प्रशासनिक सुधार और लोक शिकायत विभाग
**DEPARTMENT OF
ADMINISTRATIVE REFORMS
& PUBLIC GRIEVANCES**

आज़ादी का
अमृत महोत्सव

e-Governance
Bringing Citizens, Industry and Government Closer

Compendium
of e-Governance Initiatives

Contents

Chapter 3
Direct Benefit Transfers – Paradigm and Evolution

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<u>Abstract</u>: The concept of 'state' has evolved in the political economy discourse over time into the concept of a welfare state. Good governance is an essential unifying cord that runs through all the multiple facets of a welfare state. The system of delivering welfare benefits directly to intended beneficiaries is an essential ingredient of modern-day good governance in India. This article traces the theoretical and contextual underpinnings of direct benefit transfers in India as well as the physical progress of its implementation over time. Various enabling aspects and procedural reforms to facilitate the smooth implementation of DBT in India have been discussed, along with a focus on contemporary thrust areas from policy perspective. The article finally discusses the pathway to future reforms with detailed justification for each of the proposed initiatives, while giving a drawdown on the progress already achieved thereby.

The concept of 'state' has evolved in the political economy discourse over time. From its early conception as a divine creation with rulers being endowed with the divine right to rule to 'a necessary evil', it has metamorphosed into the concept of a welfare state at least since the Second World War. Broadly conceptualised, welfare state is a state that is committed to providing basic economic security for its citizens by protecting them from market risks associated with old age, unemployment, accidents, and sickness. It is to be appreciated that good governance is a unifying cord stringing together the multiple facets of a welfare state and functions as its backbone. The system of delivering welfare benefits directly to intended beneficiaries – the paradigm of direct benefit transfers (DBT) – is an essential cornerstone of modern-day good governance in India.

The Economic Survey 2015-16 reiterated the conventional wisdom that economic growth has historically been good for the poor, both directly because it raises incomes, and indirectly, because it gives the state resources to provide public services and social safety nets that the poor need (more than anyone else). At the same time, it reiterated that growth needs to be complemented with active government support to improve the economic lives of the poor and vulnerable. In the subsequent economic analysis carried out, it was shown that in several price subsidies that governments in India offer, rich households benefit more from the subsidies than do poor households (say, in the case of electricity, water or fuel subsidies), distortions are created in the market which ultimately hurt the poor the most (say, in the case of minimum support prices or railway passenger subsidies) and on account of their leakages not only are direct wastages created but

opportunity costs of how the government could have otherwise deployed those resources also pile up. It held that the benefit that price subsidies seek to create for the poor can be directly transferred to the poor through lump-sum income transfers, avoiding the distortions that subsidies induce. Against this backcloth, the goal of converting subsidies into DBT mediated through the Jan Dhan, Aadhaar and Mobile Number (JAM) trinity was set into motion.

DBT was launched in 2013 to re-engineer the then existing delivery processes using modern Information and Communication Technology (ICT) to transfer benefits directly into the preferably Aadhaar seeded bank / postal accounts of accurately targeted beneficiaries. In the span of the past decade, DBT has expanded from a mere 24 schemes being piloted in DBT mode in 43 districts in 2013 to over 300 Central schemes and greater than 2000 State schemes by September 2022. The progress of DBT can be seen in the illustrative graph in Figure 1.
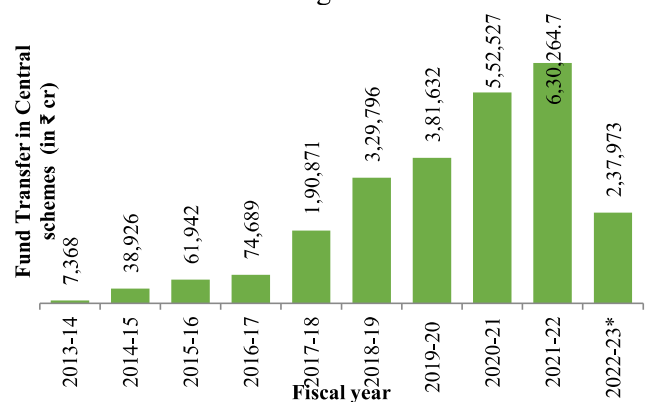
Figure 1

Source: DBT Bharat Portal (https://dbtbharat.gov.in/). Data for 2022-23 is as on August 2022.

Keeping in view the inter-ministerial nature of activities surrounding implementation of DBT across whole of government, a 'DBT Mission' was initially housed in the Planning Commission as the nodal agency for overseeing DBT in government schemes. It was thereafter transferred to the Department of Expenditure in July 2013. To impart further fillip to the DBT process, DBT Mission and matters connected therewith have been harboured in Cabinet Secretariat w.e.f. September 2015.

In the years of its operation, the DBT paradigm has enabled
o   Accurate identification & targeting of beneficiaries
o   Greater inclusion and ease of availing services through online application
o   Transparency in fund transfers to beneficiaries
o   Curbing of leakages in the benefit delivery processes through elimination of middlemen/agents
o   Creation of greater accountability on behalf of the Government
o   Facilitating of reforms in Government processes through re-engineering
o   Increase in efficiency in scheme delivery processes
o   Effectiveness of schemes through timely implementation

So far, cumulative transfers of over ₹25.06 lakh crore in respect of Central schemes have been made through the DBT route. In this process, collective savings of over ₹2.23 lakh crore have been made as on 31 March 2021 for Central schemes alone due to the removal of 9.42 crore duplicate, fake/non-existent beneficiaries across databases.

With the outbreak of the COVID-19 pandemic and the imposition of lockdown and social distancing norms, DBT emerged as a boon in providing succour and relief to millions of citizens whose livelihood was impacted. India's DBT ecosystem faced the trial during such calamitous times and DBT played a major role in sustaining life especially of the under-privileged segments of the society impacted by the COVID-19 crisis, helping millions in providing immediate relief in tiding over the turbulent period. Cash transfers under central schemes like PM-KISAN, Mahatma Gandhi National Employment Guarantee Scheme (MGNREGS), National Social Assistance Program (NSAP), Pradhan Mantri Matru Vandana Yojana (PMMVY), National Rural Livelihood Mission (NRLM), National Health Mission (NHM), scholarship schemes of various ministries through the National Scholarship Portal (NSP) and schemes of states such as Uttar Pradesh, Bihar, Madhya Pradesh, Tripura, Maharashtra, Andhra Pradesh, among others, were a big relief for all the adversely affected masses of India during the COVID period.

The DBT programme has been a key contributor towards Digital India programme driving "Faceless, Paperless, Cashless" economy. A total of 717.2 crore DBT transactions were performed during FY 2021-22. These include 337.1 crore transactions where benefits were transferred electronically into bank accounts of the beneficiaries and 380.1 crore transactions to conduct Aadhaar authentication of beneficiaries through biometric / demographic / OTP based authentication through UIDAI's Central Identities Data Repository (CIDR) for in-kind DBT schemes (e.g. PDS, COVID vaccination, etc.)

To make DBT schemes more accessible and transparent, there is a need to digitize various processes through online and mobile platforms. Major DBT schemes are being end-to-end digitized (EED) with provision for online and mobile-based facilities (158 and 133 Central government DBT schemes are EED and on mobile platform respectively; similarly, over 1000 state / UT DBT schemes are EED). In this regard, mention of the umbrella mobile app of the Government of India, namely Unified Mobile App for New Age Governance (UMANG) is merited. UMANG is developed by Ministry of Electronics and Information Technology (MeitY) and National e-Governance Division (NeGD) to drive Mobile Governance in India. It provides a single platform for all Indian Citizens to access pan India e-Governance services ranging from Central to Local Government bodies. More than 22,000 services (738 from Central, 790 from State departments, 20,558 Bill payment services), are already available on UMANG for citizens. For citizens who do not have access to smart phones, these services are also available through assisted mode through Common Service Centres (CSCs) across India. The citizen experience in accessing DBT schemes through the UMANG app is markedly rich, since UMANG offers a well catalogued bouquet of services in multiple Indian languages to cater to the widest possible audience.

Use of Aadhaar in benefit delivery: Aadhaar is used for following activities in DBT:

a) Enrolment of Beneficiaries: Individuals enroll under various DBT schemes through application submitted through online, offline or assisted mode. The applicant

is authenticated (i.e., credentials submitted by her are matched with the credentials stored in CIDR) and de-duplicated (i.e. the pool of applicants is screened to check that under a given scheme an individual is a single beneficiary and is not enrolled multiple times) using Aadhaar. Beneficiaries without an Aadhaar are facilitated for Aadhaar enrolment and are also allowed to enroll for the scheme using alternate and viable means of identification in addition to submission of proof of having applied for Aadhaar. During FY 2021-22, overall, 73.7% of the DBT beneficiaries were authenticated across DBT schemes. Several schemes across Departments of Social Justice and Empowerment, Space, Youth Affairs, AYUSH, Culture, etc have already achieved 100% authentication. Over a dozen Departments / Ministries of the Central government and several state / UT governments have achieved Aadhaar authentication for more than 95% of their DBT beneficiaries. Thrust is being laid upon Departments / Ministries / States / UTs to enhance the Aadhaar authentication levels in their respective schemes.

b)Payments of benefits: Disbursal is made in the bank accounts of the beneficiaries preferably in their Aadhaar-linked bank account, in several cases using Aadhaar as a financial address (i.e. through the Aadhaar Payments Bridge (APB), vide which an individual beneficiary's bank account is mapped and authenticated against their Aadhaar number in a list maintained by the National Payments Corporation of India such that payments initiated against a given Aadhaar number are transferred to the bank account seamlessly). This has several advantages over a simple bank account-based transfer. It ensures that Government benefits or subsidies are paid directly in the Aadhaar-authenticated bank account of the beneficiary. The failure rate of Aadhaar based payments is significantly lower than account-based failures. The beneficiary has the advantage of simultaneously updating her financial address for multiple schemes, without the need for any physical visit to banks/government offices. Aadhaar as a financial address also ensures that the account details of a beneficiary are insulated from dynamic changes in the banking ecosystem such as merger of branches / banks, changes in IFSC, etc. In FY 2021-22, about half of the DBT transactions were made through the APB route. Some schemes of the Government of India are already targeting making all their beneficiary-oriented transfers through APB. Regularly interactions are being organized with all stakeholders to popularize the use of APB in the universal set of DBT transfers.

c)Accessing funds through micro-ATMs: Funds can be withdrawn through Aadhaar-enabled Payments System (AePS) micro-ATMs. As on 31 August 2022, over 1.8 cr AePS enabled micro-ATMs across 40 banks have been installed. These micro-ATMs also offer the functionality of initiating fund transfers, checking the bank balance, obtaining a mini statement, etc. And all of this by means of an individual presenting her biometric credentials which are matched against her credentials present in the CIDR.

Envisioning further use of Aadhaar: Aadhaar can also be used for "real-time verification of eligibility of beneficiaries" [**DBT 2.0**] or for "suo-moto determination of eligibility" [**DBT 3.0**] as detailed below:

DBT-2.0
a)Real-time verification of eligibility using Aadhaar-seeded databases: Any applicant for a DBT scheme will have to be verified for their eligibility to be a recipient of the scheme benefits. The databases used for verifying eligibility are often stand-alone and not Aadhaar seeded. This creates the need for outlay of administrative costs for certifying the eligibility of a beneficiary by ascertaining the genuineness of the documents submitted by her. For an efficient and effective verification mechanism, different databases need to talk through a common identifier on real-time basis. Aadhaar number was intended to be this identifier, as is evident from Preamble of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, which does not stop with identification and authentication of individuals by assigning unique identity but also intends to cover within its ambit 'connected and incidental matters' related to targeted delivery of benefits and subsidies.

Accordingly, an enabling legal provision, wherein consent of the applicant for the limited purpose of establishing and verifying eligibility, could be established for Aadhaar-seeding and Aadhaar-based access to these databases. In the absence of Aadhaar-seeded digitized environment, these eligibility-determining documents are verified physically and the eligibility is decided accordingly. However, if the proposed ecosystem is created, real-time verification and eligibility could be established, saving time and effort for both beneficiary and Government.

In a first step in the right direction, UIDAI has recently clarified that for the purpose of issuance of various certificates by government departments or their agencies

that are ultimately used in determining eligibility of beneficiaries for disbursal of social welfare benefits, the issuance of such certificates can be considered under the purview of Section 7 of the Aadhaar Act. This enables the Aadhaar linking of residents in such certificates, paving the way for the purported electronic, Aadhaar-linked eligibility determination ecosystem.

b)*Reducing Aadhaar authentication failure: Authentication failures occur due to poor network connectivity, biometric mismatch, demographic mismatch, invalid OTP value, incorrect Aadhaar number, etc.*: There is a need to ensure that failures in Aadhaar authentication are appropriately addressed through promoting use of IRIS devices (which offer higher authentication success rate and contactless authentication), face authentication (also a contactless authentication modality which also offers the additional functionality to check the live-ness of the person undergoing authentication), dual-finger authentication, best-finger detection, OTP-authentication and improving connectivity. In cases of failure due to lack of connectivity, offline authentication system such as QR code based options may also be explored.

c) *Digilocker / API Setu as single source of truth:* The Digilocker-API Setu ecosystem needs to evolve as a single source of truth for verification of eligibility in DBT schemes through mandatory use of Aadhaar. This ecosystem facilitates the use of eligibility verification documents in an electronic format and seamless sharing of the same across multiple agencies or offices; mandating the use of Aadhaar as a common identifier in all these documents will enable the ease of authentication of an individual scheme applicant / beneficiary. This would spare agencies implementing DBT schemes the onerous task of connecting with numerous verification databases e.g., National Scholarship Portal would not have to connect with 36 State Boards/ State Income Certificate issuing authorities, etc. For successful achievement of this vision, the Digilocker-API Setu ecosystem will have to progressively on-board all verification databases along with the legacy data.

d) *Best practices to enhance the usage of Aadhaar in social welfare schemes*: It is incontrovertible that usage of Aadhaar enables ease of accessing benefits for citizens and unlocks many economies for government(s) implementing such benefit schemes. To this end, it is essential that usage of Aadhaar is expanded across all

such schemes. Some best practices in broad-basing the usage of Aadhaar across schemes need to be widely adopted by governments: (i) front-loading the listing of Aadhaar as the primary identity and address proof in the documentation list; (ii) auto-populating various fields in scheme application based on data fields captured in the CIDR; (iii) rigorous scrutiny of applications that are submitted without Aadhaar; (iv) in case of schemes aimed at minors, capturing the Aadhaar of minors with the consent of parents or capturing the Aadhaar of mother / father / legal guardian of the minor, after incorporating the necessary provision in the scheme guidelines.

DBT 3.0: *Creation of Social Registry for Suo moto determination of Eligibility*: In DBT 3.0, instead of an application-based approach to DBT schemes, we can evolve to a social registry mechanism wherein suo-moto determination of eligibility using Aadhaar as identifier is used to proactively disburse benefits.

A Social Registry Information System (SRIS) can serve as a unified / centralized beneficiary repository using various databases. The Social registry could be populated by fetching data across scheme databases, by using Aadhaar as the common identifier.

Meanwhile, various State Governments have also developed/ are developing comprehensive social registry like platforms [Eg. Rajasthan, Haryana, Telangana, Madhya Pradesh, Karnataka, Odisha, Kerala, Assam]. Single-view of households and / or beneficiaries through unified beneficiary database has improved targeting and inclusion of beneficiaries. Most of these systems use Aadhaar as the primary identifier, and generate another ID to mask the Aadhaar to be compliant with the legal provisions which prohibit profiling. The Supreme Court has upheld the use of Aadhaar for disbursal of Government benefits. The legal basis for sharing of data for Schemes/Services notified under Section 7 / 4(7)/ 4(4)(b)(ii) has been facilitated by UIDAI recently with provisions for sharing of Aadhaar related data between Ministries / Departments of the Central / a State / UT government and between the Central government and a State / UT government with informed consent of beneficiaries, thus facilitating the creation of social registry.

Promotion of cash-out after successful crediting of DBT payments: In addition to the Aadhaar enabled, micro-ATM based cash-out functionalities being made

available, government is also working on furthering financial touch point provisioning through at least one brick and mortar outlet within 5 km of every village. Further, GIS coordinates of financial touchpoints (Branches / IPPB / BCs / ATMs) have been mapped on 'Jan Dhan Darshak' mobile App. The web-version of this app is available on http://findmybank.gov.in. Out of 5.53 lakh inhabitated village mapped on Jan Dhan Darshak app, only 196 villages (as on June 2022) remain to be covered by banking outlet (Branch / IPPB / BC) [Of these, 39 villages already have a CSC cash-out point.]; down from 11,278 in Oct 2019. RBI in March 2022 has issued detailed framework for geo-tagging of payment touchpoints. This will help chalking out strategic intervention in order to ensure focused deployment of infrastructure.

Furthering the DBT momentum: On account of the multiple tangible and intangible benefits obtained and likely to be realized due to implementation of DBT based beneficiary welfare schemes, it ought to be a national imperative to bring more and more schemes under the DBT umbrella. To this end, DBT mission has written to all Departments / Ministries of Central government and governments of States / UTs to comprehensively review their beneficiary-oriented welfare schemes and assess them from the perspective of DBT applicability. In this regard, Departments / Ministries have been sensitized in series of meetings and States / UTs have been sensitized in regional workshops of the UIDAI. This issue is also highlighted during the Zonal Council Meetings of the Inter State Council. Reasonable progress has been obtained in terms of discovery of DBT applicability of existing schemes and the progress is likely to be much more satisfactory in times to come.

Mandating the use of Aadhaar in schemes notified under Section 7 of the Aadhaar Act: As per Section 7 of the Aadhaar Act, a person desirous of receiving DBT, but has not been assigned Aadhaar number is required to make an application for Aadhaar enrolment along with alternate and viable means of identification (like Ration card, PAN, Driving Licence etc.), and is thereafter provided subsidy / benefit. However, there was lack of clarity if the benefit is also to be given to those who refuse to make an application for Aadhaar enrolment. Accordingly, UIDAI has clarified recently that either Aadhaar number _or_ proof of having made an application for Aadhaar enrolment can be mandatorily sought from an applicant for a DBT scheme notified under Section 7 of the Aadhaar Act. The key message of this clarification is that Departments/Ministries are empowered to insist on Aadhaar number from beneficiaries of schemes notified under Section 7 of Aadhaar Act. Further, in terms of the proviso to Section 7 of the Aadhaar Act, in case no Aadhaar number has been assigned, the beneficiary shall make an application for enrolment and till such time Aadhaar number is assigned, he/she may avail the benefits, services and subsidies through alternate and viable means of identification along with proof of having applied for Aadhaar. Increasing the capture and authentication of Aadhaar of beneficiaries of DBT schemes will enhance the benefits that DBT implementation brings. The goal needs to be to capture Aadhaar and authenticate the same for all applicants and beneficiaries.

Conclusion: Aadhaar-based DBT as a pathbreaking step and a good governance reform initiative has traversed a long way in India. The three legs of the JAM trinity – Identification of beneficiaries by government, Transfer of fund to beneficiaries by government, Access of fund by beneficiaries – have been firmly grounded in the bedrock of Indian economy and get more firmly implanted each passing day. The time is now opportune to catapult the policy space to the next level of DBT, which is the era of social registries or entitlements-based benefit delivery systems. Several state governments have started making strides in the desired direction which may converge to a national social registry. Cooperation from all quarters of government will only hasten our collective progress in this important whole-of-government policy imperative.