



Direct Cash Transfer- A Boon For Aam Admi

KEYWORDS

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ABSTRACT A milestone phase direct cash transfer scheme where the subvention amount will go directly into the bank accounts of the beneficiaries. It is a poverty reduction measure in which government subsidies and other benefits are given directly to the poor in cash rather than in the form of subsidies. As many Latin American countries have conditional cash transfer schemes in which money is transferred to poor folks through women. The money is given, subject to them confirming that their children attend school regularly, take preventive healthcare measures and provide better nutrition to their children and that's absolute.

The paper contains brief view on the benefits of the schemes which government reach out to identify beneficiaries and can plug leakages. As currently, ration shop owners divert subsidized kerosene to open market and make fast buck. Such Leakages could stop. The scheme will also enhance efficiency of welfare schemes. Implementation of the scheme strategy where money is directly transferred into bank accounts of beneficiaries. LPG and kerosene subsidies, pension payments, scholarships and employment guarantee scheme payments as well as benefits under other government welfare programs will be made directly to beneficiaries.

As in India it has been started with Electronic Benefit Transfer (EBT) scheme begun on a pilot basis in Andhra Pradesh, Chhattisgarh, Punjab, Rajasthan, Tamil Nadu, West Bengal, Karnataka, Pondicherry and Sikkim. The government claims the results are encouraging, but the major drawback has been faced was Aadhar card holders will get cash transfer. As of today, only 21 crore of the 120 crore people have Aadhar cards. Two other drawbacks are that most BPL families don't have bank accounts and several villages don't have any bank branches. These factors can limit the reach of cash transfer.

While many studies have assessed positive impacts of such schemes, few have looked at their political benefits. A World Bank study recently reported there is a direct link between cash transfers and voting behavior. It was found beneficiaries express a stronger preference for the ruling party that implements and expands cash transfers.

1. INTRODUCTION

As the study of recent world bank shows that India is the home to one- third of the worlds 1.2 billion people who live on less then \$1.25 a day. 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. extensive leakages and corruption have made many schemes dysfunctional. Hence, A new strategic move by the government has been on an implementing stage having the government directly transfer cash into bank accounts of poor people instead of subsidies. The direct cash benefit scheme has been ideologically, academically and politically disruptive.

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 scheme is covering 43 districts which were selected in January, 2013 and another 78 districts have been added in July. The programme covers schemes like education, scholarship for the Scheduled Castes and Scheduled Tribes and pension to the widows. Food, fertilisers, and fuel have been kept out of its purview at this time.

The DBT scheme aims at cutting a subsidy bill of 1,64,000 crores apart from other benefits like better delivery, accurate targeting, broader choice, reducing delays and corruption.

2. DIRECT CASH TRANSFER

The direct cash transfer is the direct transfer of government subsidies and other benefits to the entitled people usually people bellow poverty line. Then scheme ha been introduced by UPA government to reach 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. It is assumed that it will help to bypass corrupt middlemen, would help in cutting down wastage and duplication. It is fundamentally being established to ease the burden of subsidies and letting the genuine beneficiaries who can avail the advantage_ through Aadhaar-enabled bank accounts.As undersized 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.

3. IMPLEMENTATION PROCESS

The money is directly transferred into bank accounts of beneficiaries. LPG and kerosene subsidies, pension payments, scholarships and employment guarantee scheme payments as well as benefits under other government welfare programs will be made directly to beneficiaries. The money can then be used to buy services from the market. As noted by Minister of State for Planning Rajeew Shukla as on 22nd august 2013, in the first phase, 43 districts were selected in January, 2013 and another 78 districts have been added in July.

As the monitoring system is concerned it will be controlled by CGA and for these transfers Aadhaar Payment Bridge (APB) has been created by National Payment Corporation of India for monitoring the scheme-wise and district-wise payments, which would be transferred into the Aadhaar enabled bank accounts of beneficiaries.

On an average, 10 lakh persons are enrolled every day for Aadhaar number through 25,000 enrollment stations in 4,500 locations for covering more number of people benefits by this scheme and the immediate success factors are as follows:

1. The government's efficiency in dealing with the fundamental issues like the basis of targeting, definition of poverty line & identification of intended beneficiaries.
2. Effectively subsidizing the poor for fertilizer or kerosene once the prices are market determined and are liable to fluctuate.
3. State government's endeavor in taking up fundamental reforms required in Public Distribution System (PDS).
4. Devising a methodology to transfer the cash subsidy to the poor.

Government plan for the project to be implemented:

Phase I	Phase II
Direct transfer of subsidy through state governments/ UT Administration.	Subsidy transfer to beneficiaries.
States purchase commodity from manufacturers at market price	The cash equivalent of subsidy is transferred directly to beneficiaries through their bank accounts by linking transactions to Aadhaar.
Central government transfers the differential subsidy directly to the state govts./UT.	The commodity purchase and then transfer of cash subsidy to their account will be based on successful authentication of the beneficiary through Aadhaar at the point of sale.
Subsidy amount is proportional to commodity uplifted from the retail points in a state/UT.	
States reform their distribution system based on the CSMS system proposed by the Task Force.	

• Steps taken by Indian Government for implementation of the Scheme:

1. An efficient Electronic Benefit Transfer (EBT) system would require the benefits transfer system compatible with the banking system, transfer of funds to the beneficiaries accounts and facilities for the drawl of the amount by the beneficiaries as per their requirement. This will not only bring in greater efficiency in the transfer of benefits but will also reduce pressure on the bank branches for dealing with these transactions, reduce the requirement of multiple accounts for various schemes and facilitate the process of financial inclusion.
2. To ensure that every beneficiary of the government scheme has a bank account, the banks must map the list of beneficiaries under every scheme, already available with the state government, with bank account details. In case the beneficiary doesn't have a bank account, a new bank account for the family in the service area branch should be opened. Vice versa, as soon as the bank account gets opened, the beneficiary should get mapped.
3. For those who don't have access to bank branches, they rely on 'Banking Correspondents' or BC. In May 2012, the Department of Financial Services (DFS) chalked out a plan to split the country into 20 clusters for BCs. Each cluster is to be managed by one BC company, elected by a price-based auction. The function of a BC would be to pay the person who wants to withdraw money from

his account in case the person is not able to access an ATM or bank. The authentication by the person would be given by a fingerprint on a micro-ATM.

4. The Central Plan Scheme Monitoring System (CPSMS) is a public financial management reforms initiative of the government of India which monitors programs in the social sector and tracks funds disbursed. It provides real time information exchange with the banks providing greater transparency and accountability to social sector. It provides a platform for schemes for making payments directly in the bank accounts of beneficiaries. Departments using CPSMS should map the details of the bank account of the beneficiary in the scheme database of the CPSMS. This should also be brought to the knowledge of the beneficiary so that she/he is aware that the benefits shall be electronically transferred to the bank account.
5. Aadhaar Payments Bridge (APB) is a repository of Aadhaar number of residents and their primary bank account number used for receiving all social security and entitlement payments from various government agencies. This is the bridge/platform that will be used for the Direct Cash Transfer. APB requires using Aadhaar number as the primary key for all entitlement payments. This would weed out all fakes and ghosts from the system and ensure that the benefits reach the intended beneficiaries. The key steps in posting payments via APB are:

Service delivery agency that needs to make payments to its beneficiaries (such as MGNREGA wages, scholarships disbursement, old age pension etc.) provides APB File containing details of Aadhaar number, welfare scheme reference number and the amount to be paid to its bank (called sponsor bank)

- Sponsor bank adds bank IIN (Institute Identification Number provided by National Payments Corporation of India 'NPCI' to participant banks) to the APB file and uploads onto NPCI server
- NPCI processes uploaded files, prepares beneficiary bank files and generates settlement file. Settlement file is posted to bank accounts with RBI

Destination banks can download the incoming files for credit processing after the settlement file has been processed.

5. DIRECT CASH TRNSFER AS BONUS

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.

Direct cash benefits will allow the flow of money to dent the cycle of poverty and debt, and it will also reduce corruption by cutting down the layers of intermediaries involved in the public distribution system.

Cash to poor people, no strings attached, is an amazingly powerful tool for boosting incomes and promoting development.

DCT will facilitate monitoring the subsidy transactions carried out at different levels. Hence, better monitoring can be ensured in order to curb corruption.

In this model, targeted population will get benefits. The government spends over Rs.70,000 crore a year on providing kerosene, fertilizer and cooking gas at below market rates. The purpose of direct subsidy is to ensure that it reaches the targeted beneficiaries. Thus, people who warrant it will get it. When government spending on subsidy reduces, fiscal deficit will decrease and inflation can be controlled.

DCT gives a scope to enlarge financial addition. There shall banking facility for all since having a bank account is mandatory on the part of the beneficiaries. It would stop large-scale

diversion of subsidized goods, while giving poor rural Indians the opportunity and incentive for opening their first bank accounts.

6. CONCLUSION

As Indian economy is an emerging economy and direct cash transfer scheme is an aid for Direct Cash Transfers to the Poor can said to be a Solution to Improve the Efficiency of Gov-

ernment Welfare Spending and it also empower the poor class people in the society the freedom to spend the benefit according to their choice. This also facilitates the culture of thrift as the corner throne of the self help group movement and hence it can be said that it have the positive multiplier effect on the local economy so that it can fillip a domestic growth all to gather direct cash benefit to the poor will prove to be boon for "Aam Aadmi".

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