

GETTING CASH TRANSFERS OUT OF A JAM

For Effective Cash Relief In Response To The COVID-19 Crisis, The Government Must Think Beyond The Jan Dhan Yojana.

For some years now, the so-called JAM trinity (Jan Dhan-Aadhaar-Mobile) has been propounded as a dream cash-transfer infrastructure for India. The term “trinity” itself gives a sense of the faith and fervour this project sought to inspire (why not “trio”?). It was born in chapter 3 of the Economic Survey 2015, titled “Wiping every tear from every eye: The JAM number trinity solution”. This early JAM promo humbly concluded that “nirvana today seems within reach”. The same lyrical tone can be found in the following year’s Economic Survey, where JAM’s virtues were praised once again.

An illusion and its fading

What JAM really means, in practical terms, is conveniently vague. The original formulation, in 2015, mentioned two possible incarnations of the trinity: mobile banking and post office payments. The second option never made much headway, perhaps because it did not have enough scope for private profit. So Aadhaar-enabled mobile banking became the supreme goal. In January 2017, NITI Aayog CEO Amitabh Kant predicted the imminent demise of all cash-transfer paraphernalia other than mobiles: “... my view is that in the next two-and-a-half years, India will make all its debit cards, credit cards, all ATM machines all POS machines totally irrelevant... India will make this jump because every Indian will be doing his transaction just by using his thumb in thirty seconds...” This utopia was happily embraced by a familiar bandwagon of Aadhaar champions, software businesses, digital-payment companies, fintech wizards, and embedded economists.

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JAM enthusiasts may respond that the central government’s relief package does rely on Jan Dhan Yojana (JDY) at least – the J in the JAM, if not the entire trinity. Indeed, the lead cash-relief measure in the national relief package consists of monthly transfers of ₹500 to women’s JDY accounts. But is that a good idea?

One way to think about this is to compare women’s JDY accounts with another possible basis for cash transfers, at least in rural areas: the list of households that have a National Rural Employment Guarantee Act (NREGA) job card. The numbers of accounts are roughly comparable: about 14 crore for NREGA job cards, and 12 crore or so for women’s JDY accounts in rural and semi-urban areas (assuming that the gender distribution of accounts is similar in rural and urban areas). For purposes of cash relief, the JDY approach turns out to fare poorly on several counts.

Errors galore

First, JDY accounts are a mighty mess – the NREGA job-cards list is far more transparent and well-organised. During the frantic initial JDY wave, in 2014-15, banks opened JDY accounts en masse to meet the targets. Banking norms went for a toss: many accounts were opened without informed consent, duplicate accounts flourished, Aadhaar numbers were seeded without any safeguards, and so on. Later on, a large proportion of JDY accounts (40% in March 2017, down to 19% in January 2020) went “dormant” as customers were unable or unwilling to use them. Other accounts were

blocked because the account holders were unable to complete timely ex-post biometric authentication (“e-KYC”) of the Aadhaar numbers that had been seeded into their accounts. It is not clear what proportion of JDY accounts are operational today, in the sense that a bank transfer to these accounts will actually reach the recipient in good time.

Second, cash transfers to women’s JDY accounts are likely to involve large exclusion errors. According to a recent Yale study, less than half of poor adult women have a JDY account (an even lower proportion, 21%, know that they have a JDY account). Consistent with this, the Dalberg study mentioned earlier finds that the proportion of poor households where at least one adult woman has a JDY account is just 57%. The NREGA job-card list is likely to have much better coverage of poor households. The natural complementarity between NREGA and social security pensions (covering more than four crore persons under the National Social Assistance Programme alone) would further help to reduce exclusion errors.

Third, inclusion errors are also likely to be larger in the JDY approach. Job cards are meant for rural workers, JDY accounts are for everyone. National Election Studies 2019 data, analysed by Sanjay Kumar and Shreyas Sardesai, show that JDY beneficiaries tend to be better-off than NREGA beneficiaries. Earlier survey data, analysed by Manuela Kristin Günther, suggest that the probability of having a JDY account is more or less the same for poor and non-poor households. Some of our middle-class female friends have already received SMS alerts informing them that their JDY account has been credited with ₹500 of relief money.

Back to cash in hand?

What about the respective reliability of NREGA and JDY payments? There have been significant issues (e.g. delayed, rejected, blocked or diverted payments) with NREGA payments, often related to Aadhaar. But then, numerous “direct benefit transfer” schemes (social security pensions, scholarships, maternity benefits, among others) have faced similar problems, also reflected in official transaction data. Both the Aadhaar Payment Bridge System (APBS) and the Aadhaar-enabled Payment system (AePS) are shot through with technical glitches, possibly exacerbated by the recent surge in transactions, and especially unkind to the powerless. Transfers to women’s JDY accounts are unlikely to be more reliable than transfers to job-card holders.

In fact, as far as effective payment is concerned, there is a further argument in favour of the NREGA job-cards list: unlike JDY accounts, it lends itself to the “cash-in-hand” method (on-the-spot payment in cash, instead of bank payments) as a possible fallback. The reason is that the job-cards list is a transparent, recursive household list with village and gram panchayat identifiers, while the list of JDY accounts is an opaque list of individual bank accounts. Cash-in-hand may seem like the antithesis of JAM, but this option may become important in the near future if the banking system comes under further stress. There are precedents of effective use of the cash-in-hand method, notably in Odisha for pension payments, and in various states for NREGA wage payments. Several states (including Andhra Pradesh, Odisha and Tamil Nadu) have already resorted to cash-in-hand for relief payments during the lockdown.

In short, there is nothing compelling about the use of women’s JDY accounts for cash relief. In fact, it is a bit of a shot in the dark. The central government is unlikely to make a U-turn on this before the end of the Pradhan Mantri Garib Kalyan Yojana’s initial three-month period. It would do well, however, to consider other options after that, including a switch to the NREGA job-cards list in rural areas. As for the JAM trinity, it should come down to earth for a reality check.

Meanings of Difficult Words:

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| <p>1. get (someone/something) out of a jam (phrase) – to free (someone/something) from a difficulty.</p> <p>2. so-called (adjective) – supposed, professed, alleged.</p> | <p>3. propound (verb) – submit, propose, put forward, suggest.</p> <p>4. trinity (noun) – a group of three things.</p> <p>5. fervour (noun) – excitement; energy/spirit, keenness/eagerness.</p> |
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6. **seek** (verb) – try, attempt, strive, work towards.
7. **trio** (noun) – a set/group of three things.
8. **wipe** (verb) – remove, clean up, clear up.
9. **humbly** (adverb) – meekly, modestly, simply, ordinarily, unpretentiously.
10. **nirvana** (noun) – ideal place, paradise, heaven.
11. **virtue** (noun) – good quality/attribute; merit, advantage, benefit.
12. **illusion** (noun) – false impression, deception, misconception, trickery.
13. **fading** (noun) – decline, deterioration, waning, disappearance.
14. **vague** (adjective) – imprecise, inexact, unclear/uncertain.
15. **incarnation** (noun) – embodiment, personification, exemplification.
16. **make headway** (phrase) – make progress, advance, proceed, get ahead.
17. **perhaps** (adverb) – maybe, possibly.
18. **imminent** (adjective) – close/near, about to happen, approaching/impending.
19. **demise** (noun) – end, disintegration, fall/ruin.
20. **paraphernalia** (noun) – equipment, tools, materials, accessories.
21. **Point of sale (POS)** (noun) – the place where customers make a payment for products or services at the store.
22. **jump** (noun) – change/move, passage, transformation.
23. **utopia** (noun) – nirvana, ideal place, paradise, heaven.
24. **embrace** (verb) – welcome, accept, adapt, take up.
25. **bandwagon** (noun) – a popular activity/event that is currently become fashion.
26. **champion** (noun) – advocate, proponent, promoter, supporter.
27. **fintech** (noun) – it is the shortened version of the phrase Financial Technology, which is now used to describe businesses that offer financial services using software and modern technology.
28. **wizard** (noun) – genius, expert, master.
29. **embedded** (adjective) – ingrained, established.
30. **intoxication** (noun) – a very strong happiness/excitement.
31. **reach new heights** (phrase) – a very great level.
32. **latch on to** (phrasal verb) – take up (an idea or trend) eagerly/interestingly.
33. **flourish** (verb) – develop, improve, progress, evolve, thrive, prosper.
34. **narrative** (noun) – a representation of a particular situation; portrayal/account.
35. **universal basic income (UBI)** (noun) – UBI is one where every single citizen of a country – regardless of her social, educational or economic standing – gets a guaranteed monthly income. It provides a monthly stipend that would ensure that a person would be above the poverty line without any other source of income.
36. **double up as** (phrasal verb) – to be used as something else.
37. **deploy** (verb) – employ.
38. **bubble bursts** (phrase) – a good/happy/successful/fortunate time or period or situation ends suddenly.
39. **bubble** (noun) – illusion, fantasy, dream, daydream, good/fortunate situation.
40. **burst** (verb) – shatter, destroy, wreck, ruin.
41. **invoke** (verb) – cite, refer to, adduce.
42. **turn out** (phrasal verb) – transpire, emerge; happen/occur.
43. **of little use** (phrase) – not very useful.
44. **go beyond** (phrasal verb) – to do more than required/expected.
45. **fancy** (adjective) – luxurious, lavish, extravagant, rich.
46. **the privileged** (noun) – wealthy, rich, affluent people.
47. **far from** (phrase) – not, not at all, nowhere near.
48. **cash in** (phrasal verb) – to get money/cash for.
49. **from pillar to post** (phrase) – from place to place, back and forth, in all directions.
50. **meagre** (adjective) – small, little, paltry, inadequate/deficient.
51. **old-fashioned** (adjective) – old, out of date, outdated.
52. **Business Correspondent (BCs)** (noun) – Business Correspondents are retail agents engaged by banks for providing banking services at locations other than a bank branch/ATM.

53. **have little to do with** (phrase) – have little contact with.
54. **hardship** (noun) – distress, trouble, misfortune, suffering.
55. **relatively** (adverb) – comparatively, proportionately, by comparison; somewhat.
56. **household** (noun) – family, house.
57. **set** (adjective) – ready.
58. **swell** (verb) – grow larger, grow greater, increase, expand, rise (in number).
59. **as and when** (phrase) – at the time when (an uncertain) thing occurs.
60. **rely on** (phrasal verb) – depend on; resort to, bank on.
61. **indeed** (adverb) – in fact, actually, undeniably.
62. **fare** (verb) – manage, cope, proceed/progress, get along.
63. **poorly** (adverb) – badly, deficiently, awfully, appallingly.
64. **count** (noun) – a point of consideration.
65. **galore** (adjective) – in great quantity, in large numbers, all over.
66. **mighty** (adjective) – huge, massive, big, very large.
67. **mess** (noun) – problem, mix-up, confusion, complication, predicament.
68. **far more** (phrase) – a lot more, much more.
69. **transparent** (adjective) – straightforward, clear/candid, forthright/honest.
70. **frantic** (adjective) – excited to do something hurriedly & disorderly.
71. **en masse** (adverb) – in a mass, all together, as a group.
72. **go for a toss** (phrase) – used for a situation which is out of control/difficult to control or manage.
73. **informed consent** (noun) – the process by which a new customer learns about and understands the purpose, benefits, and potential risks of a particular banking policy/scheme in detail and then agrees to open a bank account.
74. **seed** (verb) – link (Aadhaar number to the bank account).
75. **dormant** (adjective) – inactive, passive, inoperative.
76. **ex-post** (adjective) – it means “after the event” whereas ex-ante means “before the event”
77. **authentication** (noun) – verification, substantiation, validation.
78. **in a/the sense** (phrase) – by a particular understanding of a situation.
79. **in good time** (phrase) – promptly, on time, early.
80. **exclusion error** (noun) – it is defined as the proportion of people (in poverty) eligible for a social transfer/protection program, but are excluded from it as a result of inaccurate targeting.
81. **consistent with** (adjective) – in tune with, in line with; agreeing, accordant, compatible.
82. **complementarity** (noun) – the quality of two opposing principles being supportive to each other.
83. **tend** (verb) – be likely.
84. **better-off** (adjective) – in a more desirable or advantageous position.
85. **probability** (noun) – possibility, expectation, chance, probable event.
86. **more or less** (phrase) – approximately, roughly, nearly, almost.
87. **respective** (adjective) – particular, individual, specific, relevant, appropriate.
88. **reliability** (noun) – dependability, sureness, trustability.
89. **reflect** (verb) – indicate, show, display, represent.
90. **Aadhaar Payment Bridge System** (APBS) (noun) – it is one of the unique payment systems implemented by National Payments Corporation of India (NPCI), uses Aadhaar number as a central key for electronically channelizing the Government benefits and subsidies in the Aadhaar Enabled Bank Accounts (AEBA) of the intended beneficiaries.
91. **Aadhaar-enabled Payment system** (AePS) (noun) – it is a bank led model which allows online interoperable financial inclusion transaction at PoS (MicroATM) through the Business correspondent of any bank using the Aadhaar authentication. (Interoperable means “relating to the ability of different (two or more) systems, devices, applications or products to connect and communicate & exchange data in a coordinated way without effort from the end user”).

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92. **shoot through** (phrasal verb) – leave (a place) suddenly (in order to avoid something).
93. **glitch** (noun) – problem, difficulty, issue/complication.
94. **exacerbate** (verb) – make worse, worsen, aggravate, compound.
95. **as far as** (phrase) – to the degree/extent that.
96. **fallback** (noun) – alternative plan, substitute plan, backup plan.
97. **recursive** (adjective) – repetitive, recurring, unchanging.
98. **opaque** (adjective) – doubtful/ dubious, mysterious/ hidden, unexplained.
99. **antithesis** (noun) – the direct opposite of something; antipode, contrary, opposite, reverse.
100. **come under** (phrasal verb) – be subjected to.
101. **precedent** (noun) – model, exemplar, example, pattern; previous example/instance, prior instance.
102. **in short** (phrase) – briefly, in a nutshell; in conclusion/summary.
103. **compelling** (adjective) – convincing, valid, reasonable, conclusive, well reasoned.
104. **a shot in the dark** (phrase) – guess, approximation, assumption, surmise, conjecture.
105. **come down to earth** (phrase) – (of an event, thing, person) to be brought back to reality.
106. **reality check** (noun) – something which helps us to see a situation with the real facts than ideas, concepts, hopes & etc.