of the banks in creating awareness about financial products, education, and advice on money management, debt counseling, savings and affordable credit. The banks would have to evolve specific strategies to expand the outreach of their services like LPG, Scholarships, MGNREGA, Pension schemes, Provident Funds and other services in order to promote financial inclusion. One of the ways in which this can be achieved in a cost-effective manner is through forging linkages with microfinance institutions and local communities. Banks should give wide publicity to the facility of no frills account. Technology can be a very valuable tool in providing access to banking products in remote areas. ATMs cash dispensing machines can be modified suitably to make them user friendly for people who are illiterate, less educated or do not know English.

### 5. References

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