

Apr 09 2016 : The Economic Times (Delhi)

Post Factum: DBT Version 2.0

Aman Sharma reports

DBT 2.0 envisages the use of post offices and roping in the friendly postman as a delivery agent for door-to-door disbursal of payments, including wages for rural jobs and subsidy for fuels, food and fertilisers.

So near, yet so far. From the perspective of most people who live in the villages, that's probably the best way to sum up how what is probably the world's largest benefit transfer programme has fared.

The exercise Direct Benefit Transfer is undoubtedly mammoth. Transferring `6,000 crore (\$900 million) of subsidies and wages electronically every month to the bank accounts of 30 crore people is only the first and easy part of the process. The problem starts after that.

Going to the bank to withdraw the money is proving to be the bane of the scheme for folks in rural India, where most of the recipients live. Reason? The poor presence of bank branches and ATMs.

“Last-mile connectivity is the biggest hurdle to the DBT scheme...Earlier, people had to make the rounds of government offices to get their payments and now they have to make the rounds of banks, which may be 1015 km away from their village,” a Cabinet Secretariat official told ET. “They spend some money maybe `50 or so to get to the bank for getting their payment, which usually ranges between `300 and `500 and waste a day's work in the process...Many times, the bank is open only for a few hours.”

The problem has caught the attention of the government, which is planning a massive reboot of the scheme. DBT 2.0 envisages the use of post offices and roping in the friendly postman as a delivery agent for door-to-door disbursement of payments, including wages for rural jobs and subsidy for fuels, food and fertilisers.

A new 'action plan' is ready after the existing financial infrastructure at the panchayat level was mapped out jointly by various wings of the government over the past four months, according to senior officials in the Prime Minister's Office, the Cabinet Secretariat and various ministries. Implementing a revised scheme by March 2017 has become the Modi government's top priority.

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In December, Anjuly Chib Duggal, secretary in the department of financial services in the finance ministry, told a committee of secretaries that out of 1.26 lakh bank branches in the country, only 48,872 less than 40% operated in the rural areas and most of them were staffed by two or three officials, which was quite inadequate to handle the workload.

“The outreach of banking and financial services is far less than required in rural and far-flung areas and these deficiencies adversely affect last-mile connectivity,” Duggal said at the meeting chaired by Cabinet secretary PK Sinha.

Then rural development secretary JK Mohapatra said at the meeting that banking services were not available in a majority of the 2.56 lakh gram panchayats in the country. A gram panchayat is a unit of self governance representing one or

a cluster of two or three villages. Many villagers had to travel several kilometres to reach a bank to withdraw the money credited into their accounts, imposing an additional cost on them.

“This may well turn the DBT scheme unpopular,” a senior official conceded.

There are about 6 lakh inhabited villages in India and about half of the rural population lives in about 1.15 lakh villages, according to the 2011 Census data.

It's not that the government hadn't fathomed the problem when DBT was rolled out in entire country last year. It floated the concept of bank mitras, or banking correspondents, who would go house-to-house to disburse payments through micro-ATMs. Each of the 1.47 lakh bank mitras had to cover territory within a 5km radius.

The bank mitra model was “still in a nascent stage and needed a big push,” Duggal told the government in December. It was subsequently revealed that at any given point of time, only about 40,000 bank mitras were working last year, according to top officials.

“The problem was that the viability of the commercial module of bank mitras was left to the banks. There was a high attrition rate and the bank mitras were not found to be accessible. We reviewed the situation lately, tracking the bank mitras on GPS. Today, we have 1.08 lakh active bank mitras,” a senior PMO official said. ‘Active’ status means a minimum of one transaction every three days.

“That is just not enough. Actually, the number of bank mitras doing 25-30 transactions daily is half of the active number,” a senior government official conceded.

Surprisingly, it is not that a bank mitra is paid less. “One gets paid `2,500-5,000 per month as retainership plus a percentage of each transaction. Many bank mitras earn even `30,000 per month,” an official told ET.

The new strategy, top government officials told ET, is to involve post offices and postmen in the exercise.

“The overall aim is to have at least twothree alternative systems in every village for payment of DBT apart from bank mitras, post offices and postmen will be a major addition,” a senior PMO official told ET.

There are about 1.55 lakh post offices in India and about 1.38 lakh of them are in core rural areas.

“This huge presence and post offices and postmen being part of the social fabric in rural India is a major asset. The same will be used in a major way from March 2017 for DBT distribution,” the senior PMO official said.

The March 2017 deadline is to bring all 1.38 lakh village post offices on the core banking solution platform, which allows a customer to operate an account from any branch. In the past four months, the system has been implemented in 25,000 urban post offices.

The village post offices in turn have 1.29 lakh postmen who will also serve as bank representatives to deliver DBT payments at the doorstep using hand-held devices.

The key to the success of DBT Version 2.0 is Aadhaar, the unique identification number assigned to residents of India. All DBT bank accounts need to be linked to Aadhaar to facilitate biometric authentication through the hand-held devices that will be used to disburse payments at the doorstep.

That's where the rub lies. Aadhaar seeding requires a major push. Only about 42% of the 20 crore Pradhan Mantri Jan Dhan accounts are linked to Aadhaar and in the case of beneficiaries of jobs offered under the Mahatma Gandhi National Rural Employment Guarantee Act, it is 58%.

The job guarantee programme is the toughest hurdle as it is the biggest DBT scheme under which `3,265 crore is disbursed every month and all the recipients live in rural areas. Currently, rural job wages to the tune of `2,504 crore are made through electronic fund transfers without the use of Aadhaar.

“The low seeding of Aadhaar in the DBT beneficiary database (52.5%), lower amount of money transferred through the Aadhaar based payment system (27.81%) and last-mile connectivity are the main hurdles in taking forward DBT,” according to the minutes of the committee of secretaries meeting in December.

Aadhaar coverage crossed the 100 crore people mark in April and is now at 93% of all people aged 18 and above. About 25.48 crore bank accounts are now linked with the unique identity number.

“With the Aadhaar bill now being passed, the stress is on the seeding of the bank accounts with Aadhaar. This is now being done on campaign mode by departments,” an official said.

Another DBT strategy being implemented is the distribution of food subsidy from the country's 5.45 lakh fair price shops by automating them. A target of 3 lakh has been set for March 2017.

“At present, only 75,000 fair price shops are automated. Once this automation is done, food subsidy can be given from fair price shops,” an official said. “We are also looking at exploring the recently RBI-notified 11 payment banks like Airtel Money and Paytm, which can offer DBT services through mobile banking and e-wallets and have their own banking correspondents to deliver DBT,” the official added.

DBT 2.0 is on its way.