## DIRECT BENEFIT TRANSFER SCHEME: A STUDY ON SIGNIFICANT LEAKAGES

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### ABSTRACT

India's welfare state has always committed significant resources to provide subsidies and services to the general public, and to certain identified segments of the population. Over the years, and especially fiscal resources have grown rapidly in the previous two decades, the amount of money spent on welfare programs has reached staggering levels. As per estimates, the Indian state's benefits transfers exceed Rs. 4,00,000 crores annually. But, there have been concerns about the delivery of benefits to the intended beneficiaries. It widely believed, and has been occasionally documented, that there are significant leakages in many of the schemes. The Government of India has announced the Direct Benefits Transfer initiative with the aim of ensuring better and more timely delivery of benefits to the people. This marks a paradigm shift, where the State is explicitly taking responsibility to ensure that welfare schemes and basic entitlements reach the intended beneficiaries much more effectively than at present.

**KEYWORDS:** Banking Facilities, Direct Benefit Transfer, Financial Inclusion.

### INTRODUCTION

The Direct Benefit Transfer Initiative is the real tool against corruption that will ensure that the welfare state doesn't degenerate into a farewell state.

The DBT programme aims that entitlements and benefits to people can be transferred directly to them through biometric-based Aadhaar linked bank accounts, thus reducing several layers of intermediaries and delays in the system. The last- mile of the initiative is the most important - the system will allow actual disbursements to take place at the doorstep of the beneficiaries through a dense, interoperable network of business correspondents (BCs) using biometric micro ATM machines. Thus, the yardstick of success is not going to be that the money has reached a bank account, but that it has reached the hands of the intended beneficiary - a student, a pensioner, a widow, an elderly person, a disabled person, a poor family.

There are several dimensions to this. First, the link to Aadhaar and the use of biometrics ensures that the problems of "duplicates," i.e., the same person getting the benefit more than once, and "ghosts," i.e., a non-existent person getting the benefit, are addressed. Second, it makes it possible for money to reach the intended beneficiaries directly and on time — so, for example, pensions, which reach the beneficiary once every four to six months in many parts of India, can now reach her bank account on the first of every month. Third, a dense BC network on the ground with micro ATMs will

allow payments to happen at peoples' doorsteps, ensuring that the poor get the same level of service that the rich and middle-class in India get. Fourth, as it is a platform based on an open architecture, State governments can use this platform as much as the Central Government. This is important, because this programme is viewed as a cooperative endeavour between the Centre and the States, and the States will have a critical role to play Fifth, the potential benefit to internal migrants who send remittances to their homes is huge. It is estimated that Rs.75,000 crore worth of within-country remittances are made in India every year — many of these are lifelines for their families. Seventy percent of these remittances are today channeled through informal (and illegal) channels which impose high costs on them, The Aadhaar-based micro ATM network can ensure that remittances take place instantly and at much lower cost to migrants.

## Need for DBT

The Government of India utilizes three mediums for delivering goods and services to its citizens - direct cash, subsidies, and services to individuals.

### Figure-1: Methods of providing goods and services



| Direct Cash | Subsidies | Services to individuals |
|---|---|---|
| • *Direct Cash Transfers* involve delivering money directly to the beneficiary or transferring it to his/her bank account. e.g - Pensions.<br>• *Conditional Cash Transfers* involve the transfer of money when certain conditions are fulfilled by the beneficiaries. e.g - Janani Suraksha Yojana. | • Subsidised goods are provided to beneficiaries either directly by government agencies or in collaboration with private agencies and/or NGOs. e.g - Targeted Public Distribution System. | • Citizens are provided services by service providers who are paid by the government. e.g - Sarva Siksha Abhiyan. |

**Source: One World Foundation India, 2013**

All the modes of delivery face the following problems that can be categorised into problems involving identity authentication[4] and problems involved in service delivery:

## Challenges in authenticating identity

1. **Errors of inclusion and exclusion:** This refers to the exclusion of deserving and inclusion of undeserving beneficiaries. The former are frequently excluded on the grounds that they are unable to prove their identity while the latter utilise various strategies of corruption or rent-seeking behaviour to avail undue entitlements.
2. **Bogus identities:** Entitlements are also unduly claimed on the basis of bogus identities. These can be subdivided into:
- **Ghosts:** These exist in the names of deceased or non-existent persons.
- **Duplicates:** Where one person or household, entitled to one card, manages to get more through unfair means.
3. **Operational errors:** There also operational errors such as spelling variations in names and change of address by the beneficiary which makes it difficult to verify whether it is the same person.

Thus, authentic identification is a significant problem that is faced by the government when it comes to the provision of goods and services. However, identifying the right beneficiaries is only the first step.

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## Challenges in the supply chain

1. For direct cash transfer schemes such as pensions and fellowships, payments are manually processed and result in significant delays and errors.
2. Last mile deliverance to the beneficiary is done through different methods such as cash or through demand drafts. These can often result in high processing costs.
3. Leakages are a major issue for cash and subsidized goods. The former is easy to appropriate and the latter provides an incentive for diversion to the market. Even in the case of service provision, absenteeism is rampant.
4. Verification mechanisms to confirm delivery of entitlements to beneficiaries are also frequently tampered with.

## Challenges in monitoring

For targeted schemes, it is necessary that the entitlements go to the intended beneficiary, and this requires a verification mechanism. There also exists a class of programs that require the verification of the beneficiary from time to time. Pensions are an example of a program which ceases to function upon the beneficiary's death, making it necessary to periodically verify whether the beneficiary is alive or not. Another example is the **Janani Suraksha Yojana** which uses conditional cash transfers contingent upon institutional delivery and service based programs such as the **Sarva Shiksha Abhiyan.** In the case of the former, it is necessary to verify that the beneficiaries are at the health site and in the latter the attendance and verification of the recipients of service forms the basis for payments to the vendor providing the service. Currently, in a majority of schemes such verification mechanisms either do not exist or are done manually and, thus, replete with errors.

Hence, there is need for DBT due to

- Accounting for each resident individual & household
- Identification of the right beneficiaries
- Timely planning and execution of schemes & programs
- Eliminating inefficient processes in benefit transfer
- Reaching out to the beneficiary household (J — A — M)
- Bringing accountability and transparency to governance.

## DBT: The Game Changer

DBT: The Game Changer

**D   Directly into the hands of the beneficiary**
**B   Benefit include Cash, In-Kind & Other Transfers**
**T   Transfers made electronically / upon authentication**

DBT is a major reform in Government's benefit design and delivery mechanism. In addition, it has

- Envisages transfer of cash / benefits directly to beneficiaries
- Universalized to include all welfare and subsidy programs of GoI
- Helps in developing a targeted & effective Social Security Net
- Will redefine the Government-to-People interface

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## Expanded Scope of DBT

| Cash Transfer to Individual Beneficiary<br>*E.g: PAHAL* | In-kind Transfer to Individual Beneficiary<br>*E.g: PDS* | Other Transfer/ Processes<br>*E.g: ASHA* |
|---|---|---|
| • Subsidy Schemes<br>• Welfare schemes with Cash Components<br>• Stipends & Scholarships<br>• Cash Awards for excellence<br>• Pensions & Cash Benefits | • In-kind goods / products<br>• Training & Skills Development<br>**More examples**<br>• Mid-day Meal<br>• Swachh Bharat<br>• Digital Saksharta Abhiyan | • Payments to service enablers<br>• Payments to third parties for providing services<br>**Examples**<br>• Aanganwadi workers<br>• NGOs |

## DBT Framework
## Objective:

Subsidies/Funds to be transferred directly into the account of the beneficiaries and benefits directly into the hands of the beneficiaries

- Re-engineer the existing cumbersome delivery processes using ICT
- Electronic transfer of benefits, minimising levels involved in benefit flow
- Reduced delay in payments
- Accurate targeting of the beneficiary
- Curbing pilferage and duplications
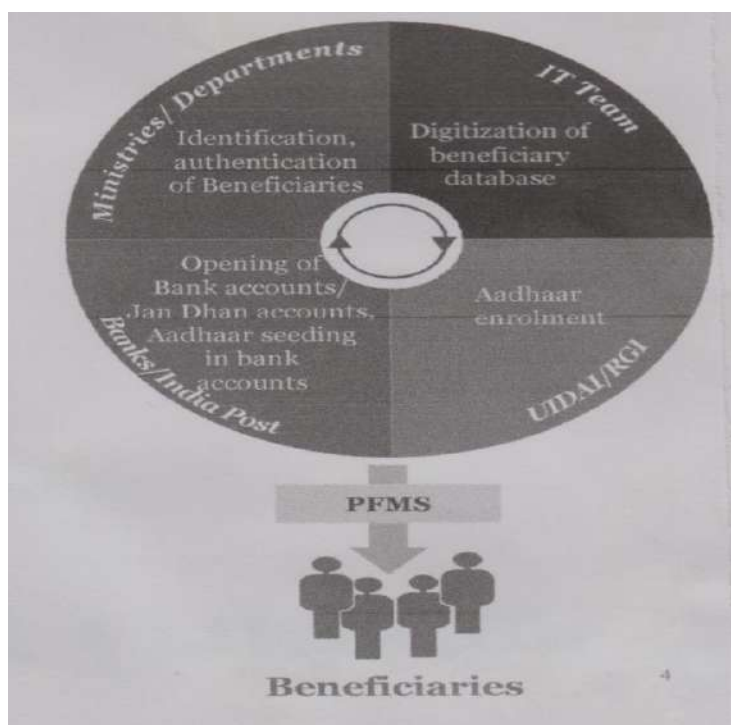
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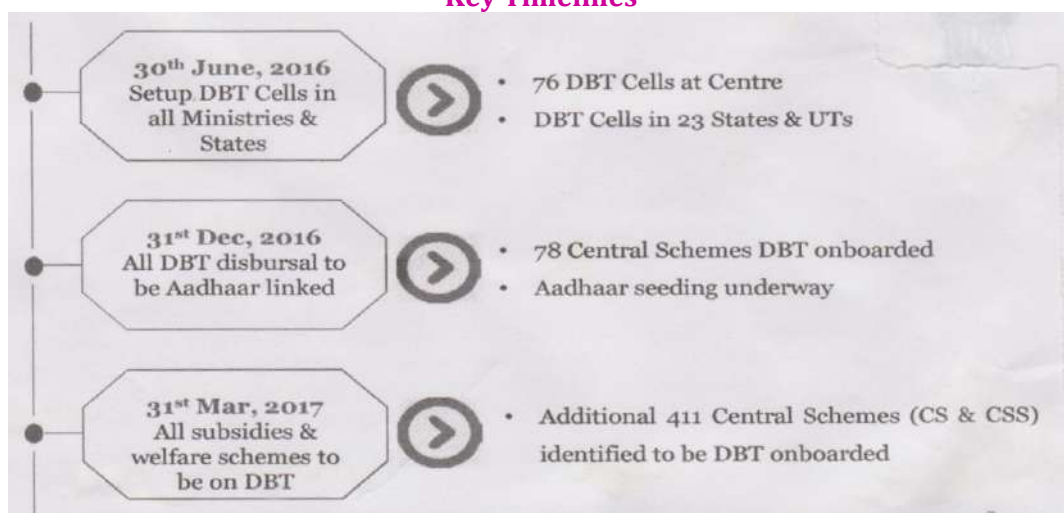


## DBT Enablers



### Aadhaar as unique identifier
- Enables targeted beneficiary identification
- Helps in weeding out bogus beneficiaries through De-duplication
- Allows for transfers viz, demographic / bio-metric authentication
- To act as financial address and facilitate seamless financial transaction



### Banking Facilities
- Enables Cash-In & Cash-Out facilities for beneficiaries
- Emerging solutions — Banking Correspondents, Payment Banks, eWallets, RuPay card, Mobile Banking
- IT enablement (e.g. Micro ATM & ePOS) help in 'banking the unbanked'

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### Network Infrastructure

- Good Quality & Reliable network connectivity **sin quo non** for DBT transactions in rural and remote areas
- If systems enabling effective monitoring & information dissemination to beneficiaries

Direct Benefit Transfer or DBT is an attempt to change the mechanism of transferring subsidies launched by Government of India on 1 January 2013. This program aims to transfer subsidies directly to the people through their bank accounts. The primary aim of this Direct Benefit Transfer program is to bring transparency and terminate pilferage from distribution of funds sponsored by Central Government of India. In DBT, benefit or subsidy will be directly transferred to citizens living below poverty line. Central Plan Scheme Monitoring System (CPSMS), being implemented by the Office of Controller General of Accounts, will act as the common platform for routing DBT. CPSMS can be used for the preparation of beneficiary list, digitally signing the same and processing of payments in the bank accounts of the beneficiary using the Aadhaar Payment Btidge.

### Implementation of the DBT Initiatives

Direct Benefit Transfer (DBT) is a Government of India Scheme to improve subsidy administration. The scheme was rolled out in a phased manner starting with 43 Districts w.e.f. 1st January, 2013 for 26 Central Government Schemes of various ministries/Department. Subsequently, DBTL (DBT LPG) was also launched in July, 2013 but was put on hold due to certain operational issues. Modified DBTL (Pahal) has been launched w.e.f from 15.11.2015 in selected districts and w.e.f 01.01.2015 on pan India basis. Direct Benefits primarily comprises three types as under:

i. Direct Benefit Transfer (Central / State Government schemes)
ii. DBT on LPG (Pahal)
iii. DBT under MGNREGA (MGNREGA covered under DBT after launch of PMJDY)

### 1. Role of Banks in DBT/DBTL: Banks have following important role to play:

i. Opening of A/c & issuance of Debit Card to all the beneficiaries.
ii. Seeding of Bank accounts with Aadhaar numbers and uploading on NPCI mapper
iii. Undertaking fund transfer using the National Automated Clearing House -Aadhaar Payment Bridge System (NACH-APBS)
iv. Strengthening of banking infrastructure to enable the beneficiaries to withdraw money credited in account from branch/ATM/BC Agents

### 2. Bank's Preparedness for DBT/DBTL & Status:

i. Aadhaar Seeding is being done in ongoing basis. Request for seeding are received through branches or alternate delivery channel viz. Internet banking, SMS & ATM.
ii. RuPay / Debit card are being issued an ongoing basis.
iii. Bank has put in place required infrastructure to process DBT/DBTL files both Aadhaar based & Account based
iv. We are processing tiles both in the capacity of sponsor as well as destination bank.

### 3. Seeding of Bank Accounts with Adhaar /UID No.:

The next importance step for the effective rollout of the Direct Benefit Transfers is the Adhaar Enabled Bank Accounts (AEBA) of the beneficiaries i.e. Bank account seeded/linked with Aadhaar number.
(*Banks seed the Aadhaar number into the Bank account as and when a customer approaches them. Banks are being advised to accept the list containing Aadhaar Nos. as conveyed by the implementing agencies and not insist on production of Aadhaar Card by the beneficiaries*).

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a)  The beneficiaries who do not already have a Bank Account may be advised to open an Aadhaar Enabled Bank Accounts (AEBA) for which they shall be required to submit their UID No. to the bank while opening the bank account. Then the information of such AEBA be collected for the purpose of digitization of beneficiaries' record.

b)  Those beneficiaries who already have a Bank account and Aadhaar Number may be advised to provide the Aadhaar number (UID) to the Bank concerned so that their accounts may be seeded/linked with their Aadhaar numbers. Presently, this exercise is to be carried out by disbursing centres by submitting the '**Digitized Beneficiaries List**' (containing bank account nos. and UID nos. of beneficiaries) to the LDM for carrying out seeding and mapping.

## 4. Mapping of beneficiaries Account Nos. & UID Nos. with NPCI through LDM:

Through LDM, the beneficiary's concerned bank shall carry out the seeding of Aadhaar numbers with account numbers of the respective beneficiaries on the bank's core banking system (CBS). On successful completion of seeding, the said bank would upload the said Aadhaar numbers onto the Aadhaar mapper of NPCI. Only after the successful mapping of UID numbers by NPCI, next step for releasing the funds can be initiated.

## 5. APB registration of the Sponsor Bank for disbursement:

Aadhaar Payment Bridge system (APBS) has been developed by National Payment Corporation of India (NPCI) for the purpose of DBT. Disbursing Centres will submit the duly signed prescribed performa for APB registration to their Sponsor Bank through which funds are to be disbursed. Sponsor Bank will send the same to NPCI for APS registration and allotment of User name and User No. to the concerned Disbursing Centre.

## 6. Issuance of E-payment Advice/Sanction to the sponsor Bank:

Once the beneficiaries' Aadhaar numbers are mapped with NPCI through the LDM, the Disbursing Centres of the Department will issue E-payment Advice/Sanction to their Sponsor Bank along with UID No. and amount to be transferred to each beneficiary. **In the E-payment Advice each beneficiary must be given a unique reference number.** Sponsor Bank will then upload these B-payment Advices (Excel files) to NPCI for transferring the funds to the beneficiaries Bank Accounts.

For effective implementation of the DBT scheme, online resources have been developed. Other support sub systems and state DBT cell have also been developed.

## Online Resources include
*   Descriptive Document on DBT
*   Standard Operating Procedure for all categories of Central Schemes under DBT
*   Guidelines for State DBT cells
    (available on DBT Mission's website https://dbtbharat.gov.in under documents)
*   DBT Flyer (available in English and Hindi versions)

## DBT Portal Features
*   Single portal for the Government at all levels to monitor DBT under schemes & programs
*   Unified portal for beneficiaries to view all benefits & going forward entitlements and eligibilities
*   Core linkage with SERVAM database for MIS & Analytics
*   Near real time reporting on disbursement of benefits
*   Ability to drill-down
➢  Geographically
➢  Demographically
➢  Scheme wise
*   Amount saved by Ministries by cutting several layers in benefits transfer

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## Other Support Sub- Systems

- Content Management System
- Integrated User Management
- Web-Services & APIs for data exchange
- Multi-lingual Portal - English and Hindi
- Cloud Based Hosting

## State DBT Cell

1. State DBT Cell creation
2. Identification all the schemes at the state level
3. Examine suitability of bringing schemes under DBT
4. Study DBT eligible schemes and their fund flow
5. Classify eligible schemes into Cash, Kind & Other Transfer

### Beneficiary User Experience



### Government User Experience

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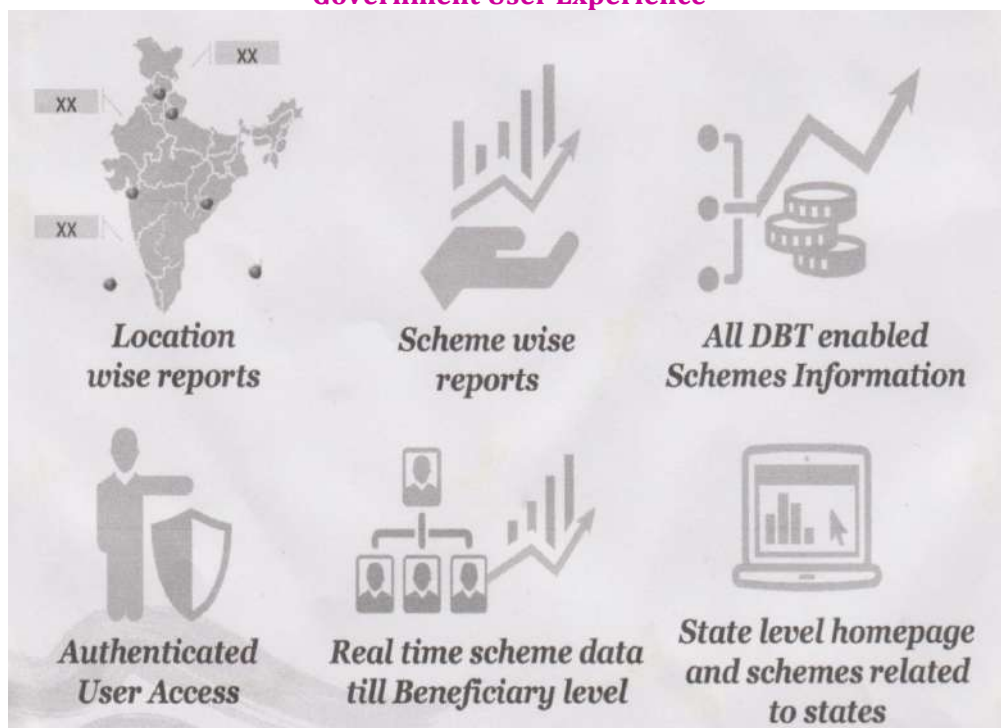
## Servam: Creation & Updation

1. Collation of nation-wide data on resident population
2. Aadhaar seeded & verified records
3. Regular data updation through field functionaries
4. Custodians of data fields identified & intimated of change
5. Ministers/Depts. to identify beneficiary list from SERVAM
6. Scheme owner to identify target beneficiaries

### Integration Mechanisms
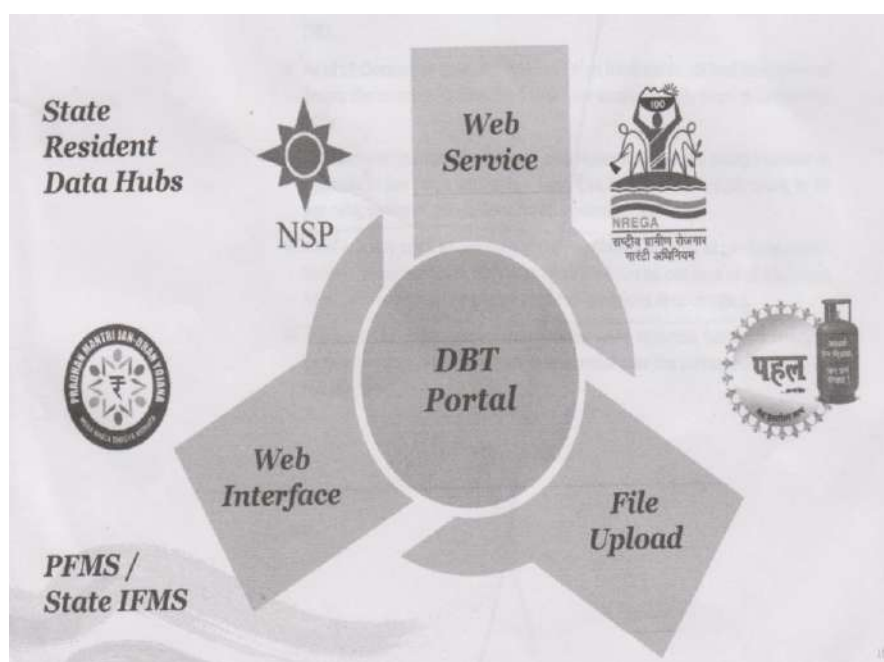


### States' Page on DBT Portal



- DBT Bharat Portal has provision to develop pages for States

- State DBT portal can be linked to State page on DBT Bharat Portal

- State dashboard can be presented on the DBT Bharat Portal

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## CONCLUSION

The following steps are required for implementation of DBT in any sector:

1. Identification of key bank of the state
2. Arrangement with key banks enables seamless electronic payment mechanism.
3. Co-ordination with the identified bank for interfacing NREGA soft with the core banking solution of banks.
4. Freezing, verification and updating of bank account information of workers, vendors and staff.
5. Identification of payment level and the signatories. The signatories are authorized to approve payment at each level.
6. Issuance of digital signatures to all approving authorities.
7. Positing technical manpower at state and district levels for handling and supporting the activities on a daily basis.

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