

FINANCIAL INCLUSION

Keeping track of wage payments for rural jobs scheme

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HYDERABAD

It was conceived as a vehicle to promote financial inclusion by taking banking services to the unbanked poor, harnessing information and communications technology to ensure the benefits of public welfare programmes reach those they are intended for by plugging leakages.

The Andhra Pradesh Smart Card Project, launched in 2007, is now helping nearly 12.7 million poor people across the southern state to get timely payment of wages under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which promises 100 days of work a year to at least one member of every rural household, and social security pensions at their doorstep.

The project has five stakeholders—the state government, banks, technology service providers, business correspondents and beneficiaries.

The government releases the funds meant for payment of wages and pensions to the banks, and provides details of the beneficiaries. In turn, banks open no frills accounts and issue smart cards.

The smart cards, containing a magnetic strip to enable identification, authentication, data storage and application processing, are distributed to beneficiaries by business correspondents. Banks transfer funds electronically to the accounts of business correspondents, who relay the money to customer service providers appointed in every village council for paying the beneficiaries.

Unlike at bank branches or post offices, there are no specific timings to withdraw money. The beneficiaries need not waste time and money on travel and waiting in long queues at banks and post office branches to get their payments. The biometric authentication process eliminates the risk of fraud.

The beneficiaries hand their smart cards to the customer service providers, who swipe it on a machine for authentication and make payments. The machine then generates a printout of the receipt and instantly updates the payment systems of banks, and MGNREGA and social security pension servers.

Technology is key to the success of the project. Banks have tied up with technology service providers to build solutions for enrolment, authentication, data storage and processing.

"The traditional manual payments were ridden with several issues like uncertainty, possibility of fraud, difficulty in reconciling, and delays in payment. So to avoid all these things, we wanted to have a reliable mechanism of making payments," said A.V.V. Prasad, additional commissioner (smart cards) of rural development in the government of

MANTHAN AWARD

Nominee Profile

Andhra Pradesh Smart Card

Andhra Pradesh.

"The government of Andhra Pradesh conceived it as a financial inclusion project. People have to get access to the service of the bank. So we have to unleash the power of the information and communications technology. Information and communications technology has opened up the possibility for all of us to extend the services up to the village point," Prasad said.

The project has been extended to 21,812 gram panchayats (village councils) across 23 districts in Andhra Pradesh, its biggest contribution being to reduce leakages and fraud in administering MGNREGA.

"Earlier, we were making payments and nothing could be said about them. Due to manual payment, whether payment was really made or not couldn't be ascertained," Prasad said. "Now we have a feedback system, wherein we will get a disbursement file, which says where, when and to whom the payment was made."

The Smart Card Project is helping nearly 12.7 million poor people in Andhra Pradesh to get timely payment of wages

The project had its share of difficulties in getting off the ground. Some banks were not geared to handle the project, which was delayed by two years. To encourage banks, the state government offered to pay

them a 2% commission on all payments made.

The state government replaced unwilling banks with proactive ones and adopted a one-district-one-bank model to administer the project in consultation with the state level bankers committee. Twelve banks have come on board.

"Banks have the mandate to extend financial inclusion to villages that have a population of 2,000 people. So for the extension of financial inclusion in the country, the Andhra Pradesh Smart Card project has worked as the breeding ground," Prasad said.

With the project proving successful, banks have started offering other products and services like fixed deposits, insurance and loans to rural customers. The state is now working closely with banks and service providers to devise an offline system for payment of wages and pensions to people in remote tribal hamlets lacking telecom connections.

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VIDEO

Andhra Pradesh government's smart card scheme has allowed the state to accurately disburse payments to individuals in remote areas

www.livemint.com/apsmartcard.htm