

F. No. 22(09)/PF.II/2012(Vol. I)(Pt.)
Government of India
Ministry of Finance
Department of Expenditure
Plan Finance-II

Dated: the 23rd of December, 2014
North Block, New Delhi

OFFICE MEMORANDUM

Subject: Issues relating to implementation of Direct Benefit Transfer (DBT) in context of Payment, Accounting and Reporting.

The undersigned is directed to inform you that, it is understood all the schemes being implemented under DBT are transferring money directly into the bank accounts of beneficiaries. Any business process involving large amounts of public funds needs to be secure, quick, accurate and of low cost. It is to address these requirements that the following issues need to be resolved for DBT.

2. Systems for electronic transfers exist in banks. While NEFT is usually a one-to-one transaction, banks have been extending it to undertake one-to-many transactions. Most banks of a reasonable size are now on CBS which facilitates near instantaneous transfers. Even so, considering that some schemes, like National Social Assistance Program (NSAP), have very large beneficiary lists, it may be necessary to standardize batch size across banks. Further, it may be useful to assess, if NEFT can be adapted to include Aadhaar identification.

3. Both NACH and APB currently have two clearing windows during the day. In a recent presentation for DoE, NPCI communicated its readiness to rework its products to a lower cost, with more clearing windows during the day. APB does not have the facility to handle both Aadhaar seeded and un-seeded banks accounts together. Therefore, use of APB at present requires splitting of beneficiaries list either by the NPCI or the agency bank or the Ministry. The Department of Financial Services(DFS) may look at this product and provide a comparison with costs to be incurred by using NEFT by agency Banks.

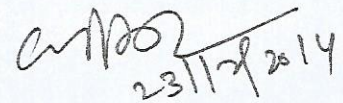
4. Acceptable timelines for generation of rejected transactions need to be laid down with clarity. The reverse loop of rejections is essential to refine beneficiaries'

1. put up on our website.
26/12/14
Dir(DBT) O.L.
Shakti
18/12/14

lists. The timeliness for generating such rejections is also important as delays add to the float with banks. Since GoI is debited when the funds and the beneficiaries' list is sent to the agency Bank, the rejections need to be reported back within hours. In view of the large number of transactions, delays in generating rejection lists may have unacceptably high costs. Delays in conveying the rejections back to the field level in the States for corrections will also make DBT inefficient. Eventually, if more than one settlement system is used (NACH, APB, NEFT/RTGS), it may be advisable to have uniform codes specifying the reasons for rejection. The DFS will have to work out the reverse-loop protocols.

5. Successful rollout of DBT involves close cooperation between all stakeholders. To ensure smooth and secure rollout of DBT, issues related to flow of funds, payments, accounting and reporting should be referred necessarily to Department of Expenditure (DoE) for early resolution.

6. This issues with the approval of Secretary (Expenditure).



(Chittaranjan Dash)
Director (PF. II)
Tel: 23093109

{chittaranjan.dash@nic.in}

To,

Secretary [Financial Services/ Planning Commission/ Posts / School & Literacy / Labour and Employment / Women & Child Development / Tribal Affairs / Social Justice & Empowerment / Minority Affairs / Higher Education / Health and Family Welfare / Communication & Information Technology / Rural Development / Electronics & Information Technology/ Ministry of Petroleum and Natural Gas].

Director General (UIDAI) / Director General (NIC) / Controller General of Accounts

Joint Secretary (DBT) / Governor, RBI

Copy also to:

1. Cabinet Secretary, Cabinet Secretariat, Rashtrapati Bhawan, New Delhi-110004 for kind information.
2. Principal Secretary to the Prime Minister, PMO, South Block, Raisina Hill New Delhi-110011 for kind information.