

Corruption: Ctrl+Alt+Delete

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The Indian government is attempting to combat corruption through technology while providing schemes and services to citizens, thus, reducing leakages and improving transparency. A discussion on these efforts, in the context of Direct Benefit Transfer (DBT), cashless transfers and universal access to banking.

Keywords: *corruption; direct benefit transfer; cashless transfers; subsidies; public welfare; banking*

Corruption has made consistent headlines in the recent past with one mega scam after another, the 2G, the commonwealth and coal mining scams¹ to name just a few. It is in this news environment that the electorate gave a clear mandate to the BJP in the 2014 General Elections, with a qualifier that frustration with zooming corruption has reached its limits and it must be combated with all the resources at the government's command.

While it is true that there is no single quick fix for curbing corruption, several steps can and should be taken to fight it. Modern technology has the potential to fight corruption to a large extent. Technology can help harness transparency, reducing corruption's drain on development. Technology can ensure that critical information and services can reach the intended beneficiaries. And when this doesn't happen, technology can make it easier to hold who is responsible.

Various countries have shown the way in this direction. Indonesia, where an urban poverty alleviation programme which distributes \$150 million annually, has successfully harnessed the Internet and mobile phone technology to enhance project monitoring, transparency, and overall effectiveness. Philippines has started an online public tip-off programme called Pera Ng Bayan, which helps net tax evaders and smugglers through public participation². South Korea has curbed the inflow of black money into the economy by moving to almost 60 per cent cashless transactions in retail.

The Modi government has made explicit its intent to leverage technology in addressing the challenges of corruption. Its conviction in technology comes from the experience of countries that have fought their war against corruption by enhancing efficiency, accountability and transparency through use of technology.

UNIVERSAL ACCESS TO BANKING AS THE FIRST STEP

Last year, a report on 'Cost of Cash in India' commissioned by MasterCard³ and brought out by the Institute for Business in the Global Context (IBGC) of Tufts University in the USA highlighted that the increased dependence on cash transactions in India is due to the lack of access to banking with a third of the population. The government has tried to correct this anomaly by opening more than 11 crore bank accounts for the poor under the Pradhan Mantri Jan Dhan Yojana (PMJDY).⁴ This means that now almost every Indian family has access to banking. This makes it possible for the government to directly transfer any subsidies to the intended beneficiaries with zero leakage.

DIRECT BENEFIT TRANSFER OF LPG ROLLED OUT

In November 2014, the Direct Benefit Transfer of LPG scheme was rolled out all over the country and already over nine crore customers of the total LPG customer population of 15 crore have joined this scheme⁵. They have already started receiving the subsidies through their bank accounts. This will ensure that subsidised LPG cylinders meant for domestic consumption can no longer be sold in the black market for commercial and industrial use. It is estimated that the subsidy burden of the government that has already gone down substantially from Rs.1.40 lakh crore will further go down to Rs.40,000 crore by the end of the next fiscal year.

CASHLESS TRANSACTIONS TO INCREASE GOVERNMENT REVENUE

The new 11 crore bank accounts also mean that now a majority of Indians have a RuPay debit card. Now to promote use of cashless transactions, the government needs to introduce measures that will incentivise credit or debit card transactions, and disincentivise cash transactions. The McKinsey Report on Payments Digitization⁶ (March 2013) informs that South Korea is encouraging card use through a 2 per cent VAT (Value Added Tax) reduction on all card transactions for merchants and for 20 per cent of total card spending by individuals (where fiscally deductible), in an attempt to shrink its shadow economy. The South Korean government also audits merchants to ensure that no extra fees are charged at the point of sale (POS) to prevent card usage. These measures doubled the number of card acceptance terminals at the POS — from 6 million in 1999 to 12 million in 2001 — and drove up card transactions by 101 percent in 2001 and 69 percent in 2002. The government's VAT income from card transactions grew to more than 1.7 billion euros in 2001. Meanwhile, Mexico's largest banks have created a fund to provide POS terminals at relatively low fees to smaller merchants. These efforts have multiplied the number of cashless POS transactions by more than 430 percent between 2002 and 2008. Several countries— including France, Turkey, Greece, Italy, Sweden, Norway and the Netherlands— have imposed caps on cash payments and require merchants to issue receipts for each transaction.

CORRELATION BETWEEN CASH USAGE AND BLACK ECONOMY

The prevalence of cash allows a black economy to grow or dominate. International comparisons show a clear correlation between cash usage in the economy and the size of the black economy. In China, Russia and India, for example, cash in circulation amounts to 11 to 13 percent of GDP as compared to about 7 per cent in the United States and 4 per cent in the United Kingdom. According to an NIPFP (National Institute of Public Finance Policy) report, the black income in India during 1983-84 was 21 per cent. In a 2006 report on 'Shadow Economies and Corruption All Over the World,⁷ Friedrich Schneider of The Institute for the Study of Labour (IZA), Bonn, estimates that the size of India's black money economy is between 23 to 26 per cent. The finance minister Arun Jaitley too, in his last budget speech said that the amount of cash floating in the system is estimated at about 18 per cent of the country's GDP.

PDS TO DBT – REDUCING THE SUBSIDY BILL

A new study by Chair Professor for Agriculture at ICRIER, Ashok Gulati, has estimated that 46.7 per cent or 25.9 million metric tonnes (MMTs) of the foodgrains (rice and wheat), released through the PDS, did not reach the intended beneficiaries in 2011-12. The study informs that Chhattisgarh was the best

performing State with 0 per cent diversion. Andhra Pradesh and Tamil Nadu were among the better performers with 11.1 per cent and 12.2 per cent leakages respectively. The report further says that five States — Uttar Pradesh, Bihar, Madhya Pradesh, Maharashtra and West Bengal — which are home to close to 60 per cent of India's poor, accounted for almost 50 per cent of the total grain leakage in the country⁸. The paper makes a case for shifting the support to the poor from the highly subsidised price policy to Direct Benefit Transfers (DBT) through effective use of technology. The study estimates that this could result in savings of up to Rs 33,087 crore annually in food subsidy bills which could then be used to improve other public services.

TRANSPARENCY IN LICENSE-AWARDING AND INCREASED FUNDS FOR PUBLIC WELFARE

That the technology can effectively curb mega scams at the government level has been clearly demonstrated by the ongoing auction of coal mines. The minister of state for power and coal Piyush Goyal told Lok Sabha last week that "the total estimated amount of revenue likely to be generated from 33 coal mines already auctioned is Rs 2,09,740 crore."⁹ This is already more than the loss presumption estimated by the CAG which was Rs 1,86,000 crore.

CONCLUSION

To improve governance and check the menace of corruption, the new BJP government has taken some concrete steps by injecting technology into government processes and decision-making.

However, the war against corruption is not easy. Combating pervasive corruption will require a multi-pronged approach. It will require years of coordinated hard work and commitment by multiple actors in the economy. Nevertheless, as the above statistics point out, technology can definitely bolster the country's war against corruption.

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