

Annexure-10.44

F.No.6/23/2012-FI
Government of India
Ministry of Finance
Department of Financial Services

3rd Floor, Jeevan Deep Building,
New Delhi, dated the 26th June, 2012

To

1. Chairman/ CMDs/ MDs of all Public Sector Banks
2. Chairman of all RRBs (through Sponsor Banks)

Subject: Strategy and Approach for Electronic Benefit Transfer

Sir,

With the emphasis on financial inclusion and extension of banking facilities in the hitherto uncovered areas, the reach of banking services has increased considerably and will increase further. It has, therefore, become imperative that a greater impetus is given to the Electronic Benefit Transfer (EBT). This will 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. As has been mentioned in the Strategy and Guidelines for Financial Inclusion issued by this Department vide letter dated 21st October, 2011, there are at least 32 Schemes of the Central Government which involve transfer of benefits to the beneficiaries. In addition, there are many more such schemes at the State level. It has been estimated in the Report on an Aadhaar-Enabled Unified Payment Infrastructure that the combined volume of EBT, Direct Transfer of Subsidy (DTS), and other last-mile Government payments in 2011-12 was approximately Rs.3,00,000 crore. This is expected to increase in future.

3. An efficient Electronic Benefit Transfer system would include compilation of information on benefit transfer 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.

4. For the transmission of information on the benefits to be transferred, various Departments have undertaken the exercise of computerisation of the record which can be used to generate the information in the desired format. Central Plan Scheme Monitoring System (CPSMS), being implemented by Office of Controller General of Accounts, can also be used to capture data on flow of funds from various levels and to generate advice for electronic benefit transfers. The Department has already advised all banks to conform to the requirements of CPSMS in this regard vide FNo.7/1/2010-BO-II (BOA) dated 1st April 2010.

5. Strategy and Guidelines for Financial Inclusion, issued by this Department vide letter dated 21st October, 2011, provide that in order to progressively cover the entire country under financial inclusion and to ensure business viability of BCAs, the entire area of a Gram Panchayat must be allocated to the bank branch or BCAs, as the case may be. Banks have separately been advised to prepare a Service Area Plan indicating the name of the Gram Panchayat, the villages therein, the location of bank Branches and BCAs etc., as the case may be.

6. Banks have also separately been advised, vide this department's communication dated 15th May, 2012, to ensure that at least one bank account is opened for every house hold which could be a joint account in the name of the family members.

7. Following Strategy and Approach for Electronic Benefit Transfer is advised:

I. Opening of bank accounts and mapping the beneficiaries

- i. Service area of the banks may be revised, wherever required, to align it with the Gram Panchayats, as already advised in the Strategy and Guidelines for Financial Inclusion issued by this Department vide letter dated 21st October, 2011. Within the Service Area of banks, the service area of the BCAs, as indicated in the Service Area Plan, must be clearly demarcated.
- ii. In order to ensure that every beneficiary of the Government schemes has a bank account, the banks must start mapping the list of beneficiaries under every scheme, already available with the concerned departments of the State Government, with the bank account details. Wherever the beneficiary does not have a bank account, a new bank account for the family in the service area branch should be opened. However, if the area has more than one bank branch, the choice of bank must be left to the beneficiary.
- iii. In case a member of the family already has a bank account, there may be no need of opening a new bank account and the name of the beneficiary may be added, if required, in the existing bank account. However, in case the beneficiary wants a separate bank account to be opened, the same may be allowed. However, only one account for receiving benefits under various schemes may be opened. Separate accounts for each scheme shall in no case be opened.
- iv. In many cases the beneficiaries might be having account in the post offices. Since the post offices, as yet, do not offer the facilities of electronic benefit transfer, the beneficiaries may be persuaded to open account with the banks for the purpose of electronic benefit transfer.
- v. While opening the bank account, in case the beneficiary has been allotted an Aadhaar Number, the same should also be recorded along with bank account details.
- vi. The exercise of opening of new accounts, wherever required, must be undertaken and completed for each scheme. As new accounts get opened and the beneficiary gets mapped, the need of opening new accounts for remaining schemes would progressively decline.

- vii. 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.
- viii. Where ever the Department is not as yet using CPSMS, the data for electronic benefit transfer can be generated by any other means and supplied to the bank concerned along with the signed authorization for debit of the concerned bank account of the Department/ State Govt.

II. Transfer of benefits

- i. As regard to Central Government schemes, the government has already put in place the Central Plan Scheme Monitoring System (CPSMS), which enables the implementing agencies/departments to generate EBT at all levels of implementation. CPSMS has established its interface with 73 banks (including RRBs). The remaining banks and RRBs are under process of integration to be completed by July 2012. CPSMS-CBS Interface should be used by the banks to update beneficiary bank account details and to receive EBT file for payments to beneficiaries as per the Solution Document already shared with banks.
- ii. NPCI is undertaking augmentation of the capacity of Automated Clearing House System (ACHS), which will enable it to handle up to 10 million transactions per day by September 2012. Even at present, the system can handle 1 million transactions per day. Mapping of the beneficiary account numbers with Aadhaar number will also allow the payments to be credited using the Aadhaar Payment Bridge System or any other mechanism developed for this purpose. The Automated Clearing House Mechanism would be able to electronically transfer benefits using Aadhaar or any other unique identification as available through NEFT at present.
- iii. Till such time departments are ready with the electronic transfer of details of beneficiaries and the benefits to be transferred through CPSMS platform, the details can be furnished to the banks in hard/soft copies and the banks can start electronic benefit transfers.
- iv. The charges to be reimbursed to the banks by the concerned Departments would be 1.5% of the value of transaction or 25% of the permissible administrative expenses, whichever is less. The Scheme which do not have any provision for administrative expenses will not be charged any transaction fee by the banks.
- v. As the proposed arrangements envisage transfer of benefits from any bank to the account holder of any other bank, there would be no need of adopting the One District-One Leader bank- Many bank model. However, in case any State Government insists on such a model the modalities provided in the circular dated August 12, 2011 issued by the Reserve bank of India would need to be followed. In such a case the decision on sharing the service charges among the banks would also need to be decided at the SLBC level.

Operational responsibilities

- i. All banks will be required to undertake the opening of bank accounts and mapping of the bank account details with the beneficiaries in their respective service areas. Concerned Department of the State Government would be responsible for providing details of the beneficiaries to the banks in the respective service areas.
- ii. Lead District Manager will be responsible for the overall coordination and completion of this exercise in the District. The matter may be taken up in the DLCC for the coordination with the various State Government departments for completion of the exercise of account opening and mapping for each beneficiary for every scheme as per the time frame to be decided by the DLCC. SLBCs/DLCCs may obtain login from CPSMS for monitoring the progress.
- iii. At the State level the SLBC Convenor will be responsible for the overall coordination and completion of the exercise at the State level.
- iv. SLBC should finalise the action plan for the extension of the Electronic Benefit Transfer to the entire State in a reasonable time. For this purpose, the SLBC should finalise the districts to be taken up in the Pilot Phase, where this exercise could be completed by 31st July 2012 and the electronic benefit transfer could commence from August 2012. Various banks could be allocated the districts where they are the Lead Bank for the Pilot Phase. As the exercise would cover entire state, there should be not be any delay in the roll out in the rest of the State and this should be completed immediately after completion of pilots in the districts allocated to banks.
- v. While it is imperative to cover all beneficiaries in all schemes, electronic benefit transfer could commence for every scheme even at the level of each disbursing office without waiting for the exercise to be completed for all schemes or entire state or district.

8. The matter of an action plan to extend electronic benefit transfer to all schemes in the entire country in a phased manner may be taken up at the next meeting of the SLBC where identification of districts to be taken up in the pilot by the respective lead banks may be finalised. A Special Meeting of the SLBC may be convened for this purpose.

9. This Department may be kept apprised of the progress in this matter.

This issues with the approval of Secretary (FS).

Yours faithfully,

(Jitendar Kumar Mehan)
Under Secretary (FI)