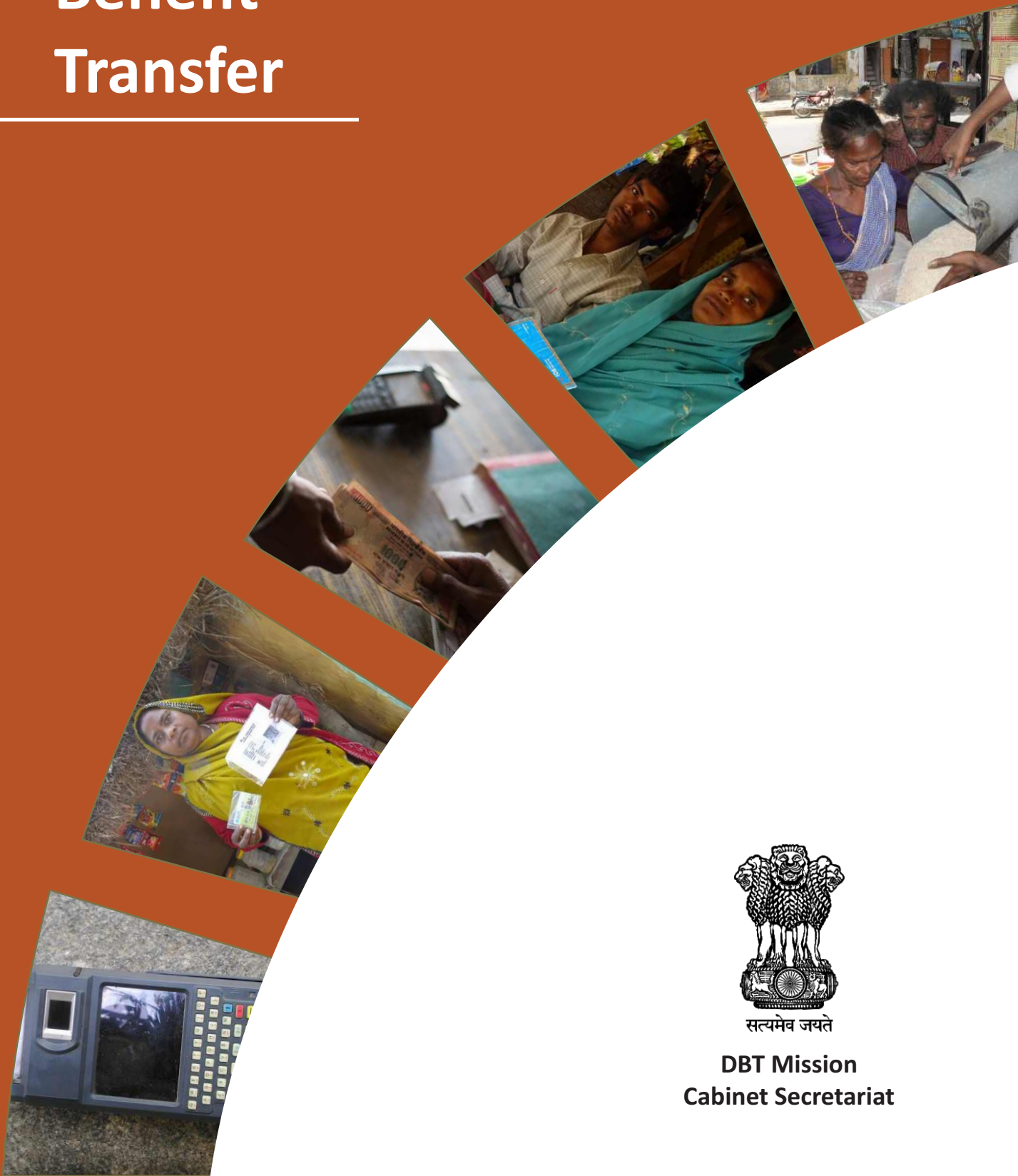


The Direct Benefit Transfer



सत्यमेव जयते

**DBT Mission
Cabinet Secretariat**



सत्यमेव जयते

**DBT Mission
Cabinet Secretariat**

**4th Floor,
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<http://cabsec.nic.in/dbt/origin.html>

Vision

“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

To facilitate a paradigm shift in the process of delivering entitlements to all those who are eligible through:

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



सत्यमेव जयते



"The schemes should not be made to look like half-dead in the files. It should reach out to the last person in the country. The schemes are made for the poorest of the poor; we need to cut subsidy leakages, not subsidies themselves"

"It gives me immense pleasure to announce that the Direct Benefit Transfer Scheme has recently found a place in the Guinness Book of World Records as the largest direct benefit transfer scheme"

"With the help of Jan Dhan Yojana and Aadhaar card, through the largest direct benefit transfer scheme, the subsidies are directly getting deposited in the bank accounts of the beneficiaries."

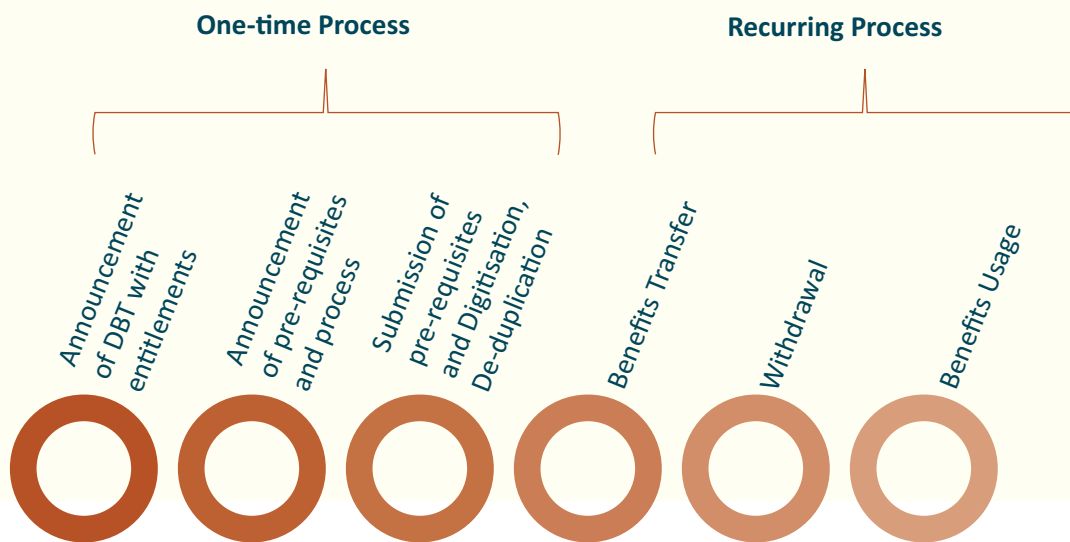
What is Direct Benefit Transfer (DBT)?

Direct Benefit Transfer is a major reform initiative launched by Government of India on 1st January, 2013 to re-engineer the existing cumbersome delivery processes using modern Information and Communication Technology (ICT). This programme aims to transfer benefits directly into the bank/postal accounts, preferably *Aadhaar* seeded, of accurately targeted beneficiaries. In a nutshell, DBT intends to achieve:

1. Electronic transfer of benefits, minimising levels involved in benefit flow
2. Reduced delay in payments
3. Accurate targeting of the beneficiary
4. Curbing pilferage and duplication

DBT is an attempt to ensure a better and more timely delivery of benefits to the people. This marks a paradigm shift in the process of delivering government benefits like wage payments, fuel subsidies, food grain subsidies, etc. directly into the hands of the beneficiaries, speeding up payments, removing leakages, and enhancing financial inclusion. As depicted in the figure above, the DBT system through its customer-friendly processes ensures the last mile connectivity, allowing actual disbursements to take place at the doorstep of the beneficiaries through a network of bank branches and Business Correspondents (BCs) with micro ATM machines.

Fig 1. Beneficiary's Journey to DBT

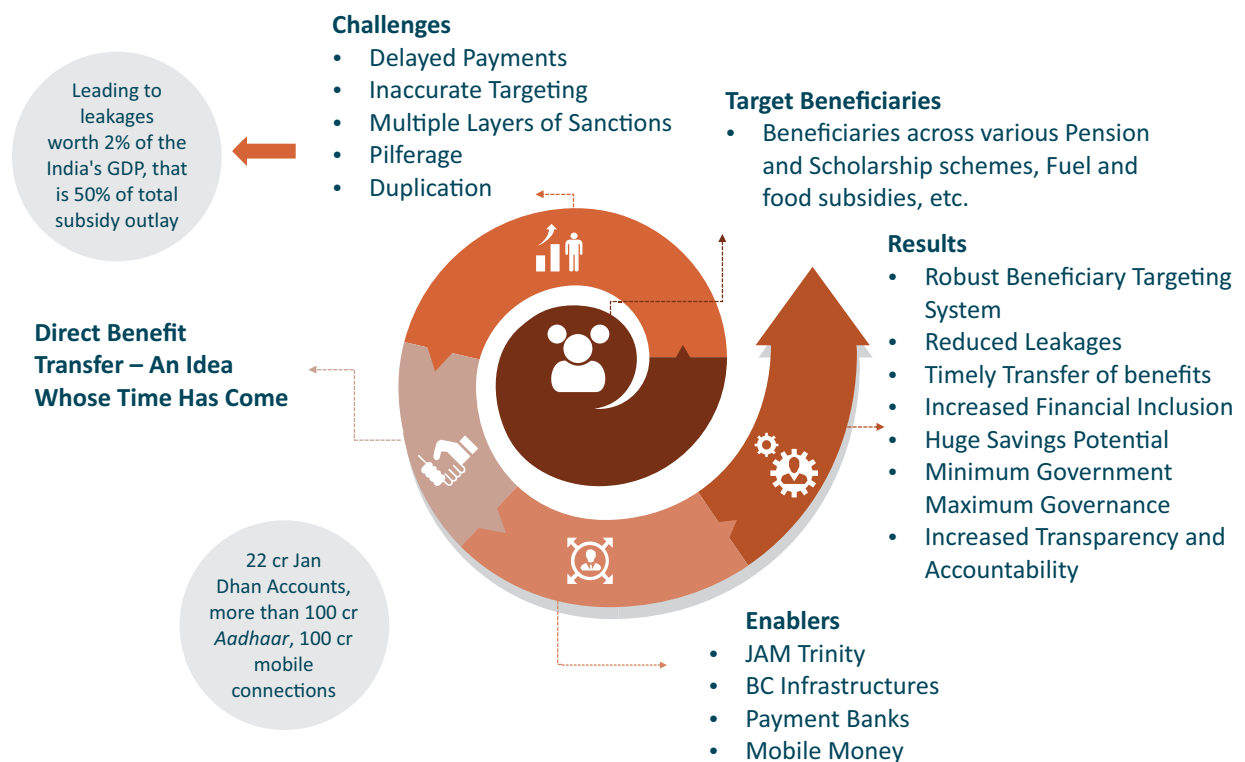


Why DBT?

The Central and the State government transfers and subsidies in India today stand at about 4% of India's Gross Domestic Product (GDP). Currently, these transfers happen through multiple channels. In the process, the payment gets delayed and its intangible value to the beneficiary reduces before it reaches him or her. Schemes introduced in the past have often struggled to achieve their goals due to ill-targeting, leakages and ineffective service delivery. These kind of delays and other hurdles leave a huge leakage gap of 2% of GDP every year. Apart from this, the several levels of sanctions within the

federal structure lead to further delays, thereby creating space for various inefficiencies and duplication of effort. Thus, subsidies and benefits which are needed for different sections of the society require a well-targeted system of delivery which ensures timely transfer of benefits to the citizens of the country. DBT will bring efficiency, effectiveness, transparency and accountability in the Government system and infuse confidence of citizen in the governance. Thus, DBT entails leveraging modern technology and IT tools to realise the dream of **MAXIMUM GOVERNANCE and MINIMUM GOVERNMENT.**

Fig 2. Why DBT?



Additionally, DBT through its direct and time-bound transfer system enables the governments to transfer benefits using just an individual's bank account number preferably linked through *Aadhaar*. This *Aadhaar* number or the biometric input, being unique in nature, removes 'duplicates' and 'ghosts' from the government databases. With the help of a vast network of business correspondents and postal networks, DBT will bring banking to the doorsteps of the rural poor who earlier did not have access to modern financial services. The ease of access shall also enable beneficiaries to withdraw benefits from anywhere irrespective of their status of migration. Thus, DBT will hugely empower the unbanked and accelerate financial inclusion thereby ensuring end-to-end transparency of subsidy and transfer of benefits from the government to the beneficiaries.

History of DBT

As per the decision taken in the National Committee on DBT, DBT was rolled out in the country in 43 districts, 24 selected Central Sector (CS) and Centrally Sponsored Schemes (CSS) in a phase-wise manner. Accordingly, DBT was launched in 20 districts on 1.1.2013 and 11 districts from 1.2.2013 and remaining 12 districts from 1.3.2013. The districts were identified on the basis of higher incidence of beneficiaries with bank accounts and *Aadhaar* enrollment where flow of funds was found to be relatively simpler. Resultantly, most schemes which were brought under the purview of DBT were related to scholarships, women, child and labour welfare. DBT in LPG (DBTL) was launched phase wise from 1.6.2013. 78 additional districts were targeted for DBT and 3 more Pension schemes were brought under DBT. In Phase II, DBT was further expanded across the country on 12.12.2014 with 7 new scholarship schemes, and modified DBTL for LPG subsidy and National Rural Employment Guarantee Scheme (300 districts) brought under its ambit. Thus, DBT was implemented in 121 districts in 27

identified schemes across the country. To operationalise DBT in government schemes, the framework for electronic payments was laid down (vide O.M. dated 13.2.2015 and 19.2.2015) which is to be followed by all Ministries/Departments and their attached Institutions/PSUs. These guidelines are also applicable to all Central Sector (CS)/ Centrally Sponsored Schemes (CSS) and for all schemes where cash component is transferred to individual beneficiaries.

Role of DBT Mission

DBT Mission was initially created in the Planning Commission to act as the nodal agency for implementation of DBT in government schemes. The Mission was transferred from Planning Commission to the Department of Expenditure, Ministry of Finance in July 2013. To give a further fillip to the DBT process, DBT Mission and matters thereto have been placed in the Cabinet Secretariat under the administrative control of Secretary (Coordination & PG) with effect from 14.9.2015.

DBT Mission has been entrusted with the responsibility of implementing DBT in all government subsidy/welfare programmes throughout the country.

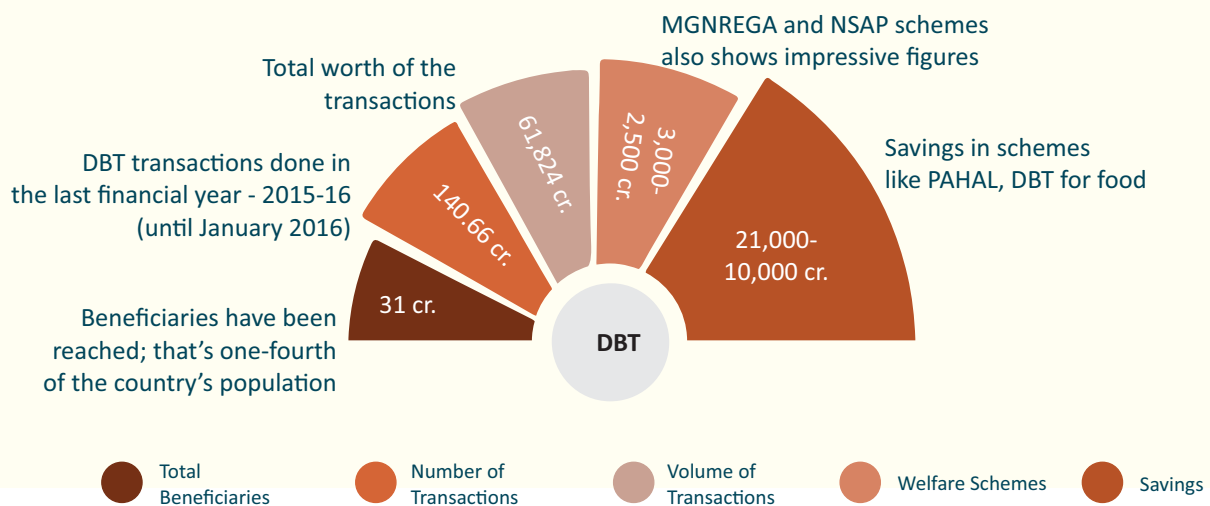
The work of DBT Mission entails studying existing delivery process in welfare schemes and subsidies and re-engineering the same to simplify process and fund flow, providing policy interventions, coordinating with various Ministries/Departments, monitoring of DBT Programme both at Central and State level, compilation of data/information and preparing progress reports on the status of DBT implementation. In a nutshell, DBT Mission is a repository of experiences gained through various DBT initiatives and is presently facilitating innovations to usher in delivery process reforms.

Present Status of DBT

Over the past three years, DBT has shown promising results in pilot schemes being run in different parts of the country. These include Scholarships, PAHAL (modified DBTL for LPG subsidy), Public Distribution System (PDS) in Puducherry, Chandigarh and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) payments in Jharkhand, Bihar, etc. The programme has already been universalised since February 2015 and more than 31

crore beneficiaries are withdrawing their benefits every month using Aadhaar biometric authentication. At present, DBT Mission is monitoring data from 17 Ministries/Departments on 74 government schemes operational in the country. The number of DBT transactions in the financial year 2015-16 (upto January, 2016) has crossed 140 crore. More than Rs 61,000 crore have been transferred to about one fourth of the total population of the country.

Fig 3. Current Status of DBT in India



In the current scheme of things, the potential savings in programmes like PAHAL and DBT for Food are pegged at around Rs 21,000 and Rs 10,000 crore per annum, respectively. In welfare programmes like MGNREGA and NSAP scheme, the savings amount to around Rs 3,000 and Rs 2,500 crore per

annum, respectively. This huge amount, if saved, can be utilised by the government in other ways like increasing the universe of beneficiaries or in development of infrastructure and also to improve citizen's confidence in governance .

Classification of Government Schemes/Components

i) Cash Transfer to Individual Beneficiary - This category includes schemes or components of schemes wherein cash benefits are transferred by Government to individual beneficiaries. Example PAHAL, MGNREGA, NSAP etc. This transfer of cash benefits from Ministry/Department to beneficiaries happens through different routes, as given below:

- a) directly to beneficiaries bank/postal accounts
- b) through State Treasury Account to beneficiaries
- c) through any Implementing Agency as appointed by Centre/State Governments to beneficiaries

ii) In-kind Transfer from Government to Individual Beneficiary - This category includes schemes or components of schemes where in-kind benefits are given by the Government to individuals through an intermediate agency. Typically, Government or its agent incurs expenditure internally to procure goods for public distribution and make services available for targeted beneficiaries. Individual beneficiaries receive these goods or services for free or at subsidised rates.

To cite an example, in Public Distribution System (PDS), Food Corporation of India (FCI) is the Government agent responsible for procurement, movement, storage and distribution of food grains to Fair Price Shops. FCI issues the food grains at subsidised rates, as fixed by the Government. The rates so fixed do

not cover the full economic cost incurred by the Corporation. The difference represents the consumer subsidy for the PDS, and is paid to the Corporation by the Government of India. Similarly, Government incurs internal expenditures for provision of subsidies in kind on other products like kerosene, fertilisers, books, medicines, vaccines, etc.

The matrix below through examples depicts different categories of schemes which can be grouped on the basis of the type of benefits and the type of beneficiaries.

Type of Benefit	Individual Beneficiary
Cash	MGNREGA, PAHAL, NSAP, Scholarships
Kind	SSA, Mid Day Meals, PDS, Assistance to State for Control of Animal Disease

Other Transfers

Apart from these two categories of schemes, there is another category of transfers from the government to different non-government functionaries who help in facilitation of various government schemes till the last mile. This category includes transfers made to the various enablers of government schemes like community workers, NGOs, in the form of honorarium, incentives, etc. for successful implementation of the schemes. Example - ASHA workers under NHM, Aanganwadi workers under ICDS, teachers in aided schools, sanitation staff in ULBs, etc. are not beneficiaries themselves but they are given wages, training, and incentives for their service to the beneficiaries/community. Therefore, apart from the schemes classified above, different government departments should focus on automating these kind of transfers to the *Aadhaar* linked bank/postal accounts of beneficiaries as well.

Pre-requisites for DBT

- i) Identification of beneficiaries and digitisation of beneficiary database
- ii) Opening of bank accounts
- iii) *Aadhaar* enrolment
- iv) Seeding of *Aadhaar* in beneficiary database and bank accounts
- v) Last mile connectivity/service delivery

Fig 4. Pre-requisites for DBT

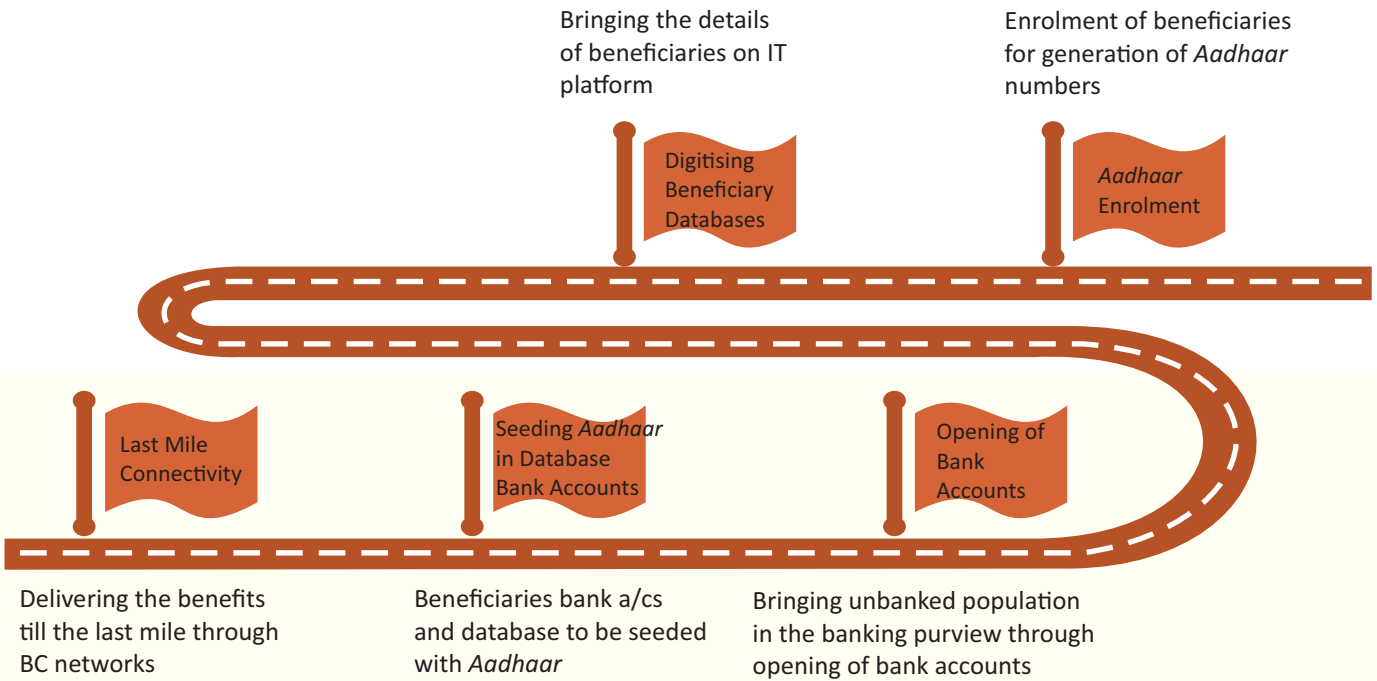
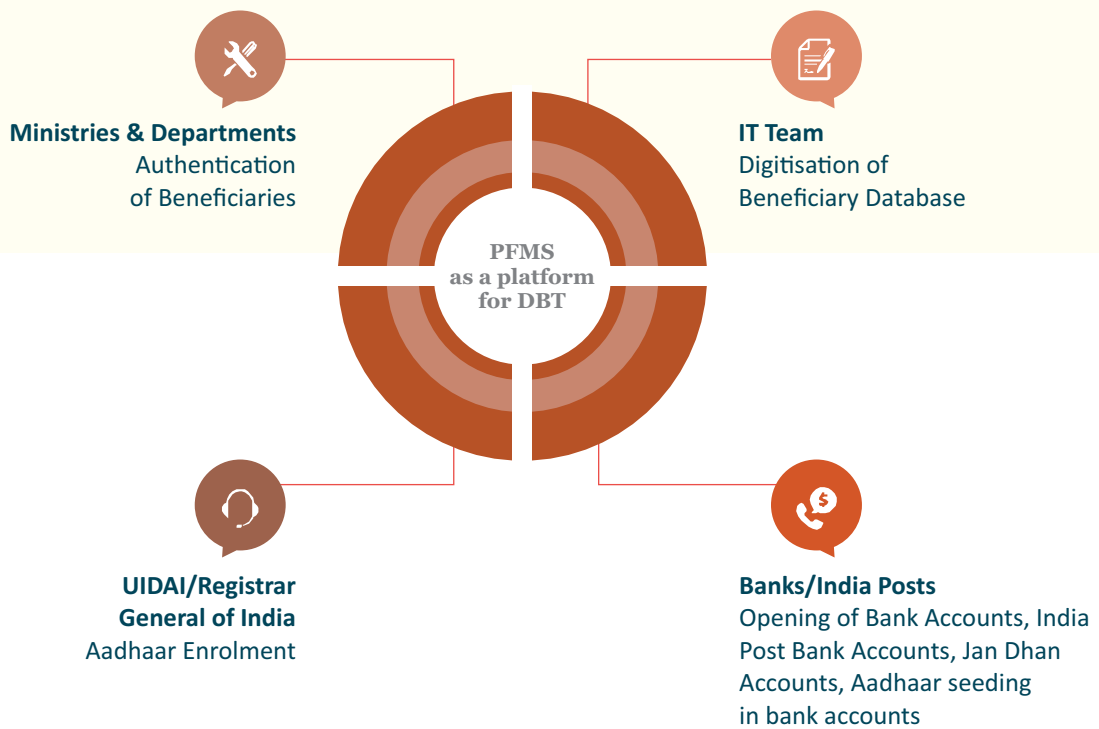


Fig 5. Stakeholders Involved



Key Enablers for DBT

The success of an ambitious and a highly desirable initiative like DBT depends on a set of a few critical factors. For a heterogeneous and a large country like India, it becomes imperative that these critical success factors are ensured to achieve smooth roll-out of a programme like DBT. The key success factors or enablers for an efficacious implementation of DBT would include:

I. JAM Trinity

With over 22 crore Jan-Dhan bank accounts, 100 crore mobile connections and 100 crore *Aadhaar* numbers, there is a compelling belief that JAM is the way ahead in delivering financial inclusion. It holds the key to one of the biggest reforms ever attempted in India. In fact, it is seen as a new-age solution using technology as the common man's friend and an economic enabler for financial inclusion. It is here that DBT by leveraging the JAM (Jan Dhan, Aadhaar and Mobiles) trinity and the technological prowess offers to drastically improve this benefit delivery system.

The JAM Trinity will enable this novel system to transfer benefits in a leakage-proof, well-targeted, cashless and timely manner.

II. Business Correspondents (BC) Infrastructure

Reserve Bank of India introduced Business Correspondents / Banking Correspondents (BC) as an alternative to brick and mortar banks for infrastructure. BC is a representative authorised to offer services such as cash transactions where the bank does not have a branch. As per census 2011, there are 23,333 villages with population above 5,000 and 1,19,761 villages above 2,000 population. However, there are only 11,224 villages in the country with population above

5,000 which have a bank branch. Business Correspondents/ Bank Mitras will have a vital role in operationalising the programme and ensuring the last mile connectivity. BC Network needs to be further strengthened. Facilities like Common Service Centers, Fair Price Shops may be brought under BC.

The strong presence of BCs will ensure that payments are disbursed to the beneficiaries on time, at their doorstep and of full value.

III. Payments Bank

A payments bank is like any other bank, but operating on a smaller scale, without involving any credit risk. It can carry out most banking operations and enable transfers and remittances through a mobile phone but cannot advance loans or issue credit cards. The main objective of payments bank is to widen the spread of payment and financial services to small business, low-income households, migrant labour workforce, etc. in secured technology-driven environment across the country. On 19 August 2015, the Reserve Bank of India gave in-principle licences to eleven entities to launch payments banks. With payments banks, RBI seeks to increase the penetration level of financial services in the remote areas of the country. India Post Payment Bank(IPPB) with possibly the widest coverage is soon going to launch its services.

IV. Mobile money

Mobile money is a fast moving way of payment in the country and could be helpful in providing solution to last mile issue for better accessibility of DBT. There is a need to develop a comprehensive eco-system for carrying out cashless transactions over mobile platform using *Aadhaar* as identifiers. This will revolutionise the drive for financial inclusion.

Stories of Success

Scheme	Target Beneficiary	Challenges	Interventions	Impact
PAHAL (Pratyaksh Hanstantrit Labh)—Modified DBT for LPG Subsidy	Consumers who have subscribed to LPG connection for domestic use.	<ul style="list-style-type: none"> -Inefficient payments transfer - Huge subsidy outlay due to inclusion of non-beneficiaries in the database. -Diversion to commercial use, leakages 	<ul style="list-style-type: none"> - Consumers were encouraged to enrol under the scheme with their existing bank accounts. - Smooth enrolment process with clear communication about the pre-requisites and a strong grievance redressal system. -Direct subsidy transfer to LPG consumers in their bank accounts. 	<ul style="list-style-type: none"> -Weeded out 3.34 crore duplicate/ fake/inactive consumers and registered 14.85 crore active LPG consumers. - Total subsidy transferred under PAHAL (since 1.1.2015) is ₹ 28,713 crore. -DBT implementation and Aadhaar seeding has resulted in estimated savings of ₹ 14,672 crore during 2014-15. --Estimated savings from LPG consumers who have given up subsidy is about ₹ 3,105 crore -Average savings approx. ₹ 17,777 crore per annum. -De-duplication of Kerosene beneficiaries who also have an LPG connection

Stories of Success

Scheme	Target Beneficiary	Challenges	Solution	Results
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	Labourers who secure employment under the scheme.	<ul style="list-style-type: none"> -Exclusion errors while targeting eligible beneficiaries. -‘Duplicates’, i.e., one person getting benefits multiple times, and ‘ghosts’, i.e., non-existent people getting benefits. - Delay in payment of wages 	<ul style="list-style-type: none"> - Direct Payment Transfer to Workers’ Accounts. -Requisite software has been prepared by NIC, banks and DOP for transfer of funds electronically. - Data Processing, calculation of wages, wage list generation, and FTO preparation to aid in direct benefits transfer. 	<ul style="list-style-type: none"> - Streamlined the fund flow process, reduced the delays in payment of wages and de-duplicated databases, thus improving the utilisation of funds. - More than 90% of the total wages paid under NREGS are being disbursed through Bank/Post office accounts. -In Andhra Pradesh and Telangana, through <i>Aadhaar</i> seeding alone, around 13 -15 lakhs of dead/duplicate/ migrated beneficiaries have been weeded out. -On an average, weeding out of 10% of bogus workers alone can result in potential savings of approx. ₹ 3,000 crore per year to the government.

Way Forward

For DBT to be a universal success and fulfil its mandate of re-engineering benefit delivery system, it may be important to address a few issues as discussed below, which will further embolden the DBT efforts in the country.

I. Universal Beneficiary Database and Grievance Redressal System

Currently, each Ministry/Department maintains its own database of beneficiaries, which is used as a base for transferring benefits to the intended recipients. These databases at multiple levels not only duplicate the effort but hamper the process of aggregating subsidies to individuals as well. Thus, a unified beneficiary database needs to be created by capturing the unique JAM details of each beneficiary. The universal database will need to be dynamic, linked to Birth/Death registration and changes in the family structure due to events like marriage. The database will also need to be maintained at local level and aggregated at higher levels, viz. District/State/National. These unique details of beneficiaries shall help government in effective scheme planning or creation and eventually will lead to holistic realisation of subsidy outlays and national level portability of benefits and services would be possible.

A comprehensive & sustainable Social Security Platform is essential and do-able.

A bedrock database to act as single source of truth for all Government Policy and Planning, implementing various welfare programmes etc. will be required for the same. This will result in scientific approach to policy formulation and will provide huge efficiency gains.

Apart from creating an integrated beneficiary database cutting across multitude of ministries and departments, there is a need for a strong grievance redressal system which can enable incorporating the feedback of the beneficiaries, their experience with DBT and their grievances into the system. This sort of a two-way feedback loop through a process of continuous learning and improvement shall strengthen the DBT framework.

II. Aadhaar-based Payment

Only about 37% payments out of total DBT fund transfers were disbursed through Aadhaar Payment Bridge (APB) as on 31.1.2016. Rest of the payments under DBT were made using other electronic transfers including, NEFT. Government intends to make maximum DBT payments through APB. Universal Benefit Accounts linked to Unified Beneficiary Database with banks/mobile/Aadhaar (JAM) details will pave the way, going forward.

III. Rationalising Govt. Subsidy

Government is committed that food, kerosene and fertilisers on which large share of government subsidy is involved, may be brought on DBT platform. In the budget speech Finance Minister Arun Jaitley had said,

"We have already introduced direct benefit transfer in LPG. Based on this successful experience, we propose to introduce DBT on pilot basis for fertiliser in a few districts across the country, with a view to improving the quality of service delivery to farmers."

Introducing direct cash transfer for fertiliser subsidy will help farmers and manufacturers apart from helping the government's finances.

FREQUENTLY ASKED QUESTIONS

Q 1: What is Direct Benefit Transfer (DBT)?

A: Direct Benefit Transfer or DBT is a major reform initiative launched by Government of India on 1 January 2013 to re-engineer the existing cumbersome delivery processes using modern Information and Communication Technology (ICT). This programme aims to transfer benefits directly into the bank/postal accounts, preferably *Aadhaar* seeded, of accurately targeted beneficiaries.

Q 2: What is the background of Direct Benefit Transfer?

A: A decision was taken in the meeting of the National Committee on Direct Cash Transfers held by the Prime Minister that Direct Benefit Transfers will be rolled out from 1st January, 2013 in 43 districts, 24 selected Central Sector and Centrally Sponsored Schemes in a phase-wise manner beginning with 20 districts on 1.1.2013, 11 districts from 1.2.2013 and the remaining 12 districts from 1.3.2013.

Q 3: Is DBT applicable only to schemes that involve cash transfer?

A: Initially, DBT covered schemes that involve cash transfer to beneficiaries. As a part of reforms in Public Distribution System (PDS), Department of Food and Public Distribution started DBT in kind, i.e. distribution of food grains to the beneficiaries after biometric authentication at Fair Price Shops through *Aadhaar*-enabled Point of Sale (PoS) devices. Cash or in-kind benefits may be given to individual beneficiaries or communities.

Q 4: What schemes can come under the current DBT framework?

A: Under the purview of redefined DBT framework, all schemes or components of schemes can be broadly classified into three categories.

- i) Cash Transfer from Government to Individual Beneficiary.
Example: PAHAL, MGNREGA, NSAP, etc.
- ii) In-kind Transfer from Government to Individual Beneficiary.
Example: Food grains and kerosene through PDS, Medicines, Books, Vaccines, etc.
- iii) Payments from Government to service providers for running its schemes.
Example: ASHA workers under NHM, Aanganwadi workers under ICDS, teachers in aided schools, sanitation staff in ULBs, etc. are not beneficiaries themselves but they are given salary, training, incentives for their service to the beneficiaries/community.

Q 5: How many schemes are at present reported to be on DBT?

A: As on 30.04.2016, 66 schemes of 15 Ministries/Departments are reported to be on DBT.

Q 6: Is *Aadhaar* mandatory for DBT?

A: At present, *Aadhaar* is not mandatory for availing DBT in any of the welfare schemes of the Government. DBT can be undertaken by digitisation of beneficiary database and making payments directly to the bank account through electronic transfer. However, *Aadhaar* seeding in beneficiary database and bank accounts is desirable to achieve DBT objectives in its true sense.

Q 7: What is *Aadhaar* Seeding?

A: *Aadhaar* seeding is done by updating *Aadhaar* number in the beneficiary database and linking the *Aadhaar* number with the bank account of the beneficiary in the Core Banking System (CBS).

Q 8: Why is Aadhaar seeding desirable?

A: Aadhaar seeding of bank accounts in the beneficiary database will help in de-duplication and curbing leakages. Use of Aadhaar is beneficial to citizens as he or she will not have to carry multiple identity proofs and will provide a faster channel for receiving all welfare payments without any middle-men. Thus, Aadhaar seeding in beneficiary database and bank accounts is desirable to achieve DBT objectives in its true sense.

Q 9: What is National Payments Corporation of India (NPCI)?

A: National Payments Corporation of India (NPCI) is an umbrella organisation for all retail payments system in India. It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA). NPCI offers a range of services like National Financial Switch (NFS), Aadhaar Payment Bridge System (APBS), Cheque Clearing, Immediate Payments Service (IMPS), National Automated Clearing House (NACH), Electronic Benefit Transfer, RuPay cards, etc. As per government order released by Department of Expenditure, Ministry of Finance, all DBT transactions are to be routed through NPCI. While Aadhaar-linked DBT transactions will be routed through APBS, non-Aadhaar transactions will be routed through NACH.

Q 10: Does the beneficiary need to have a bank account for availing benefits & subsidies through APBS?

A: Yes, the beneficiary needs to have a bank account for availing the benefits & subsidies through APBS.

Q 11: What is NPCI mapper?

A: NPCI mapper is a repository of Aadhaar numbers maintained by the APB System and used for the purpose of routing the APB transactions to the destination banks. The NPCI mapper contains Aadhaar number along with Institution Identification Number (IIN) of the bank to which the beneficiary has seeded his/her Aadhaar number.

Q 12: Does NPCI maintain bank account details of the beneficiaries in NPCI mapper?

A: No. NPCI does not maintain bank account details of the beneficiaries like account number, IFS code and branch address etc. of the beneficiary in NPCI mapper.

Q 13: What happens when a beneficiary seeds his/her Aadhaar number in multiple bank accounts?

A: In case a beneficiary seeds his/her Aadhaar number in multiple bank accounts, the previous mapping if any in the NPCI mapper, gets overwritten by the fresh seeding of the Aadhaar number.

Q 14: What is Public Financial Management System (PFMS)?

A: Public Financial Management System (PFMS) is a web-based online software application. PFMS is being delivered and implemented by the Project cell in the office of CGA. The primary objective of PFMS is to facilitate sound Public Financial Management System for Government of India (GoI) by establishing an efficient fund flow system as well as a payment cum accounting network.

Q 15: What is the importance of PFMS for DBT?

A: PFMS is the payment platform for disbursement of funds for the schemes covered under DBT. PFMS is crucial for success of DBT initiative as it provides various stakeholders with a real time, reliable and meaningful management information system and an effective decision support system. It helps in tracking utilisation of funds from the Central Government upto the beneficiary.

Q 16: Is PFMS platform mandatory for DBT implementation?

A: Yes, PFMS has been made mandatory for payment accounting and reporting under DBT w.e.f. April 1, 2015.

Q 17: What is Pratyaksh Hanstantrit Labh (PAHAL)?

A: PAHAL/DBTL (Direct Benefit Transfer for LPG Subsidy) is a scheme which provides the LPG subsidy amount applicable on the domestic LPG cylinder directly into the consumer's bank account. At the time of LPG cylinder delivery, consumer will have to pay the full price of the LPG cylinder.

Q 18: What is National Scholarship Portal (NSP)?

A: Launched by Hon'ble Prime Minister on 1st July, 2015 under 'Digital India', NSP is a one-stop IT enabled platform for disbursement of scholarships under different Ministries/Departments.

Q 19: What is Financial Inclusion and Last Mile Service Delivery?

A: Traditionally, financial inclusion has been understood to mean extension of financial services to the unbanked areas and providing universal access to banking services across the country. However, financial inclusion is much more than just opening bank accounts and it will be meaningful only when there is last mile service delivery. Last mile connectivity/service delivery means translating financial access into usage and making financial services or cash-out facilities available at the doorstep of the beneficiaries. It cannot be denied that there has been a quantum jump in banking access through various schemes and initiatives of the government like Jan Dhan Yojana, bringing Post Offices on Core Banking Solution (CBS) network, expansion of BC model, opening of new ATMs, etc. However, last mile service delivery continues to be a hurdle in achieving financial inclusion.

Q 20: What are the present challenges in last mile service delivery?

A: Last mile delivery issues can be addressed by examining the existing village-wise infrastructure and identifying those villages which have no points of financial presence. Village-wise mapping exercise coordinated by DBT Mission in collaboration with NIC and various Departments reveals that at present, only 1,74,691 out of 6,40,947 lakh villages (27%) have been covered by either Bank Branch, Bank Mitra, ATM, Post Office or Common Service Centre (CSC). It is evident that there is a huge gap between financially covered villages and uncovered ones.

Q 21: What can be done to strengthen the financial service infrastructure especially in the rural areas?

A: Presently, various initiatives to strengthen payment infrastructure in the rural areas are being taken up. The Business Correspondents/Banking Correspondents (BC) Model, introduced by the RBI in 2006 allows banks to provide service at people's doorstep through the use of third party-services. Some of the Common Service Centres are presently functioning as BCs for various banks and delivering banking services. There is a gamut of other services too that can also be leveraged to help achieve last mile service delivery. The BC model may be extended to include entities such as Grameen Dak Sewaks (GDS), Fair Price Shops, Primary Agricultural Credit Societies (PACS), kirana shops, corporates and others. Transformation of GDS as BCs or operating agents of India Post Payment Banks (IPPB) by providing micro ATMs, bringing Post Offices on CBS and enabling them to become postal banks, automation of FP shops, are already in the pipeline. Another low-cost solution can be utilisation of the mobile banking facility through phones for maximum possible government-to-person (G2P) payments. On 19 August 2015, the Reserve Bank of India gave licences to eleven entities to launch payments banks to widen the spread of payment and increase penetration of financial services in remote areas.

Q 22: What are the DBT transaction charges and cash-out incentives applicable under DBT schemes?

A: As per latest Government Order released by the Ministry of Finance, dated 26.02.2016, it has been decided that all DBT and PAHAL transactions should be routed through NPCI. To facilitate DBT, compensation is given to banks to meet their administrative cost. The commission is given in two parts, as described below:

i) Transaction charges

A transaction cost of Rs. 0.50/- would be payable for each transaction to be shared between the sponsor banks, destination entities and NPCI in accordance with the extant NPCI circular.

ii) Cash-out incentives

For MGNREGA, Maternity Benefits (ICDS) and Pension Schemes, a fixed component of Rs. 5/- per transaction and a variable component of Rs. 0.50/- per Rs. 100 (transaction amount rounded up to the next hundred) subject to a maximum of Rs. 5/- would be payable. This incentive is provided to promote last mile delivery of financial services.

