

## Digital Transformation: Boosting Rural Economy

*Sandip Das*



*The government is targeting at digitally educating one crore rural citizens, which implies that people are trained as consumers to use all payment options available to them and what is best suited for them*

**T**he Prime Minister, following the announcement of demonetization of Rs 500 and Rs 1000 notes in November last year, had stated that this currency swap would not merely nudge the economy in the direction of cashless economy but give it a significant push in that direction. More than two months after demonetization, there is a transformation taking place in the rural areas in adoption of various modes of cashless financial transactions facilities available such as - payment gateways or mobile banking services such as Aadhaar Enabled Payment System, National Unified USSD (unstructured supplementary service data) platform, point of sale (PoS) machine linked to debit and credit cards and mobile app based programmes such as e-wallet.

Entire focus of the government has been on ensuring that a significant chunk of rural population adopts cashless transactions in various activities such as receiving wages for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) through the bank accounts of beneficiaries, direct fund transfer to banks accounts of dairy farmers for the milk sold to cooperatives or private sector or making purchases through using RuPay cards issued by banks under Pradhan Mantri Jan Dhan Yojana. At

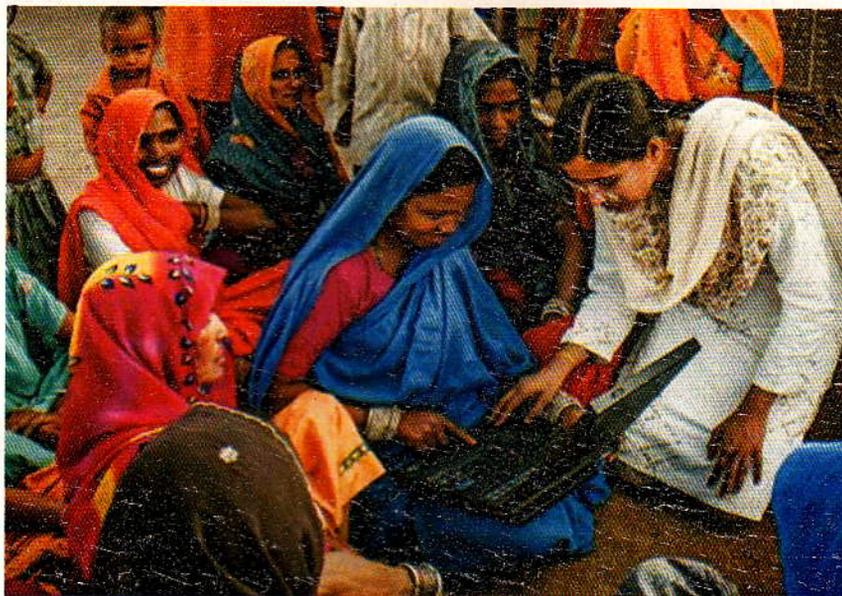
present more than 26.5 crore banks accounts have been opened under the Jan Dhan Yojana. The scheme also promised to provide every new Jan Dhan account holder with RuPay debit cards, with 19.5 crore cards being issued so far. The Finance Ministry has said that the government is aiming at ensuring that Jan Dhan bank account holders became the flagbearers of digital transformation in the rural areas.

### Dairy Sector

While digital transactions have seen a jump in several areas of commerce after the government's announcement on demonetization, the organised dairy sector hasn't been left behind. Milk farmers affiliated to both the state cooperatives and private companies have opened more than a million new bank accounts and have also received payments in their accounts since November 10. Since middle of last year, total banks accounts opened for dairy farmers have exceeded more than 3 million.

The department of animal husbandry under the agriculture ministry recently had directed National Dairy Development Board (NDDB), Delhi Milk Scheme and all the state level dairy federations to ensure direct payment to farmers' bank accounts within next couple of months. The government had also urged the country's biggest dairy

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*Encouraging Cashless Transactions in Rural India*

federation Gujarat Cooperative Milk Marketing Federation, popularly also known as AMUL, to ensure opening of bank accounts for all its 29 lakh odd affiliated farmers for payment towards purchase of milk.

The Managing Director, R S Sodhi, GCMMF, has said. "Since demonetization was announced, we have opened 8 lakh new bank accounts of dairy farmers. Currently, more than 19 lakh dairy farmers are getting paid for milk sold to the cooperatives through bank account," However he said that the federation has asked banks to open branches in tribal areas of Gujarat so that all the remaining farmers could have bank accounts. Amul pays around Rs 450 crore weekly to farmers for the milk purchase. About Rs 310 crore is now being transferred to farmers' accounts by Amul on a weekly basis, almost double the level before demonetisation. This apart, Rs 75 crore is now being transferred every 10th day to some 3 lakh milk producers by Chennai-based private dairy major Hatsun Agro Products, in a signal that e-payments are catching up among private players too.

Dairy farmers affiliated to cooperatives are paid around Rs 120 crore daily in a weekly or 10 days, which results in huge disbursement

of cash. At present around 60-70 per cent of around one crore dairy farmers who are part of 22 odd dairy cooperatives' network have bank accounts. Since last few months, the state federations are being encouraged to go for cashless transactions and the government's move on demonetisation has given a boost to these efforts. NDDDB, the apex body of cooperatives have urged all the state federations like GCMMF, Karnataka Co-operative Milk Producers' Federation, Rajasthan Cooperative Dairy Federation, etc, to urgently open banks accounts of those farmers who are still getting paid in cash.

#### **Cashless Transaction at PDS outlets**

Besides, the food ministry has also launched an initiative for ensuring cashless transaction at all the 5 lakh odd Fair Price Shops (FPSs) across the country where beneficiaries covered under National Food Security Act (NFSA) can purchase highly subsidised grains using Aadhar linked bank accounts or RuPay cards issued by banks. Although beneficiaries covered under NFSA pay only around Rs 75 to Rs 90 each month for getting highly subsidised foodgrains, the food ministry wants to ensure that

even these small amounts are also not paid in cash.

Under NFSA, each beneficiary monthly gets 5 kg of rice or wheat at the rate of Rs 3 and Rs 2 per kg respectively. However, many states such as Odisha, Chhattisgarh and Tamil Nadu further subsidise the foodgrains.

Andhra Pradesh which has already installed Point of Sale (PoS) machines at all its 29,082 FPS, has also commenced using Aadhaar enabled PoS machines which is linked to bank accounts of NFSA beneficiaries. By using the card at the PoS machines, beneficiaries can pay for grains purchased under NFSA without paying cash. At present, only 33 per cent out of total 5,27,750 FPSs in the country have PoS machines which electronically record transaction of foodgrains purchased under NFSA. These PoS machines have to be linked with beneficiaries' banks accounts.

Karnataka along with states such as Maharashtra, Haryana, Rajasthan and Odisha have commenced implementation of Aadhaar-based payments in the public distribution system (PDS). Aadhar-enabled point-of-sale (PoS) machines at 20,778 FPSs in the state would use biometric authentication of 1.08 crore below-poverty-line (BPL) rationcard holders against purchase of highly subsidized foodgrains under NFSA. The state government would link the Jan Dhan accounts of the card holders through Aadhaar.

The Maharashtra government has launched a pilot project to introduce cashless transaction at 84 FPSs using Business Correspondence model or payment through USSD and e-wallet facility. The PDS shops will now conduct transactions through point-of-sale terminals. The FPSs supply subsidised goods to ration card holders and persons below the poverty line. The Maharashtra government is aiming at installing cashless transactions facilities at all 50,000 odd PDS outlets.

Since the demonetization drive was announced, there have not been reports of delays in delivery of grains under NFSA because of cash crunch. More than 71 per cent of 24 crore ration cards have been Aadhaar based and through the linkage of these cards with beneficiaries' bank accounts and installation of PoS machines, a cashless transaction could be ensured. At present, around 50 to 55 million tonnes (mt) of rice and wheat is supplied to around 82 crore population covered under NFSA.

The Food and Consumer Affairs Ministry has also directed officials to ensure cashless transactions for all official work. The procurement of foodgrains from farmers by Food Corporation of India (FCI) is done through transfer of Minimum Support Price (MSP) to bank accounts while in case of only Punjab and Haryana, the MSP is transferred to bank accounts of arthias or commission agents. Similarly, the Department of Consumer Affairs had procured pulses of Rs 703 crore during recently concluded kharif season by making online payments to farmers. The Ministry had directed officials to ensure cashless transactions mandatory for all contract works for making payments.

Thanks to financial inclusion programme launched earlier, the wage payment to workers under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) have virtually gone cashless with most of the beneficiaries getting wages into their bank accounts. In the financial year 2016-17, more than Rs 32,000 crore have been transferred to 25 crore beneficiaries so far.

#### **Thrust on Digital Education**

The government is targeting at digitally educating one crore rural citizens, which implies that people are trained as consumer to use all payment options are available to them and what is best suited for them. More than 40 lakh rural citizens and around 1.2 lakh merchants have already enrolled for digital payments.

We have already moved from the awareness creation stage to one where people are actively trying out electronic payment options. The common service centres (CSCs) set up by the Ministry of Electronic and Information Technology are spearheading this campaign.

Recently, the Prime Minister had acknowledged that a 'cashless' society is not immediately possible, and appealed to the people to work towards it by being part of a 'less-cash' society immediately. "Learn how this digital economy works. Learn the different ways you can use your bank accounts and internet banking. Learn how to effectively use the apps of various banks on your phones. Learn how to run your business without cash," the Prime Minister had stated. Going by the progress so far, it seems that a sound beginning has been made for making rural India a less cash economy. ■

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