Covid-19 Cash Relief

What is the issue?

- For some time now, the JAM trinity (Jan Dhan-Aadhaar-Mobile) has been put forward as a dream cash-transfer infrastructure for India.
- However, for effective cash relief in response to the COVID-19 crisis, the government must think beyond the JAM trinity.

What is the illusion?

- The supreme goal of JAM trinity is adhaar-enabled mobile banking.
- In 2017, NITI Aayog CEO predicted that, in the next 2½ years, every Indian will transact by using just a thumb finger in 30 seconds.
- An illusion emerged that India had developed an ideal infrastructure for Universal Basic Income (UBI) through JAM, ready to be deployed at any time.

How has this illusion faded?

- In the early days of Covid-19 crisis, JAM was often invoked as a possible tool of emergency relief.
- But when the time actually came to make cash transfers to the poor, JAM turned out to be of little use.
- For all the excitement it had generated, JAM had not gone beyond some fancy digital-payment systems for the privileged.
- Poor people were still running from pillar to post to collect their meagre benefits from old-fashioned bank accounts.
- There are crowds already in banks, and it is all set to swell further as and when the lockdown is lifted.

Will the relief package through JDY Account be effective?

- The lead cash-relief measure in the national relief package consists of monthly transfers of Rs. 500 to women's JDY accounts.
- The effectiveness of the cash transfer through women's JDY accounts is by comparing it with any other cash transfer method.
- It could be compared with the list of households that have a National Rural Employment Guarantee Act (NREGA) job card.

What is the comparison?

- **Number of accounts** - There are about 14 crore for NREGA cards and 12 crore or so for women's JDY accounts in rural and semi-urban areas.
- For purposes of cash relief, the JDY approach turns out to fare poorly on several counts.
- **JDY accounts are a mighty mess** - But the NREGA job-cards list is far more transparent and well-organised.
- During the 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 consent, Aadhaar numbers were seeded without safeguards, etc.
- It is not clear what proportions of JDY accounts are operational today.
- **Exclusion error** - Cash transfers to women's JDY accounts are likely to involve large exclusion errors.
- Less than half of poor adult women have a JDY account.
- The NREGA job-card list have much better coverage of poor households.
- The natural complementarities between NREGA and social security pensions would further help to reduce exclusion errors.
- **Inclusion errors** - These are 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 show that JDY beneficiaries tend to be better-off than NREGA beneficiaries.

- **Payment issues** - There have been significant payment issues with NREGA payments, often related to Aadhaar.
- But then, numerous "direct benefit transfer" schemes have faced similar problems, also reflected in official transaction data.
- Both the Aadhaar Payment Bridge System (APBS) and the Aadhaar-Enabled Payment System (AePS) have technical glitches.
- So, transfers to job-card holders are more reliable than transfers to JDY accounts of women.
- **Payment methods** - NREGA job-cards list lends itself to the "cash-in-hand" method (on-the-spot payment in cash) as a possible fallback.
- Cash-in-hand may seem like the antithesis of JAM, but it may become important if the banking system comes under further stress.
- Several States have already resorted to cash-in-hand for relief payments during the lockdown.

What could be done?

- For cash relief, the central government could switch from use of women's JDY accounts to the NREGA job-cards list in rural areas.
- As for the JAM trinity, it should come down to earth for a reality check.

Source: The Hindu

