Financial Inclusion, Direct Benefits Transfer, and Women’s Economic Agency in India

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India Making a Massive Shift Towards Direct Benefit Transfers (DBT)

Direct Benefit Transfer Scheme gets into Guinness Records: PM Modi

By IANS | Dec 27, 2015, 04:38 PM IST

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NEW DELHI: Prime Minister Narendra Modi on Sunday said the government's "Direct Benefit Transfer Scheme" has received a place in the Guinness World Records as the largest direct benefit transfer scheme.

"It gives me immense pleasure to announce that the Direct Benefit Transfer Scheme has recently found a place in the Guinness Book of World Records and it has been implemented successfully," he said during his monthly radio address 'Mann Ki Baat'.

As of now, already Rs.40,000 crore has been transferred to the accounts of the beneficiaries through different schemes, the prime minister said.

"I believe about 35-40 schemes are being integrated with the direct benefit transfer scheme," he said.

• Launched in 2013, DBT delivers government transfers directly to beneficiary bank accounts
• Beneficiaries just need a fingerprint to access benefits
• DBT architecture supported by massive FI push (PMJDY): opening of kiosk banks (CSPs), 220 million+ low-cost bank accounts since 2014
• DBT-enabled programs include LPG subsidy, scholarships, pensions, workfare (NREGA)
Evidence Base on DBT Small, Focused on Program Outcomes

• India: leakage down, efficiency up (Muralidharan et al., forthcoming, Barnwal 2015), Niger: leakage and efficiency up (Aker et al. forthcoming)

• Even thinner evidence base on broader effects
  – Design details may change how households interact with financial system outside transfers (Gertler et al. 2016)
  – DBT may change control over entitlements within the community and/or the household
  – DBT may make it possible to target benefits more directly to vulnerable groups, or not
This Study...

We are collaborating with Madhya Pradesh government, banks, to answer challenging questions

- Can targeting women with DBT increase female program participation?
- Does targeting have broader impacts on women’s economic lives?
- How to ensure DBT is accessible to groups with little/no financial literacy?

We focus on women, NREGA, and female labor supply
Overview of Interventions

1. Opening biometrically-authenticated individual bank accounts for women at community banking kiosks/customer service points (CSPs)

2. “Linking” these accounts to the DBT system for India’s workfare program (NREGA)

3. Conducting very basic group-based financial training to strengthen women’s understanding of bank accounts (and, when relevant, DBT)
Context: The National Rural Employment Guarantee Act (NREGA)

- NREGA guarantees every rural Indian household 100 days of paid work at a fixed minimum wage (entitlement at household level, but individuals work)
- Work facilitated by Gram Panchayat-level leadership
- Corruption a major problem; shift to DBT began in 2008, payment in a bank account mandatory as of 2016
- In Madhya Pradesh: most households are linked to just one bank account ➔ women’s wages are paid directly to the male head of household
Context: Study Setting

- Partners: GoMP + 2 large public-sector banks in the region
- Location: 197 Gram Panchayats served by partner bank customer service points (CSPs) in 4 districts (Gwalior, Morena, Shivpuri, Morena)
- Strong traditional gender norms, limited female mobility, male:female sex ratio of 1.1-1.2
- Sample: Census of 11,300 married women to identify 5,900 “eligible” women
  - No bank account, at least one household member has worked for NREGA
Sample: Hard-to-Serve Rural Women, Unbanked Pre-PMJ DY

<table>
<thead>
<tr>
<th></th>
<th>Control Group Mean in 2015</th>
<th>Std. Dev</th>
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<tbody>
<tr>
<td>Age</td>
<td>39.6</td>
<td>11.47</td>
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<tr>
<td>Literate</td>
<td>0.10</td>
<td>0.30</td>
</tr>
<tr>
<td>Worked Past 30 Days</td>
<td>0.23</td>
<td>0.42</td>
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<tr>
<td>Worked Past Year</td>
<td>0.55</td>
<td>0.50</td>
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<tr>
<td>Age at Marriage</td>
<td>14.97</td>
<td>2.73</td>
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<tr>
<td>Age Gap With Husband</td>
<td>4.35</td>
<td>7.47</td>
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<tr>
<td>Has Not Been Outside GP Past 30 Days</td>
<td>0.53</td>
<td>0.50</td>
</tr>
<tr>
<td>Experienced Physical GBV – Ever</td>
<td>0.58</td>
<td>0.49</td>
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<tr>
<td>Experienced Physical GBV – Last Year</td>
<td>0.31</td>
<td>0.46</td>
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<tr>
<td>Feels Depressed All/Most of Time</td>
<td>0.26</td>
<td>0.44</td>
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**Study Design**

Married Women Interviewed in Census

11,315

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Eligible Women

5,908

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<tr>
<th></th>
<th>Control</th>
<th>Bank Accts.</th>
<th>Bank + Link</th>
<th>Bank + Training</th>
<th>Bank + Link + Training</th>
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<tbody>
<tr>
<td>Eligible</td>
<td>2,010</td>
<td>909</td>
<td>1,059</td>
<td>966</td>
<td>964</td>
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<tr>
<td>Sampled</td>
<td>1,834</td>
<td>655</td>
<td>698</td>
<td>678</td>
<td>635</td>
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<tr>
<td>Interviewed (Midline)</td>
<td>1,675</td>
<td>596</td>
<td>652</td>
<td>651</td>
<td>605</td>
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Detail on Group-Based Financial Training

- What is a bank account?
- The benefits of using a bank account
- What is a CSP, brick-and-mortar bank?
- The types of transactions one can perform at a CSP
- How government benefits/NREGA can be transferred to CSP accounts
- Detailed steps of how to perform a transaction at a CSP
Interventions Increase Account Ownership, But Most Go To Bank Sporadically

**Preliminary Results**
With Training, Women Save More

**Preliminary Results**
Treatments Increase Trust in the Financial System

Safety Rank: Kisok Bank

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<th>Bank+Training</th>
<th>Bank+Link+Training</th>
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<tbody>
<tr>
<td>Safety=5 / Most Safe</td>
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<td>Safety=4</td>
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<td>Safety=3</td>
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<td>Safety=2</td>
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<tr>
<td>Safety=1 / Least Safe</td>
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Prefers Wages Deposited Into Bank Account

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Women Who Receive Linking + Training Are More Willing to Work for NREGA and More Generally...

Would Never Work Agriculture or Construction at Any Wage

Would Never Work for NREGA at Any Wage
...Actually Work More...

Extensive margin effects appear to be driven by work outside NREGA

Simone Schaner (Dartmouth)

** Preliminary Results **
...And Are More Economically Active
No Evidence of Unintended Negative Effects
Conclusions (So Far), Next Steps

• Lessons
  – Careful “last mile” implementation is needed to achieve financial inclusion
  – Increasing female control over workfare income via DBT increases FLFP, economic activity
  – No evidence of male backlash, other negative consequences

• Next Steps
  – Unpack mechanism, NREGA channel
  – MIS analysis: leakage and corruption
Appendix Material
Administrative Data: Linking + Training
Catalyze Saving Via NREGA

A. Cumulative Non-NREGA Deposits
B. Cumulative NREGA Deposits

Note: Vertical lines demarcate strengthening treatments period. Outcomes winsorized at 99th percentile.
Administrative Data: Linking + Training Catalyze Saving Via NREGA

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