



BUDGET BRIEFS

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Direct Benefit Transfer (DBT), Jan Dhan, Aadhaar and Mobile (JAM) GOI, 2017-18

Direct Benefit Transfer (DBT) is a Government of India (GOI) initiative to transfer cash benefits such as wage payments, subsidies and incentives for a number of government programmes directly into bank accounts of beneficiaries through electronic systems. DBT was designed with the objective of minimising delays in fund flows, ensuring accurate targeting of beneficiaries, and curbing leakage and duplication.

A key role in large-scale, real-time implementation of DBT has been envisaged for the JAM trinity: Jan Dhan accounts, Aadhaar numbers and Mobile numbers. Jan Dhan bank accounts aim to ensure universal financial inclusion, Aadhaar numbers provide a means for identification and authentication, and mobile banking offers an alternative mechanism of payment and withdrawal.

Using government data, this brief reports on the following parameters:

- Trends in coverage of DBT and JAM
- Extent to which these are being used by government and citizens.

Data for DBT is as of December 2016, Jan Dhan and Aadhaar are as of January 2017. Mobile coverage data is available till September 2016, and mobile banking usage data is available till November 2016.

HIGHLIGHTS

₹1.57 lakh cr

Total amount transferred through DBT from January 2013 to December 2016

84 of 536

applicable schemes are implementing DBT

SUMMARY & ANALYSIS

- 84 schemes across 17 departments and ministries of GOI were using DBT as of December 2016. This accounts for 16 per cent of the targeted 536 schemes. 1.57 lakh crore had been transferred through DBT since the scheme's inception.
- In FY 2016-17, the pace of DBT has slowed down. Till December 2016, only 52 per cent of GOI allocations (revised estimates/RE) for LPG subsidies, 58 per cent for MGNREGS and 62 per cent for NSAP had been transferred through DBT.
- As of 28 December, 2016, 26 crore Jan Dhan bank accounts had been opened across the country – a rate of 2.2 lakh new accounts daily since 31 December, 2014.
- The demonetisation of 500 and 1,000 rupee notes saw a sharp increase in deposits in Jan Dhan accounts - from ₹44,867 crore to ₹74,321 crore, or 66 per cent, between 31 October and 30 November 2016.
- As of January 2017, 88 per cent of the population of India as per Census 2011 held Aadhaar numbers. This is an increase from 80 per cent as of 2 January, 2016. There are, however, large regional variations in coverage.
- A total of 68 crore mobile transactions were reported between January-November 2016, a sharp 152 per cent increase over the corresponding period in 2015.

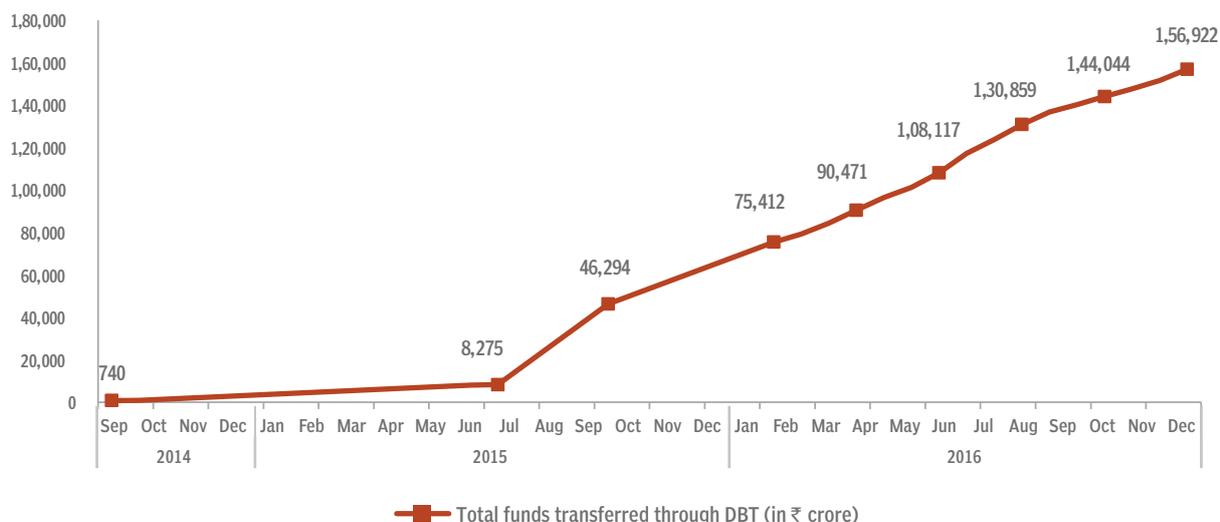
DIRECT BENEFIT TRANSFERS

- In January 2013, GOI launched the Direct Benefit Transfer (DBT) scheme—an initiative to transfer cash benefits such as wage payments, subsidies and incentives for a number of government programmes directly into bank accounts of beneficiaries through electronic systems. The scheme was designed with the objective of minimising delays in fund flows, ensuring accurate targeting of beneficiaries, and curbing leakage and duplication.
- DBT was initially rolled out as a pilot project. Phase 1 (January 2013–November 2014) covered 43 districts and 24 selected Central Sector and Centrally Sponsored Schemes. This was expanded to 78 additional districts in Phase 2, starting December 2014. In addition, a number of other schemes were included in its ambit such as wage payments under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Liquefied Petroleum Gas (LPG) subsidies.

Coverage

- DBT is applicable to all GOI programmes involving cash transfers to individual beneficiaries. To this end, DBT aims to cover 536 schemes across 65 ministries and departments, of the total 1,182 schemes administered by the 75 ministries and departments of GOI.
- However, as of December 2016, only 84 schemes (16 per cent of the target) across 17 departments and ministries were using DBT. In terms of the quantum of transfers, since the scheme's inception, ₹1.57 lakh crore had been transferred through DBT.

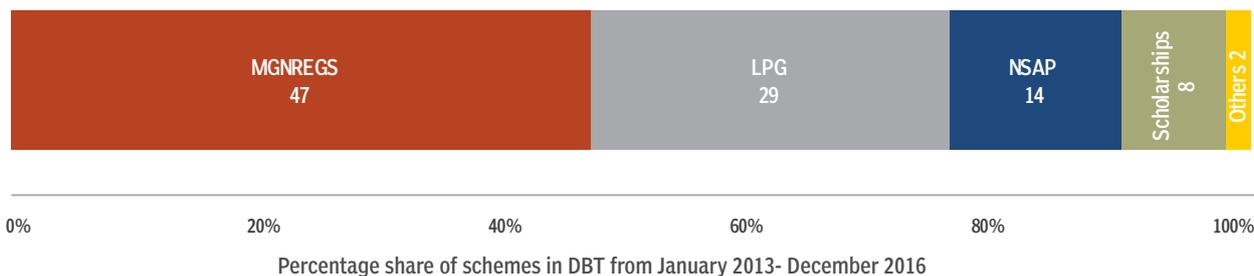
₹1.57 LAKH CRORE TRANSFERRED THROUGH DBT AS OF DECEMBER 2016



Source: Direct Benefit Transfer Portal, GOI. Available online at: <https://dbtbharat.gov.in/>. Last accessed on 20 January, 2017.

- Three schemes—MGNREGS, LPG subsidies and pensions under the National Social Assistance Programme (NSAP)—make up the bulk of DBT. Till December 2016, these schemes together accounted for 99 per cent of the total beneficiaries and 90 per cent of funds transferred through DBT. Scholarship programmes accounted for 8 per cent of the total DBT funds transferred.
- A significant portion of the budgets for these three major schemes is transferred through DBT. In FY 2015-16, ₹55,647 crore was transferred through DBT for these three schemes. This amounted to 100 per cent of GOI allocations for LPG, 92 per cent for NSAP and 70 per cent for MGNREGS.

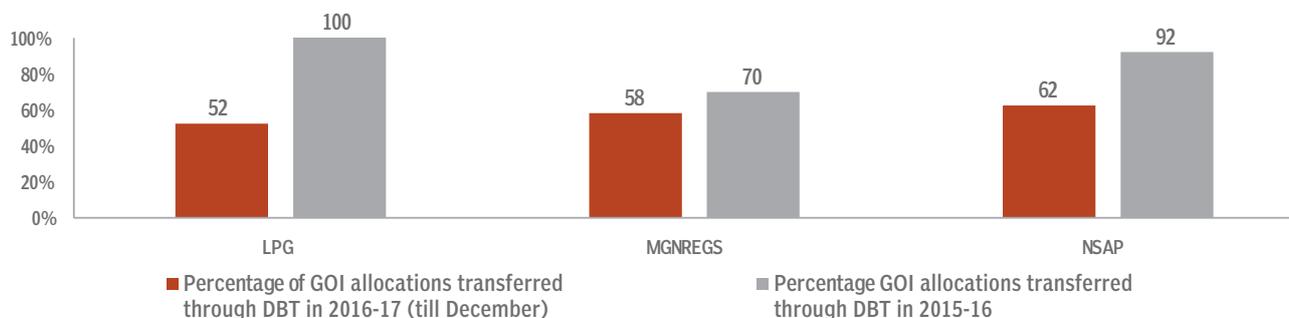
90% OF FUNDS TRANSFERRED THROUGH DBT ARE FOR THREE SCHEMES



Source: Direct Benefit Transfer Portal, GOI. Available online at: <https://dbtbharat.gov.in/>. Last accessed on 20 January, 2017.

- In FY 2016-17, the pace of DBT appears to have slowed. Till December 2016, only 52 per cent of GOI allocations (revised estimates/RE) for LPG subsidies, 58 per cent for MGNREGS and 62 per cent for NSAP had been transferred through DBT.

58% OF BUDGET ALLOCATIONS FOR MGNREGS HAD BEEN TRANSFERRED THROUGH DBT IN 2016-17 TILL DECEMBER



Source: Direct Benefit Transfer Portal, GOI. Available online at: <https://dbtbharat.gov.in/>. Budget figures from Union Budget, Expenditure Budget, Vol. 2. Budget allocations are RE. Last accessed on 1 February, 2017.

- In February 2015, the Economic Survey discussed the role of DBT in reducing leakages in government subsidies. While DBT, in principle, can be carried out through any system of electronic bank transfer, a key role in large-scale, real-time implementation of DBT has been envisaged for the JAM trinity: Jan Dhan bank accounts, Aadhaar numbers and Mobile coverage. Jan Dhan bank accounts are to ensure universal financial inclusion. The idea is that citizens would be identified uniquely by their Aadhaar numbers to which these accounts would be linked. DBT payments to a citizen's Jan Dhan account thus could be made solely on the basis of his or her Aadhaar number. Mobile banking offers a way to bypass poor banking infrastructure by enabling an alternative mechanism of payment and withdrawal.

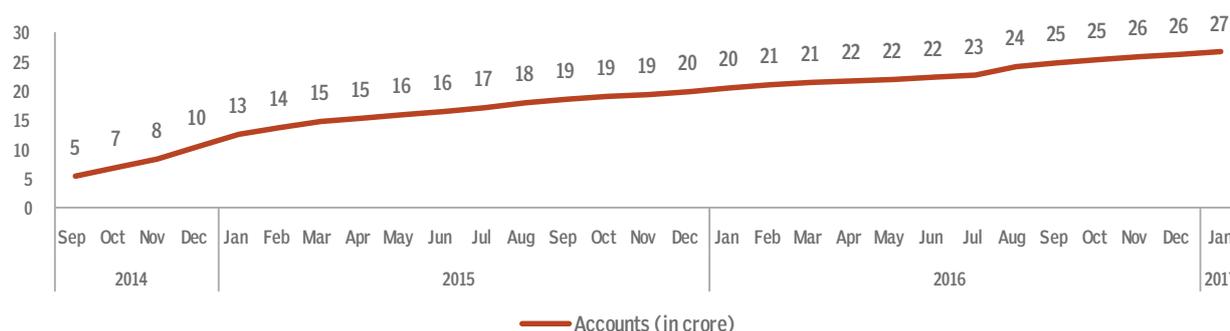
PRADHAN MANTRI JAN DHAN YOJANA

- The Pradhan Mantri Jan Dhan Yojana (PMJDY) – a national mission for financial inclusion – was launched on 28 August, 2014. The scheme's main objective is to further financial inclusion by providing all households in the country with at least one bank account.

Coverage

- In 2015, 9.4 crore accounts were opened, averaging nearly 2.6 lakh accounts per day. In 2016, as of 28 December, 26 crore Jan Dhan accounts have been opened across the country – a rate of 2.2 lakh new accounts daily since 31 December, 2014.
- Jan Dhan accounts form a significant proportion of the overall bank accounts in the country. As of March 2015, 10 per cent of all deposit accounts had been opened under PMJDY. By 11 January, 2017, the scheme covered 107 per cent of all households as per Census 2011.

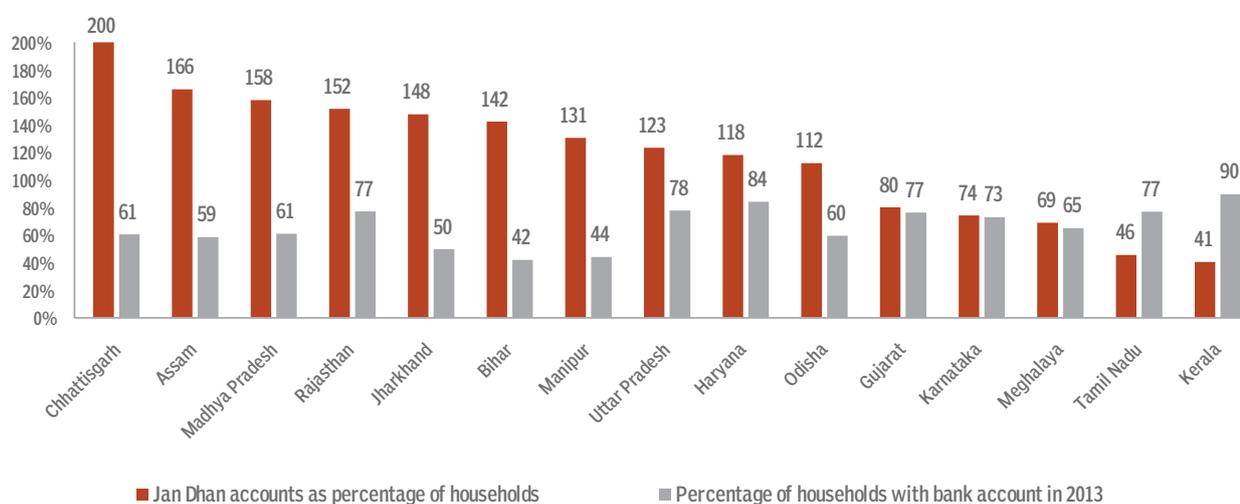
NEARLY 27 CRORE JAN DHAN ACCOUNTS HAVE BEEN OPENED TILL JAN 2017



Source: Jan Dhan Portal, Archives, GOI . Available online at: <http://pmjdy.gov.in/Archive>. Last accessed on 20 January, 2017.

- There are sharp state-wise variations. States that had low coverage of bank accounts prior to the launch of PMJDY have seen a higher number of Jan Dhan accounts being opened.
- For instance, Chhattisgarh and Assam had about 60 per cent coverage of bank accounts before the scheme was launched. However, as of 11 January, 2017, the number of Jan Dhan accounts stood at 200 per cent of households in Chhattisgarh and 166 per cent of households in Assam, as per Census 2011. This suggests that many households had more than one adult member open an account under PMJDY.
- In contrast, coverage of Jan Dhan accounts was low in Kerala and Tamil Nadu where 90 per cent and 77 per cent of households, respectively, already had a bank account prior to the launch of the scheme. Till 11 January, 2017, only 41 per cent of households in Kerala and 46 per cent in Tamil Nadu had a Jan Dhan account.

CHHATTISGARH HAS NEARLY 2 JAN DHAN ACCOUNTS PER HOUSEHOLD

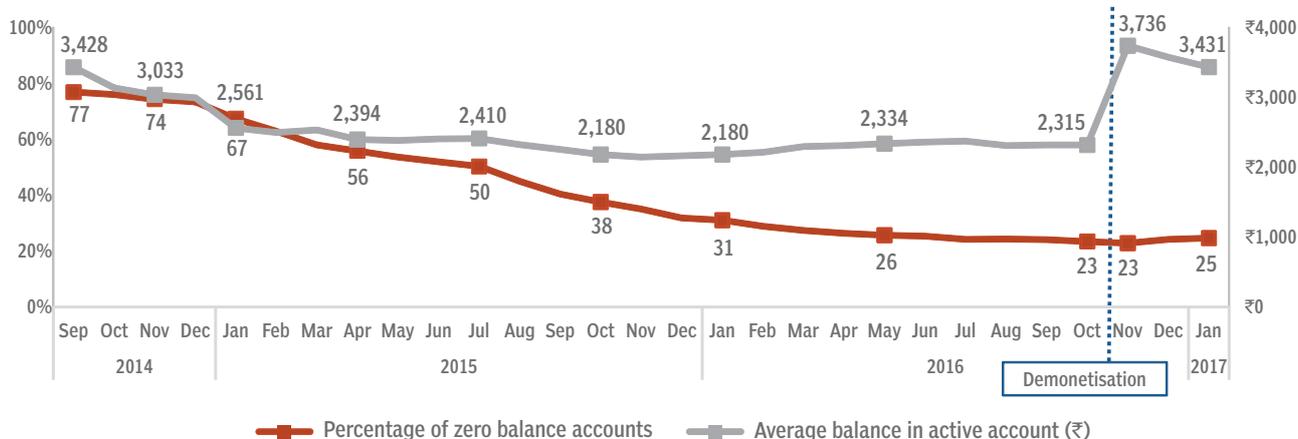


Source: Jan Dhan Portal, Statewise statistics, GOI. Available online at: <http://pmjdy.gov.in/statewise-statistics>. 2013 household data from NSSO 70th round, Key Indicators of Debt and Investment in India. Available online at: http://mospi.nic.in/sites/default/files/publication_reports/KI_70_18.2_19dec14.pdf. Last accessed on 20 January, 2017.

Usage

- As of October 2016, the total balance available in Jan Dhan bank accounts stood at ₹44,867 crore.
- The proportion of Jan Dhan accounts with no balance has been steadily declining, from 77 per cent at the scheme's inception to only 23 per cent as of October 2016 (before demonetisation). A primary objective of PMJDY is to enable citizens to perform financial transactions in the formal banking system. One way of measuring this is to analyse the average balance in active accounts. This reduced from ₹3,428 in September 2014 to ₹2,315 in October 2016 – a drop of 32 per cent.

BALANCE IN ACTIVE JAN DHAN ACCOUNTS SAW LITTLE CHANGE UNTIL NOVEMBER 2016



Source: Jan Dhan Portal, Archives, GOI. Available online at: <http://pmjdy.gov.in/Archive>. Last accessed on 20 January, 2017.

- However, despite significant progress in coverage, deposits in PMJDY accounts form a very small fraction of the overall deposits in the banking system, standing at 0.7 per cent as of December 2016. In March 2015, this figure stood at 0.2 per cent.

Effect of Demonetisation

- The demonetisation of 500 and 1,000 rupee notes on 8 November, 2016 saw a sharp increase in deposits in Jan Dhan accounts. Deposits increased from ₹44,867 crore to ₹74,321 crore, or by 66 per cent, between 31 October and 30 November 2016. However, balances have since been declining. Deposits stood at ₹69,027 crore as of 11 January, 2017 – a fall of 7 per cent since the end of November.
- The monthly growth rate of Jan Dhan accounts in November and December has remained steady, at 2 per cent. However, the proportion of zero-balance accounts has seen a marginal increase: from 23.4 per cent on 31 October, 2016 to 24.6 per cent as of 11 January, 2017.

AADHAAR

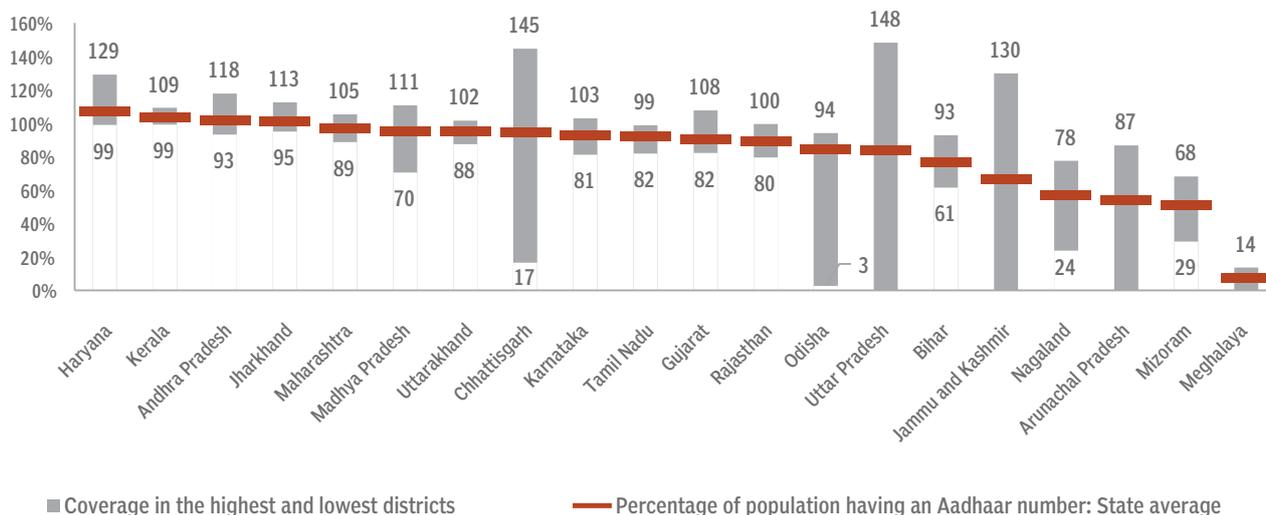
- Aadhaar is a 12-digit unique identifying number assigned to individuals. Every resident of India is eligible for one. Aadhaar was launched as a scheme in November 2012. The system is now administered by the Unique Identification Authority of India (UIDAI), a statutory body established by the Aadhaar Act of 2016. The objectives of the project include:
 - Universal provision of Aadhaar to residents of India
 - Integration with existing databases to enable unique identification and authentication of Aadhaar holders
 - Provision of a secure and low cost platform to directly remit benefits to residents
- Aadhaar enables unique identification of citizens. This allows DBT payments to a citizen's Jan Dhan account solely on the basis of his or her Aadhaar number. In addition, biometric authentication offers a replacement for ATM cards, as citizens can withdraw money from micro-ATMs with their thumbprint alone.

Coverage

- As of 2 January, 2017, 88 per cent of the population of India (as per Census 2011) held Aadhaar numbers. This was an increase from 80 per cent as of 2 January, 2016. There were, however, large regional variations in coverage.

- The proportion of the population that had been issued Aadhaar numbers was highest in the Union Territories of India (including Delhi), standing at 118 per cent of the Census population as of 2 January, 2017. Aadhaar numbers had also been issued to more than 100 per cent of the Census population in the states of Punjab, Kerala, Jharkhand and Andhra Pradesh. In contrast, coverage was lowest in the North East region. Less than 6 per cent and 8 per cent of the population of Assam and Meghalaya had been issued Aadhaar numbers.

DISTRICT-WISE PERCENTAGE OF POPULATION HAVING AADHAAR NUMBERS IN INDIA

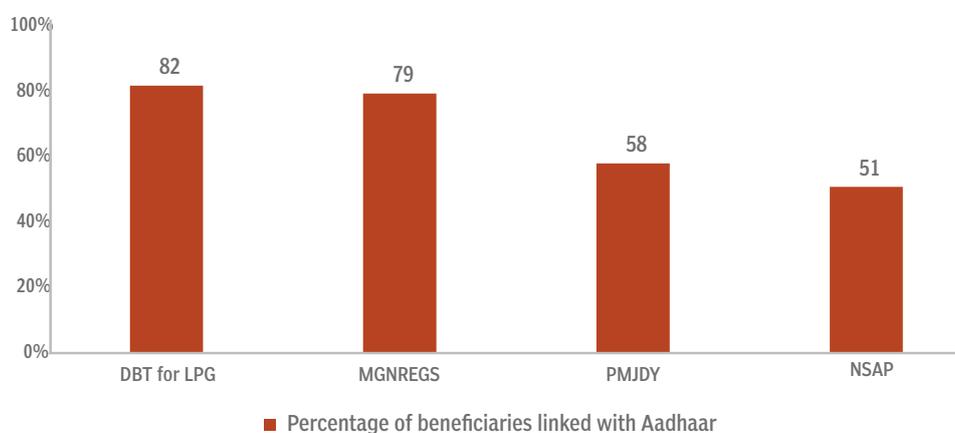


Source: UIDAI Public Data Portal. Available online at: <https://data.uidai.gov.in/uiddatatalog/dataCatalogHome.do>. Data for 2 January, 2017. Last accessed on 20 January, 2017.

Seeding

- The process of linking a database of individuals to their Aadhaar numbers is known as ‘seeding’. Government schemes using DBT report a steady increase in the proportion of beneficiaries linked to their Aadhaar numbers, from 57 per cent in December 2015 to 78 per cent as of December 2016.
- LPG subsidies and MGNREGS reported the highest proportions of beneficiaries seeded, at 82 per cent and 79 per cent, respectively. However, Aadhaar seeding was lower in NSAP, with only 51 per cent beneficiaries seeded. Similarly, only 58 per cent of Jan Dhan accounts had been linked to an Aadhaar number.

AADHAAR SEEDING IS AT AROUND 50% FOR JAN DHAN AND NSAP PENSIONS



Source: UIDAI Public Data Portal. Available online at: <https://data.uidai.gov.in/uiddatatalog/dataCatalogHome.do>. Last accessed on 20 January, 2017.

Usage

- There are two main channels of Aadhaar usage: a) Aadhaar Payment Bridge (APB) and b) Aadhaar Enabled Payment Services (AEPS). Whilst the APB allows government agencies to transfer funds to citizens using their Aadhaar number alone such as for DBT, the AEPS allows for biometric authentication of transactions. For example, AEPS is used by micro-ATMs for banking services and point-of-sale machines for electronic Public Distribution Systems (PDS).
- Of the total funds transferred cumulatively through DBT in FY 2016-17 till December 2016, 30 per cent was transferred through APB – a marginal increase from 27 per cent in FY 2015-16.
- A scheme-wise break-up reveals that 71 per cent of DBT funds for LPG subsidies used APB in FY 2016-17 till December. In contrast, only 22 per cent of DBT funds in MGNREGS and 20 per cent in NSAP used APB in the same period.
- AEPS requests for micro-ATM usage stood at 95 million transactions in FY 2015-16. The number of transactions from April to December 2016 increased sharply to 203 million, a growth of 115 per cent in just three quarters of the financial year.

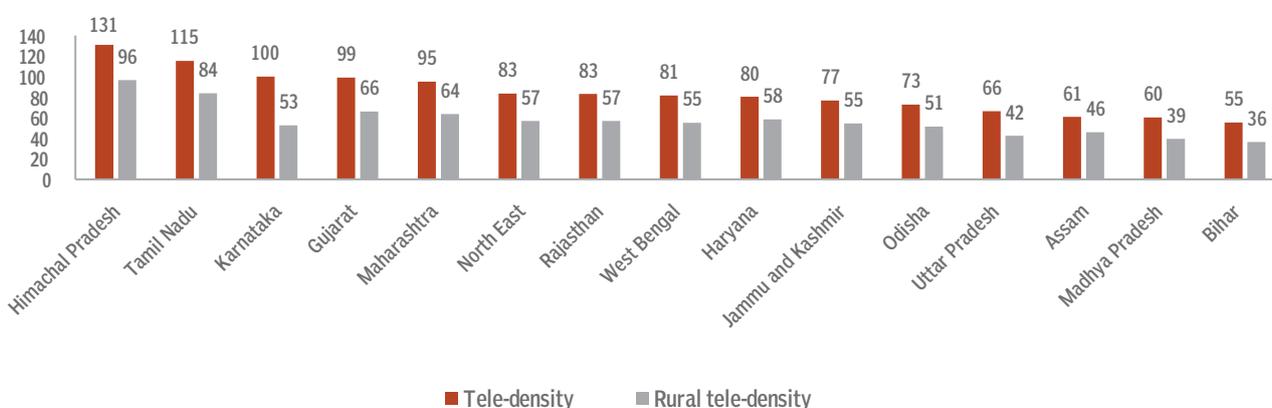
MOBILE

- Mobile technology holds the potential of giving a large number of Indians access to banking services. According to the Economic Survey 2015-16, in order to enable citizens to access their DBT, there is a need to strengthen the link between banks and beneficiaries. It accordingly called for greater use of mobile payments technology to leverage India's deep mobile penetration.

Coverage

- Coverage of mobiles can be measured by per-capita number of wireless subscriptions, also called as tele-density. Tele-density stood at 82 per cent for India in September 2016.
- However, there were sharp state-wise variations. The relatively prosperous regions of Punjab, Tamil Nadu, Himachal Pradesh and Delhi had a tele-density exceeding 100 per cent. In contrast, tele-density was low in Bihar and Jharkhand at 55 per cent, and in Uttar Pradesh and Uttarakhand at 66 per cent.
- When rural areas alone are considered, tele-density is sharply lower. The all-India rural tele-density was 51 per cent as of September 2016. Corresponding figures for Bihar, Madhya Pradesh and Uttar Pradesh stood at 36 per cent, 39 per cent and 42 per cent, respectively.

TELE-DENSITY IN RURAL BIHAR CIRCLE WAS ONLY 36%

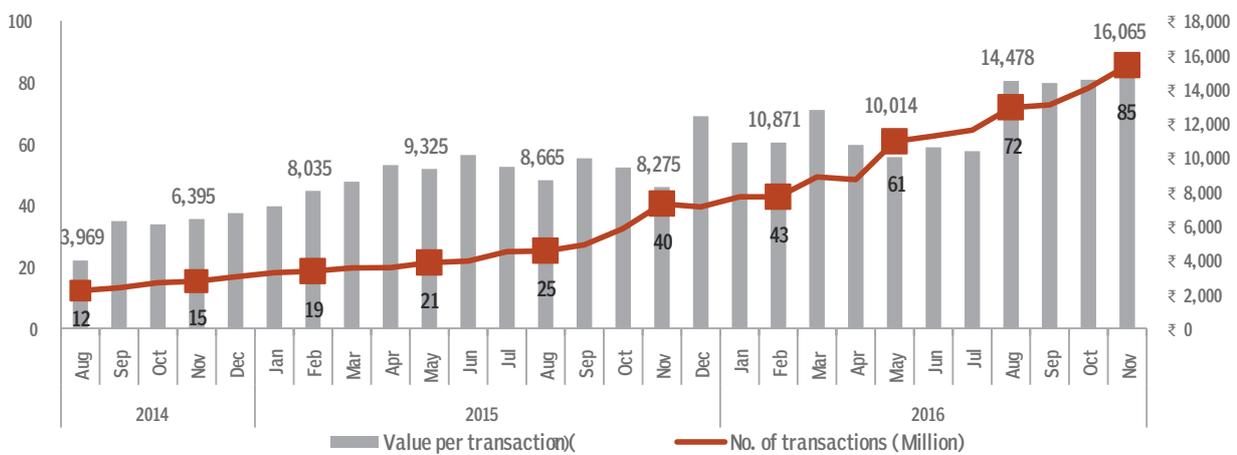


Source: TRAI Performance Indicators July to September 2016. Available online at: http://traigov.in/sites/default/files/Indicator_Reports_Ending_Sep_30122016.pdf. Last accessed on 23 January, 2017. Note: Telecom circle of Tamil Nadu includes Puducherry; Gujarat includes Daman, Diu, Dadra and Nagar Haveli; Maharashtra includes Goa, West Bengal includes Sikkim, Andaman and Nicobar Islands, Uttar Pradesh includes Uttarakhand, Madhya Pradesh includes Chhattisgarh, Bihar includes Jharkhand. Areas of Ghaziabad and Noida are excluded from Uttar Pradesh circle, and areas of Panchkula, Faridabad and Gurgaon are excluded from Haryana circle.

Usage

- A total of 68 crore mobile transactions were reported between January-November 2016, a sharp 152 per cent increase over the corresponding period in 2015. On average, transactions in 2016 till October were worth ₹12,680. This was 41 per cent more than in 2015.
- Mobile requests for transfer of funds between banks accounted for 10 per cent of overall retail fund transfer requests in FY 2016-17 up to November, compared to 7 per cent in FY 2015-16. During the same period, mobile banking as a proportion of the value of funds transferred between banks increased from 1.8 per cent to 2.8 per cent.

MOBILE TRANSACTIONS HAVE INCREASED MORE THAN SIX-FOLD SINCE AUGUST 2014, AND THEIR VALUE HAS QUADRUPLED



Source: RBI Monthly Bulletin, Payment System Indicators. Available online at: https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx. Last accessed on 20 January, 2017.

- Mobile banking is meant to provide citizens an alternative means of accessing financial services. ATM usage is a useful comparison to assess the growth of mobile transactions. The value of mobile transactions stood at 29 per cent of ATM usage in FY 2016-17 up to November, up from 9 per cent in FY 2015-16.

MOBILE BANKING IS OVER A QUARTER OF ATM USAGE



Source: RBI Monthly Bulletin, Payment System Indicators. Available online at: https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx. Last accessed on 20 January, 2017.