

# A Step Towards Transparency in Public Finance By Digitization

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## Abstract

In India both the central and state governments subsidise the price of a wide range of products with the expressed intention of making them affordable for the poor. Rice, wheat, pulses, sugar, kerosene, LPG, naphtha, water, electricity, diesel, fertilizer, iron ore, railways-these are just a few of the commodities and services that the government subsidises.

After getting experience from the whole world, Government of India has launched JAM (Jan Dhan-Aadhaar-Mobile) Trinity. Its's motive is to link Jan Dhan Accounts, Mobile numbers and Aadhaar number of Indians to plug the leakages of government subsidies and fully utilization of available resources. Now a person can transfer funds, check balance through a normal phone only due to launching new technology by National Payment Corporation of India (NPCI). For the availability of Mobile Banking for the poor people through National Unified USSD Platform (NUUP), all banks and mobile companies have come together. Well-being of all the house- holds first, providing the minimum needful to its citizens are guiding principles for any policy to take effect. The financial inclusion measures like Jan Dhan Yojana, Direct Benefit Transfer, Ujjawala, PAHAL, etc have brought the benefits of development to the last mile. Demonetiation was also a effort to boost the digital payment ecosystem, create less cash less economy and bring transparency in financial transactions.

**Key Words :** Public Finance, Digitization, Welfare.

## 1. INTRODUCTION

After the independence Government of India has given a huge finance to the public in form of subsidy but public has not been fully benefitted by this subsidy. The public finance given by way of subsidy was not fully utilised due to corruption at various levels. That's why after 61 years of independence digitization has shown a big

transparency in public finance. It also helped in removal of ghost beneficiaries and plugged leakages and identification errors. As per the Economic Survey of India, 2015-16 benefits of welfare programmes have been transferred by way of digitization in public finance as per the table given below :

**Table 1**  
**Welfare through Digitization**

Name of Scheme	Percentage of Benefit
MGNREGS	41%
PAHAL (LPG subsidy scheme)	37%
National Social Assistance Program (NSAP)	14%
National Scholarship Schemes	7%

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by the relatively well-off (the richest 40 percent). It means there is a lot of leakage in public finance.

## 2. GOVERNMENT'S ROLE

Various other schemes have been launched by Government of India for the transparency in public finance by digitization. One Scheme is Pradhan Mantri Jan Dhan Yojna which is the National Mission for financial inclusion to ensure access to financial services such as Savings and Deposit Accounts, Remittance, Credit, Insurance and Pension in an affordable manner so that money is transferred to the genuine beneficiaries. The financial inclusion campaign was launched by the Prime Minister of India on 28th August 2014. 28.08 Crore Accounts have been opened till 22.03.2017. The mission is to provide Basic Banking Accounts with overdraft facility of Rs.5000 after six months and RuPay Debit card with inbuilt accident insurance cover of Rs 1 lakh and RuPay Kisan Card, micro insurance & pension etc. are also added to it. Another Scheme is introduction of Aadhaar cards which provides a unique online identity to each individual in the country and has been linked to bank accounts and mobile numbers for transparency in the system. 18.13 crore PMJDY accounts are Aadhaar seeded as on 22.3.2017. Use of mobile banking has given a quick and faster solution to transfer funds. Mobile banking has given a great contribution in

Both the central and state governments subsidise the price of a wide range of products with the expressed intention of making them affordable for the poor. Rice, wheat, pulses, sugar, kerosene, LPG, naphtha, water, electricity, diesel, fertilizer, iron ore, railways-these are just a few of the commodities and services that the government subsidises. As per the Economic Survey-2015-16 price subsidies are often regressive. By regressive, it means that a rich household benefits more from subsidy than a poor household. Take the example of Liquefied Petroleum Gas (LPG). It is said that the poorest 50 percent of households consume only 25 percent of LPG. It is said that for people with very low income the monthly welfare gain from their LPG subsidies is less than Rs 10 per capita while for poor people with high income the monthly welfare gain is close to Rs 80 per capita. Even in the case of Kerosene, which is considered to be used mostly by the poor, the Economic Survey -2015-16 says that only 46 percent of total consumption of subsidised kerosene is by households with a Below Poverty Line (BPL) or Antyodaya Anna Yojana (AAY) card and only 49 percent is consumed by households placed at the bottom of the expenditure distribution. This clearly shows that majority (51 percent) of subsidised kerosene is consumed by the non poor and almost 51 percent of subsidised kerosene is actually consumed

**Table 2**  
**Digitization in Public Finance: Finance inclusion through financial services (in Crores)**

Bank Name	Rural	Urban	Total	No. of Rupay Cards	Aadhaar Seeded	Balance in Accounts
Public Sector Bank	12.32	10.22	22.54	17.58	14.93	49266.04
Regional Rural Bank	3.97	0.66	4.63	3.53	2.76	11708.05
Private Banks	0.55	0.37	0.91	0.84	0.44	2127.40
Total	16.84	11.24	28.08	21.95	18.13	63101.49

*Source: Government of India (2017), PMJDY. The data updates as on April 2, 2017.*

digital revolution. Progress of these schemes in digitization is shown in the following table :

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Dhan-Aadhaar-Mobile) Trinity. Its's motive is to link Jan Dhan Accounts, Mobile numbers and Aadhaar number of Indians to plug the leakages of government subsidies and fully utilization of available resources. Now a person can transfer funds, check balance through a normal phone only due to launching new technology by National Payment Corporation of India (NPCI). For the availability of Mobile Banking for the poor people through National Unified USSD Platform (NUUP), all banks and mobile companies have come together. We can take an example to understand the use of digitization in transparency in Public Finance. There are so many leakages in taking the full benefit from Mahatma Gandhi National Rural Employment Scheme (MGNREGS). As per IISD, 2014 In case of LPG subsidy, top 20 percent of the population by consumption expenditure received over half (60 percent) of the total direct subsidy, while the bottom half of the population received less than one tenth (8 percent) of the total subsidy transfer. That's why for solving these problems, digitization is must.

For giving directly, the benefit of LPG subsidy to consumers, DBTL (Direct Benefit Transfer of LPG) Scheme PAHAL was re-launched in 2014. In the same way, implementation of Pradhan Mantri Ujjawala Yojana (PMVUY) is the Vision of our Hon'ble Prime Minister, Shri Narendra Modi. It is an social welfare scheme which was lunched on 1st May, 2016 from Ballia in Uttar Pradesh keeping in mind to replace the unclean cooking fuels mostly used in the rural India with the clean and more efficient LPG (Liquefied Petroleum Gas) through 5 crore LPG connections in the name of women in BPL (Below Poverty Line) households across the country. Some of the objectives of the scheme include women empowerment, their health protection with respect to deaths in India due to indoor air pollution by burning the fossil fuel.

A target of 1.5 crore connections fixed for the financial year 2016-17 for PMUY has been

achieved within a span of less than 8 months and the scheme is being implemented now across 35 states /UTs. An adult woman member of BPL family identified through Socio-Economic Caste Census (SECC) data is given a deposit free LPG connection with financial assistance of Rs.1600/- per connection by Government of India. The announcement of releasing 5 crore LPG connections to BPL families over a period of three years was made with allocation of Rs. 8000 crore in the Union Budget. 14 States /UTs having LPG coverage less than the national average, hilly states of J&K, Uttarakhand, Himachal Pradesh and all North-East States have been identified as priority states for implementing the Scheme. The top five states with maximum connections are UP(46 lakh), West Bengal (19lakh), Bihar (19 lakh), Madhya Pradesh (17lakh) and Rajasthan(14lakh). With the implementation of PMUY, the national LPG coverage has increased from 61 percent to 70 percent (as on 01.12.2016).

For the success of PAHAL scheme credit goes to Aadhaar payments system. In this scheme, BPL consumers receive the LPG subsidy directly to their bank accounts while other consumers purchase cylinders at their market price and subsidy is credited to their bank account after linkage of their aadhaar number with their bank accounts or linkage of 17 digit LPG Id in case of unavailability of aadhaar number with their bank accounts. The object of scheme was to cover 15.3 crores consumers across 676 districts of the country and ultimately after the grand success it was implemented all over the country (Government of India ,2014). Now the black marketing of cylinders has become very difficult. As per the Economic Survey of India, 2015-16 the consumption of subsidized LPG cylinders has been reduced by Direct Benefit Transfer (DBT) and LPG leakages reduced by 24 percent with limited exclusion of genuine beneficiaries. As per the information of Government of India, Ministry of Petroleum and Natural Gas, 2014 that 10546388 people have given up their LPG subsidy and total

cash transfer amount under the PAHAL scheme has been Rs 45412 crores.

Demonetization has given a quantum push to digital transactions. While the advantages of digital economy are many, its important advantage is that it creates transparency. Top ranking countries in the Corruption Perception Index of Transparency International have reported less than 10 percent of the total transaction in cash. India's ranking is 79th in this level. The National Payments Corporation of India has successfully implemented the Unified Payments Interface platform which facilitates interoperability; BHIM and Aadhaar Pay will facilitate peer-to-peer transactions and digital payments over the country respectively. As per the RBI data, UPI base transactions jumped 20 percent to Rs 2000 crore in March'17 which will surely encourage transparency in economy.

Bardhan (2016) considers a basic income set at about 75 percent of the poverty line, which would replace some but not all welfare programs. Bardhan says, "Public education, healthcare, childhood nutrition programs and public works employment guarantee programs are important to be retained. Talking about fiscal feasibility, if the UBI amount is fixed at inflation indexed Rs. 10,000 at 2014-15 prices per person per year it would be 10 percent of the GDP of that year. This amount can be managed given the regressive subsidies and inefficient welfare programs in the country.

### 3. CONCLUSION

For the transparency in economy and public finance it is necessary that villagers should use electronic mode for receipt and payment so that they can avail the benefit of government services.

That's why Digidhan Mela was launched by our Prime Minister. By Digidhan Mela, villagers will get an exposure to the use of electronic mode of payment for getting any government services to boost the cashless environment. This mela generates awareness among citizens and merchants about various digital payment channels including Unified Payments System (UPI), Aadhaar Enabled Payment System (AEPS), Unstructured Supplementary Service Data (USSD) and Rupay cards. The event focuses on ways and benefits of the system for transparency.

Where leakages in pipeline of subsidy are high, JAM Trinity will work as a boon so that fiscal savings of central government will be high. We can take many areas of agriculture sector where the control of central government is high, for example fertilizer and seeds, leakage ratio is also high. JAM Trinity can be used for transparency in subsidy of agriculture. However there were many problems due to corruption in the system. But to a great extent, the problem of leakages, wastage and corruption in the delivery process has been solved but for administration of these programmes, considerable manpower and resources are required.

A path for sound fiscal management has been followed by this government. By the sound efforts of the present government percentage of fiscal deficit is reducing continuously. While the percentage of fiscal deficit was 4.5 percent of GDP in 2013-14, it was 4.1, 3.9 and 3.5 percent in 2014-15, 2015-16 and 2016-17 respectively. It is expected that Government will be able to maintain the fiscal deficit 3 percent in 2018-19. Surely, continuous decline of fiscal deficit will not only make sound

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