

E-PAYMENT SOLUTIONS FOR SOCIAL BENEFIT TRANSFERS

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***Driving Future Outcomes from Past
Experience***
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PUBLIC FINANCIAL MANAGEMENT SYSTEM

Agenda

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- ❑ Development agenda in India (statistics, traditional approach, problems, changing paradigm)
- ❑ Public financial Management System (PFMS)
- ❑ Direct Benefits Transfers (DBT)
- ❑ Challenges; achievements/Lessons learnt; Way forward;

Developmental Agenda.

Statistics

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- Population 1.2b;
- Poverty headcount ratio (2011–12)
21.9%/~270m; (23.6%/276m)
 - ▣ Global Hunger Index (2015): 29
 - ▣ Proportion of undernourished in Population (2015):
 - 15.2%/194.6m
- Budget Outlay (15–16): \$270.51b
(Rs.1785391crores)
- Subsidy & other social benefits (2015–16)s:
~\$45b (Rs 300,000crs)
 - ▣ Subsidies & Benefits to percent of outlay16.8 %
 - ▣ Of this DBT: \$9.37b (Rs. 61,822crs)

Public Financial Management System

Data Source: DBT Mission, GoI; India Fact sheet, UNDP; Monthly Accounts data, CGA

Developmental Agenda..

Approach to development/social benefits

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- Mixed economy: 5 year plans
- Planning Commission: investment planning and allocative function
 - ▣ Programs/Projects (schemes): impact, monitoring, follow up
 - ▣ Poverty alleviation: central focus
- Developmental and Social benefit schemes built around it
 - ▣ Subsidies: Foodgrains; Fertilizer; LPG (\$3.24b)
 - ▣ MNREGS (\$3.92b)
 - ▣ Scholarships (\$0.8b); Old age pension
- Distribution of funds between centre (federal govt) and states
 - ▣ Financing by centre (CS) or jointly with state (provincial (CASP))
 - ▣ Implementation by different levels at local level

Public Financial Management System

Data Source: DBT Mission, Gol

Developmental Agenda...

Problems with earlier system

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- ❑ Fund transfers: manual (non electronic) mode; opaque
- ❑ Multiple layers for financial sanction at centre
- ❑ Large number of beneficiaries: use of intermediaries/subsidized pricing to deliver the benefits
- ❑ Ill targeting, leakages, ineffective service delivery
- ❑ Gas and fertilizer subsidies. Pitfalls: fictitious beneficiaries, black sale; delays in subsidy payment & delays in delivery to farmer, shortages, black market of fertilisers, inefficiency in fertilizer industry,
- ❑ Employment Guarantee schemes: problems in beneficiary identification and timely wage distribution
- ❑ Leakage gap of 2% of GDP

Public Financial Management System

Data Source: DBT Mission, Gol;

Developmental Agenda....

Changing paradigm

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Predictability (efficiency); Reliability; Guarantee

Changing Paradigm

- Tracking of fund transfers
 - ▣ State treasuries
 - ▣ Implementing agencies
- Monitoring of Float with these beneficiary entities
- Direct Benefit Transfers

Overarching principle: Timely delivery of intended benefits to eligible beneficiaries by leveraging technology for simplification of fund flow and linking of different payment channels

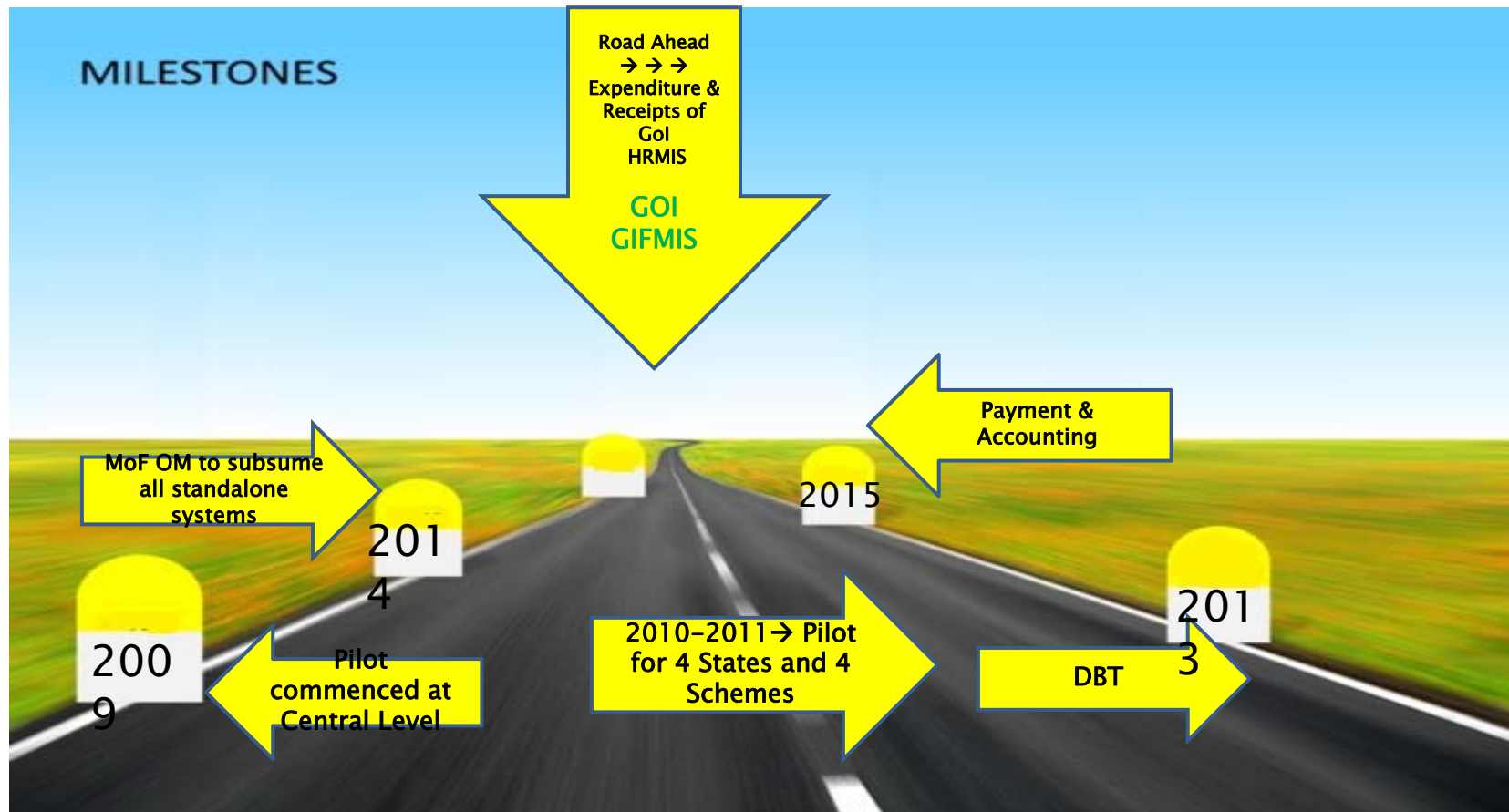
Public Financial Management System (PFMS). what is PFMS

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PFMS, Public Financial Management System is a web-based online software application, implemented by o/o Controller General of Accounts

Public Financial Management System (PFMS)..

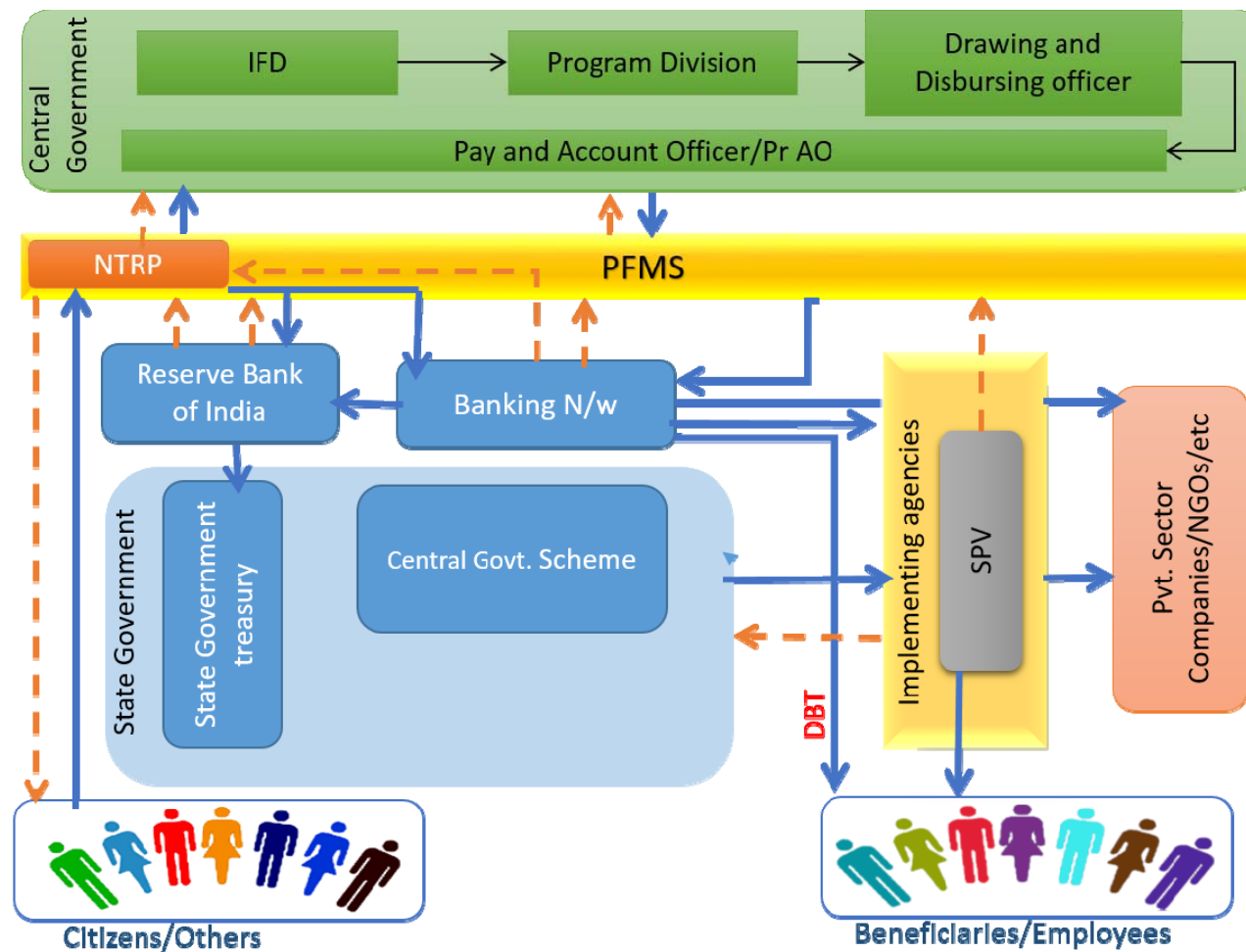
The PFMS evolution journey



Public Financial Management System (PFMS)...

Fund flow

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Public Financial Management System

Direct Benefit Transfers (DBT).

The basic architecture

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- DBT mission, embedded in PMO
- Key elements: JAM
 - ▣ Jan Dhan: Financial Inclusion (bank accounts)
 - 218m Jan Dhan accounts
 - ▣ Aadhar: (biometric beneficiary identification)
 - 1b enrolled; balance 0.2b
 - Different schemes at different levels of seeding
 - ▣ mobile portion in progress for those without access to banking network (last mile connectivity of bank branches missing in India)
 - 1b mobile owners
- 59 schemes of central government & 60 state governments
 - ▣ MNREGA (employment guarantee); Food Subsidy, scholarship schemes, Old Age/widow/disability pensions; LPG
 - ▣ # of beneficiaries (2015–16) 307.8m
- PFMS: the vehicle for payments

Public Financial Management System

Data Source: DBT Mission, Gol; PMJDY website;

Direct Benefit Transfers (DBT).. Challenges (DBT/PFMS)

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- ▣ Scale: Huge Numbers
 - Beneficiary Database; Aadhar seeding
 - Financial Infrastructure: (174691 / 640948 villages); 43368 bank branches; 33250 ATMs
- ▣ Resistance from vested interests
- ▣ Integration with Banks (myriad technologies used by different banks due to different stages of automation)
 - SLAs for banks for government transactions (rule books need to be modified)
- ▣ DBT LOBA: different levels of efficacy
 - MNREGA (up to speed); Scholarship schemes (laggards)
- ▣ **Change Management :**
 - Pace of implementation and allocation of resources to PFMS (delays)
 - Integration and communication between stakeholders: ministries, treasuries, implementing agencies
 - Capacity Development of user stakeholders

Direct Benefit Transfers (DBT)...

Achievements.

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Good governance

- effective use of IT to address delivery problems: PFMS
- Removal of intermediaries: efficiency and plugging of leakages
- Linkage b/w program delivery machinery and banking network. All linked to a common platform

Better PFM

- Fund flow tracking for nearly 800 schemes (1.8m local agencies)
- Reduced float (due to realtime releases)
 - ▣ Just in time financial sanctios for MNREGA
- **Savings ~ \$4.42b** (actuals more)
- Expenditure when funds reach beneficiary
- Better cash management (RE of ministries)
- PFMS a low cost high impact IT project

Public Financial Management System

Data Source: DBT Mission, Gol;

Direct Benefit Transfers (DBT)

Way forward

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- Increase the spread of schemes
- Social Security Platform
 - ▣ Unified Beneficiaries database
 - ▣ Hub and Spoke model for this just like PFMS, banks and program implementers
- Financial infrastructure
 - ▣ Bank branch/Post office/ATM/BC/PoS devices
- Impact analysis & Strengthened MIS–feed into DSS

Social Benefit Transfers in India

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Anuranan *of* Accounting & Governance *via* In house solution

Public Financial Management System

A photograph showing several hands of different skin tones (dark brown, light brown, and fair) raised in the air against a plain white background. The hands are positioned at various heights and angles, suggesting a group of people participating in a gesture of appreciation or agreement. Overlaid on the center of the image is the text "Thank you" in a bold, blue, sans-serif font.

Thank you