

DIRECT BENEFIT TRANSFERS: STATUS AND CHALLENGES AHEAD

Authors: Sumita Kale, Laveesh Bhandari and V. Anantha Nageswaran¹

Abstract

India's Direct Benefit Transfers programme has been evolving since 2013, and the architecture laid out over the past few years has resulted in a quick effective response during the unexpected Covid-19 lockdown in 2020. Despite the phenomenal coverage that the DBT Mission has had in reaching beneficiaries, there are gaps. This White Paper looks at the current status and the challenges that remain to be addressed in two buckets – a) the larger issue of identifying eligible beneficiaries and ensuring enrolment under the scheme, and b) the compliance and operational issues faced by beneficiaries after enrolment. The paper sets out a possible four-pronged framework that can take the DBT programme to a higher level of efficiency and make a greater impact on welfare – a strong grievance redressal system, an effective monitoring and oversight mechanism, better coordination and interaction amongst the multiple stakeholders and improving the service quality and viability of the agent network at the last mile.

1. Introduction

The pandemic has thrown the Direct Benefit Transfer (DBT) Mission into prominence as seamless transfers provided a lifeline to the dispossessed in times of

¹ Sumita Kale and Laveesh Bhandari are with the Indicus Centre for Financial Inclusion. Dr V. Anantha Nageswaran is Distinguished Visiting Professor, Krea University. We would like to thank Ammaar Mohammad at Indicus for his research and analytical support.

highly disrupted economic activity. Over the period April 2020 to March 2021, more than Rs. five lakh crore (Rs. 5,52,527 crores to be precise) were paid out through 603 crore DBT transactions.

The DBT programme itself has been evolving, going through a process of feedback and improvement since the conceptualization stage itself. And the continued success and sustainability of the massive sized DBT programme depend naturally on improvements in the operational capacity of implementing agencies. No doubt deficiencies do persist at several levels which need to be identified and corrected on an ongoing basis. And this White Paper does precisely that. It examines the challenges, points out issues that need to be addressed, and provides specific actionable points for the welfare delivery system to scale even higher efficiency levels.

The structure of the paper is as follows. In the next section we give a short update on the status of the DBT programme as it stands today. In Section 3 we list the challenges that remain to be addressed, with recommendations for resolution, and in Section 4 the various streams are brought together for the way forward.

2. Direct Benefit Transfers in India: An Update

India has had a long history of Union and State government schemes for social welfare. However, efficiency in targeting and reaching the intended beneficiaries has been a perennial challenge. In 2013, the government rolled out the Direct Benefits Transfer programme with pilots in 43 districts and 27 schemes, with the aim of reforming the delivery system, and bringing in transparency. To ensure smooth

coordination amongst the multiple ministries, departments and state governments, the DBT Mission was brought under the Cabinet Secretariat, with the implementation directly under the Prime Minister's Office in 2015. All disbursements are being channeled through the Public Finance Management System (PFMS) to ensure stricter monitoring of utilisation of funds, transparent accounting, just-in-time release of funds etc. As of July 2021, 318 Union Government schemes under 54 ministries are covered under the DBT Mission.

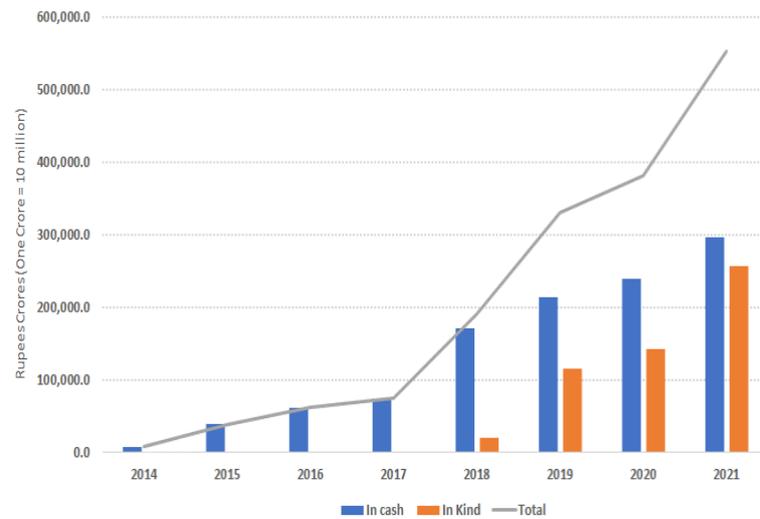
In 2020-21, a total of 179.9 crore beneficiaries received support; 81.9 crores through in-kind benefits and 98 crore received cash transfers². Since April 2021, 28 crore beneficiaries have received cash transfers as compared to 72.9 crore in-kind beneficiaries³. With small businesses, daily-wage workers, and farmers bearing the brunt of lockdowns and slow economic activity, cash transfers and food through the Public Distribution System are providing much-needed relief in these testing times.

The PDS scheme continues to be the growth engine of the DBT programme with it accounting for 62.6 crore and 70.1 crore beneficiaries in 2019-20 and 2020-21 respectively. These figures roughly translate into 43% of the total beneficiaries in the last two when looked at in proportionate terms. DBT by cash is dominated by PAHAL and MGNREGS schemes accounting for half of the cash transfer beneficiaries.

² www.dbtbharat.gov.in on 17th July 2021

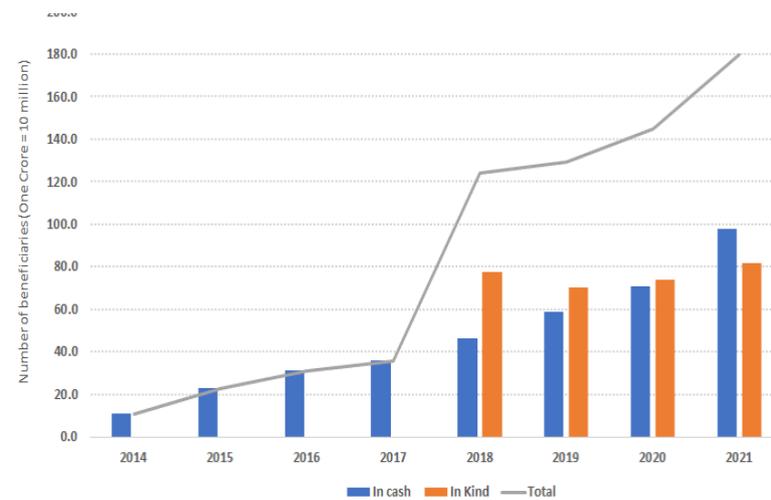
³ www.dbtbharat.gov.in accessed on 17th July 2021

Figure 1 Direct Benefit Transfers Year wise Value



Source: <https://dbtbharat.gov.in/> 26th June 2021

Figure 2 Direct Benefit Transfers Year wise Number of Beneficiaries



Source: <https://dbtbharat.gov.in/> 26th June 2021

The architecture laid out over the past few years has resulted in a quick effective response during the unexpected Covid-19 lockdown in 2020. As noted by Dipankar Sengupta, “PFMS recorded the highest number of transactions in a single day on 30th March, 2020 of 2.19 crore transactions largely driven by DBT payments. Between March 24 and April 17, the DBT payments under all the central sector/centrally

sponsored schemes through PFMS amounted to Rs 27,442.08 crore in the accounts of 11.42 crore beneficiaries”.⁴ By December 2020, Rs. 68,914 crores had been disbursed under the Pradhan Mantri Garib Kalyan Package through the DBT platform in these times of deep stress.

In 2020, before the pandemic hit, the DBT Mission had begun an assessment on how beneficiary-friendly the schemes were and the decision was made to digitise all schemes, with customer-centricity as the cornerstone of design. The DBT Mission had also begun the process of allowing eligible beneficiaries to apply directly for any scheme. While less than 10 percent of the Central Government schemes had this facility last year, the provision has currently been extended to almost 50% of the central schemes, with a target to cover all by next year-end. The next step of bringing all state government schemes on board is another challenge that the DBT Mission is already engaging in.

The UMANG App has been identified as the aggregator of all citizen-centric services, which will cover DBT this year. Within three years of its launch, the app was available in 13 languages and covered 78 DBT schemes⁵, and is looking to include voice-based solutions using AI to reach remote locations as well. The grievance portal has been integrated within the app, along with feedback through the Rapid Assessment System (RAS). In short, the digital platform is evolving rapidly to meet the needs of customers.

⁴ D. Sengupta, “Direct Benefit Transfer – A blessing during the time of Pandemic”, available at <https://www.nic.in/blogs/direct-benefit-transfer-a-blessing-during-the-time-of-pandemic/>

⁵ PIB Press release, 23rd November 2020, Ministry of Electronics and Information Technology, available at <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1675131>

It must however be recognised that despite the phenomenal coverage that the DBT Mission has had in reaching beneficiaries, there are gaps. It is critical to estimate the extent of exclusion and reasons behind such gaps. While it is obvious that even a small percentage of exclusion leads to large numbers in absolute terms in India, **it is not clear from the available evidence what the extent of the gap is. In the absence of a system of comprehensive evaluation, it is difficult to provide a complete checklist of actions to be taken to improve the program.**

Given the heterogeneity in the country, with wide inter and intra-state socio-economic disparities, differing state capacities, it is crucial to identify exactly which sections of society and which precise locations are getting excluded or ineligible sections are benefitting. While comprehensive government data are unavailable, we have some, though limited, evidence from other sources which is discussed in the next section.

3. Challenges facing the DBT programme in India

There are essentially two categories of challenges in a national welfare system, one is the larger issue of identifying eligible beneficiaries and ensuring enrolment under the scheme, and the second covers the compliance and operational issues faced by beneficiaries after enrolment.

1. Identification of beneficiaries

The first step and perhaps the biggest challenge for the effective implementation of any welfare scheme lies in

ensuring that those eligible for the scheme are identified correctly and enrolled.

Two classes of errors can potentially creep up, (a) errors of omission – when a deserving beneficiary is unable to access the benefits, and (b) errors of commission – when those not intended to be the beneficiaries get rewarded. At this current point of time in India’s development, it is more crucial to bring the errors of omission down to the barest minimum.

Therefore, it is critically important for the governments (both Central and State) to keep the **eligibility criteria for any welfare scheme simple and clear**. The greater the complexity or greater the subjectivity, the more difficult it becomes to identify and include the right beneficiaries.

For instance, using land records to identify beneficiaries in the Rythu Bandhu Scheme in Telangana has made the programme much easier to administer. But that was feasible in Telangana with its superior records and may not be possible everywhere. Moreover, though the program managed to minimize errors of commission, it did exclude many sharecroppers who were not a part of the land records.⁶

Compare this to the complex eligibility criteria under PM-KISAN.⁷ The ineligible farmer families include those who have paid income tax in the previous year, certain categories of government servants etc. Further, the list had a cut-off date for eligibility as 1st

⁶ For details see IGIDR Working Paper by Susan Thomas, Diya Uday and Bhargavi Zaveri, “Linking welfare distribution to land records: a case-study of the Rythu Bandhu Scheme (RBS) in Telangana,” March 2020, available at https://ifrogs.org/PDF/rbs_report.pdf

⁷ PM Kisan Exclusion Criteria, available at <https://pmkisan.gov.in/#SchemeExclusion>

February 2019, with complicated criteria and mechanism for updating.⁸ The list of such exclusions at the household level are many and consequently difficult for any functionary to identify. This led to disbursement of benefits to ineligible beneficiaries to the tune of Rs.2326.9 crore paid out to 40,48,049 ineligible beneficiaries including income tax payees, by February 2021, an inclusion error of 3%⁹. There is, however, no publicly available data on the exclusion error, i.e. eligible beneficiaries who have been left out of the scheme.

Further, the **process of enrolment needs to be simple and easily accessible**. Enrolment has been easier by allowing beneficiaries to apply themselves. However, some assistance is still required due to the poor digital literacy levels of the bulk of the potential beneficiaries. Currently enrolment based on eligibility parameters can only be done at CSCs; however, it should also be done through BCs who have a wider spread and are already connected to the banking system. This of course calls for upgrading the system of delivery and assistance at the last mile, an issue taken up again in the next section.

After identification and enrolment, there is also **the challenge of database management**. Given the multiplicity of schemes in India and the fact that the administrative processes of identification of beneficiaries have evolved organically, it is natural for multiple databases to exist, especially at the state level where there are many more schemes. And cleaning

⁸ See Section 5 on methodology for calculating benefit in the PM Kisan Operational Guidelines, available at [https://pmkisan.gov.in/Documents/RevisedPM-KISANOperationalGuidelines\(English\).pdf](https://pmkisan.gov.in/Documents/RevisedPM-KISANOperationalGuidelines(English).pdf)

⁹ See Reply of the Minister of Agriculture and Farmers Welfare to the Lok Sabha Unstarred Question No 143 on 2nd February 2021, available at <http://164.100.24.220/loksabhaquestions/annex/175/AU143.pdf>

databases of duplicates and updating are not done systematically and regularly in most states. The solution lies in the form of dynamic databases that are updated frequently to keep track of the changes in beneficiary statuses. This is a formidable task, and there is scarce knowledge on dynamic database management within various arms of the government. The Department of Financial Services should take a first step via a White Paper with Niti Aayog on the technical and administrative processes that would be required.

Another issue that has come to fore during the Covid-19 pandemic, is that **government schemes are typically hard-wired with little flexibility**. It is therefore not easy to respond rapidly to evolving situations, such as migrant workers not being able to receive immediate relief during the lockdown in 2020 as they were not identified under any database. As we go forward, it is important to move towards a more localised system of welfare, where district level authorities are empowered with financial support to implement and even design some components of the schemes albeit under a larger framework that might be specified at the centre. This would also need to ensure that such flexibilities are present for the duration needed, and as and when the need arises. Niti Aayog could lead a discussion on the way forward, to evolve an appropriate flexible framework with adequate accountability built in.

2. Compliance and operational challenges

There are a number of compliance and operational challenges, listed below.

a) Aadhaar-related errors leading to failure in transactions: Even though Aadhaar-seeding has allowed for de-duplication of beneficiaries and ensured payment into the beneficiary bank account, there are still multiple challenges remaining to be addressed ranging from incorrect entries in databases, fingerprint mismatch, inadequate training of data entry operators at field level etc. According to the [MicroSave DBT-F survey](#), fingerprint mismatch and poor connectivity were two main reasons for authentication failure. OTP authentication is one method to bypass the biometric mismatch issue, however linking of mobile phones with Aadhaar numbers has its own set of problems. For instance, a mobile phone may be shared by all members of a household and may not be in the possession of the actual beneficiary. **UIDAI has published around 95 types of errors with the Aadhaar authentication system** and detailed analysis can reveal the extent of each error to enable effective resolution. Effective coordination amongst the multiple layers of stakeholders in the DBT chain and a strong customer grievance redressal mechanism would help identify, prioritise and address the greater of these problems.

b) Bank account related payment failures: Even though there is no official priority laid out, in absolute numbers DBT transactions are increasingly being routed on APB (Aadhaar Payment Bridge) compared to the ACH (Automated Clearing House). The former accounts for more than half the transfers¹⁰. Analysis by the [DBT Mission](#), shows that APB transactions returns/failures are significantly lower than ACH returns. However, a closer look at the breakup of the reasons behind the transaction returns/failures shows

¹⁰ Arun Sharma, Transaction Returns/ Failures in DBT Payments, July 21, 2020, available at <https://www.linkedin.com/pulse/transaction-returns-failures-dbt-payments-arun-sharma/>

that account information related issues form the bulk of the challenge to address (Table 1). This once again brings to fore the need for effective coordination amongst the DBT stakeholders and a strong customer grievance redressal mechanism.

For instance, we find poor intra-bank communication with the branch officers at the last mile, sometimes creates more problems for the beneficiary. Accounts may be closed or blocked by the branch, with no communication to higher layers in the system. In fact, during the lockdown, lack of KYC updating led to bank accounts being blocked summarily and this [necessitated a circular from the RBI against the practice](#) till the year-end. In the next section we address this issue of closing the loop through better coordination, monitoring and grievance redressal.

Table 1: Reasons for Transaction Returns/Failures

S. No	Return Reason in APB Transactions	% of Total APB Returns
1	A/c Blocked or Frozen	19%
2	Aadhaar Number not Mapped to Account Number	17%
3	Account Closed	12%
4	Customer to refer to the branch	6%
5	Network Failure (CBS)	5%
S. No	Return Reason in ACH Transactions	% of Total ACH Returns
1	No Such Account	25%
2	Account Closed	13%
3	A/c Blocked or Frozen	10%
4	Network Failure (CBS)	14%
5	Customer to refer to the branch	1%

Source: [Transaction Returns/ Failures in DBT Payments](#)

c) Absence of standardised mechanism for state government schemes: While most of the DBT payments of Centrally Sponsored Schemes are routed through APB and ACH, both being NPCI systems, many states still use RBI's payment systems (NEFT and RTGS) for DBT payments. Not only does this make banks ineligible for [receiving DBT commissions](#) from the

governments, these transactions are also not reported in the overall DBT count which takes away from the overall impact of DBT transfers. State governments need to converge to a standardized mechanism to achieve efficiency gains. This will also address the problem of inadequate accounting of total welfare payouts in India.

d) Inadequate service quality at the point of contact with beneficiary: The DBT process has many layers of authorities involved, but the point of contact with the beneficiary for the cash withdrawal is the most critical, the business correspondent. The massive welfare payouts started during the lockdown period in March 2020 have reached beneficiaries in rural areas through business correspondents or agents (See [MicroSave Blog, January 28, 2021](#); [Rajeev Lal, ET April 29, 2020](#)). Well trained, viable agent network in rural India is the bedrock for smooth, grievance-free welfare support to beneficiaries. However, surveys reveal that more than a quarter of the agents are incurring losses (See [MicroSave Agent Networks, 2020](#)) and low revenues have a direct bearing on service quality. Moreover, a large proportion of the BC agents undertake other activities for sustenance, which not only leads to poor quality of services but also reduces access, especially in far flung areas¹¹. Almost three quarters of the agents surveyed also asked for better training. An associated issue to improve the service delivery to women beneficiaries lies in increasing the number of women agents in the field. Some moves are being made in this direction through the National Rural Livelihoods Mission programme on Bank Sakhis. However, here too, the challenges of viability and training are critical. Fixing the agent network, the key

¹¹ [MicroSave Agent Networks, 2020](#)

link in the value chain, is extremely important for the success of scaling up DBT.

Three of the four issues identified in this section can be addressed, to a large extent, through an effective consumer grievance redressal mechanism. Among other things, such a mechanism would include better monitoring and coordination amongst the multiple players in the DBT chain and improved quality of service by the agents at the last mile.

In the next section we look at a possible four-pronged framework that can take the DBT programme to a higher level of efficiency and make a greater impact on welfare.

4. The Way Forward

There are four recommendations made in this section which, if implemented, would lead to a more effective and impactful DBT programme.

1. Grievance redressal is the main pillar for ensuring the long-term sustainability of DBT. However, it has received the least attention so far as most stakeholders are focused on proximate priorities. Therefore, a proper customer grievance redressal mechanism requires to be conceptualized and coordinated by the PMO and Niti Aayog and then implemented. There must be a systematic process laid down for the multiple layers of authorities involved in the DBT programme at the last mile. This mechanism could include:

- Public meetings at the gram panchayat level, presided over by relevant officials who are responsible for scheme execution. This will operationalise one of the guidelines issued by the

Department of Administrative Reforms and Public Grievances, whereby *one day of the week* has to be designated for public hearing.

- There must be a real time system set up to ensure that the issues expressed in such meetings are passed on to the higher levels of authorities.
- The design of the mechanism should incorporate a single touchpoint for grievance redressal as the department or authority responsible for addressing the grievance is not clear to the beneficiaries.
- Assistance from community organisations will go a long way in plugging the gaps in delivery. Dvara Research has put out a report¹² detailing SOPs for volunteers, which can be used as a guideline.

2. A strong consumer grievance redressal system must be backed by an **effective monitoring and oversight mechanism from the top.** Every ministry/department should conduct focused meetings, where representatives of all stakeholders are present. The actual situation at the ground level must be reviewed, including transaction failures, item specific complaints received, challenges in accessing accounts, bottlenecks in transactions, etc. Data from ongoing surveys, mystery shopping type studies could be shared here.

3. Better **coordination and interaction between the ministry coming out with the scheme, the nodal bank, and the NPCI system would help address a range of minor issues that arise starting from the architecture and design of schemes to flow of funds to the beneficiaries.**

¹² Available at <https://www.dvara.com/research/wp-content/uploads/2021/04/Delivery-of-Social-Protection-Entitlements-in-India-Unpacking-Exclusion-Grievance-Redress-and-the-Relevance-of-Citizen-Assistance-Mechanisms.pdf>

4. Finally, as the benefit pay-outs go through the banking channel's business correspondent network, **issues of agent viability and service quality at the last mile** are extremely important. There are a number of well documented measures needed to strengthen the agent network (See ICFI White Paper March 2021 for details¹³). For instance, there needs to be greater focus on increasing the number of women agents in the field to improve access to women beneficiaries. In particular, two measures stand out:

a) Ensuring adequate compensation to keep the business viable calls for a comprehensive analytical and comparative costing exercise by the Department of Financial Services. This will allow the determination of the appropriate range of transaction charges on government pay-outs. Since costs and technologies are ever changing, an institutional mechanism that updates the costing exercise regularly is required. For instance, commissions charges for agents should be differentiated specific to the location e.g. higher for rural areas where economic activity is low.

b) Agent certification and training need to be revamped and agents should be fully trained to assist in the enrolment of beneficiaries, and handholding them through the grievance redressal system. For instance, instead of mandating the current IIBF certification which industry reports as being more demanding than necessary, the RBI should include simpler courses already designed by the BFSI Sector Skill Council of India which can be offered through the Pradhan Mantri Kaushal Kendras. This will allow

¹³ Sumita Kale, V. Anantha Nageswaran and Laveesh Bhandari, "Powering Financial Inclusion by Strengthening the Agent Ecosystem", available at https://www.indicus.org/admin/pdf_doc/White-Paper-BC-Network-March-2021.pdf

ramping up of the training and certification to suit the needs of the diverse population. Also, the criteria for certification should not exclude the deserving candidates, though less educated. Specifically, removing the stipulation of 10th standard pass would open the field for women agents in rural areas.

5. Conclusion

The massive upgrading of infrastructure to ensure effective subsidy targeting and transfer process has begun well in India. However, the DBT programme is not a project with a well-defined beginning and end in time and space, it is continuous. Ensuring that the DBT Mission delivers on the purpose for which it is set up will require instituting processes and mechanisms that anticipate and identify glitches and rectifying them in time. This is a plumbing exercise requiring coordination between stakeholders and an effective grievance redressal mechanism.
