



Aadhaar Enabled Direct Benefit Transfer in East Godavari

Amir Syed Hamza and Nitish Narain

February 2013

CONFIDENTIAL AND PROPRIETARY

Any use of this material without specific permission of *MicroSave* is strictly prohibited

MicroSave

Market-led solutions for financial services

Table of Contents

1. [Acronyms & Definitions](#)
2. [Executive Summary](#)
3. [AEDBT in Brief](#)
 1. [Background](#)
 2. [Key Players](#)
 3. [AEDBT Landscape in East Godavari](#)
4. [AEDBT – As it Stands Today](#)
 1. [Status of DBT in East Godavari](#)
 2. [Challenges in DBT in East Godavari](#)
5. [Case Studies](#)
 1. [Janani Surkasha Yojna \(JSY\)](#)
 2. [EPASS](#)



Acronyms & Definitions

Acronyms

AEDBT	<i>Aadhaar</i> Enabled Direct Benefit Transfer	MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
AEPS	<i>Aadhaar</i> Enabled Payment System	NIC	National Informatics Centre
APB	<i>Aadhaar</i> Payment Bridge	NRHM	National Rural Health Mission
BC	Business Correspondent	PEC	Permanent Enrolment Centre
CBS	Core Banking Solution	PHC	Primary Health Centre
DBT	Direct Benefit Transfer	POS	Point of Sale
EPASS	Electronic Payment and Application System of Scholarships	UID	Unique Identity
JSY	<i>Janani Suraksha Yojna</i>	UIDAI	Unique Identification Authority of India

Definitions

- 1. Seeding:** It is the process of one-to-one mapping of the beneficiary *Aadhaar* number with his/her record in the scheme database and approval of the same by an appropriate authority.
- 2. Inorganic Seeding:** It is the process wherein seeding is done in bulk without the need to interact with each beneficiary individually. The process usually employs information technology applications and heuristic algorithms
- 3. Organic Seeding:** It is the process wherein seeding is carried out one-by-one interacting with the individual beneficiaries

Executive Summary

About the AEDBT Project

- The AEDBT project was flagged off in January, 2013 with payments of pension and MGNREGS wages in two villages of East Godavari district
- At present, payments are being made to the beneficiaries through four micro-ATMs installed in the two villages

Aim of the case study

- This case study aims to highlight the challenges faced and lessons learned from this project

Benefits

- The AEDBT aims to increase transparency in the payment of entitlements to beneficiaries. However the pilot is in early stages and facing several challenges before the benefits can be realised.

Challenges

- There is considerable delay in opening of accounts of beneficiaries due to which many intended beneficiaries are still paid through the old system of smart cards.
- The processes to disburse payments are still not streamlined due to which many beneficiaries suffer.
- There is a shortage of micro-ATMs and a delay in their supply, due to which the programme has not been scaled and even the current demand for cash-out is not being serviced well.

AEDBT in brief

Background

- A pilot for *Aadhaar* enabled Direct Benefit Transfers covering social security pensions and MGNREGS wages has been started in East Godavari. The pension schemes included are – (a) old-age pensions and (b) pensions for weavers, widows and the disabled.
- The pilot was flagged off by Shri Jairam Ramesh, Minister for Rural Development, Government of India on January 6th, 2013
- The pilot currently covers two villages - Island(I). *Polavaram* and *Penumarthi* of East *Godavari* district with ICICI as the banking partner and FINO as the Business Correspondent (BC).
- Initially 4 micro-ATMs have been installed in the two villages for payment disbursement.
- The *mandal* headquarters of the respective villages serve as the nodal points for identifying, enrolling, seeding and aiding in opening the bank accounts of the beneficiaries.
- The *mandal* officials are also responsible for overseeing the implementation of the programme in the two villages.

Key Players



Various departments of the government maintain a digitised database of all the beneficiaries. These are shared with the respective banks (through NIC) so that they can seed *Aadhaar* numbers to the bank account numbers. Information of all those beneficiaries whose accounts are to be opened afresh are also shared with the banks.



NIC receives excel files containing beneficiary details from the respective departments. This data, which is often in non-standard formats is cleaned and compiled by NIC for sharing with the banks. If NIC observes any discrepancy in the data, it raises queries to the respective department. On resolution of queries, NIC forwards the data to the respective banks.

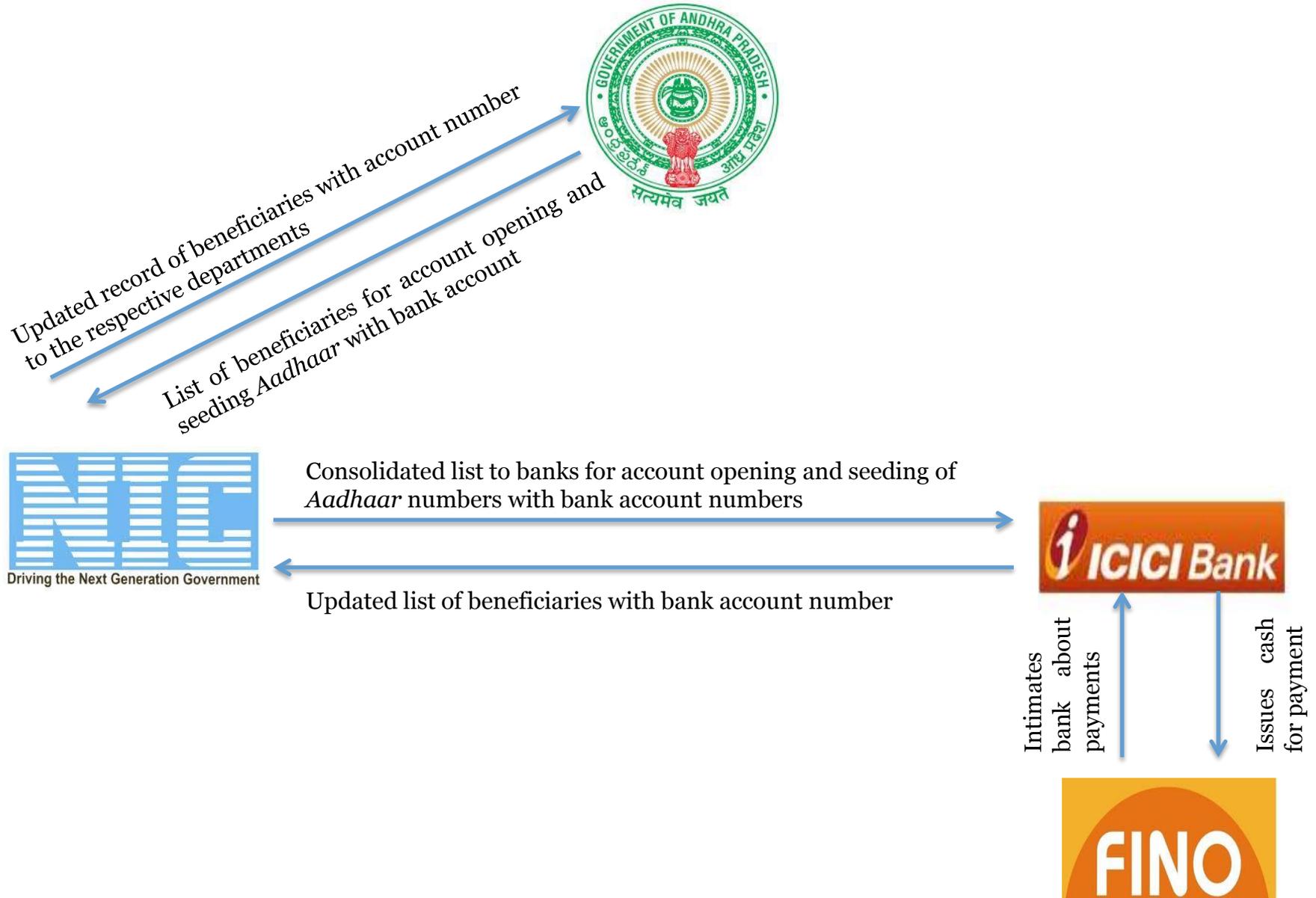


ICICI bank has been mandated with the task of opening *Aadhaar* enabled bank accounts of beneficiaries. These accounts are opened in bulk at the back-office of ICICI in Mumbai. These are also seeded with the respective UIDs. If bank accounts already exist, they are directly seeded into the CBS of the bank.



FINO is the corporate BC of ICICI Bank in East *Godavari*. FINO provides the micro-ATMs and appoints the agents at the villages to facilitate payment through micro-ATMs. The entitlements of beneficiaries credited to their accounts can be withdrawn through these agents.

AEDBT Landscape in East Godavari



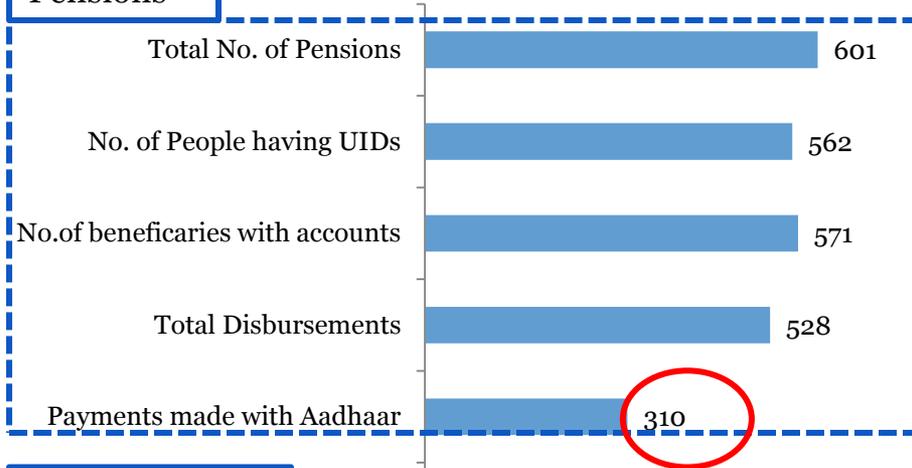
AEDBT – Current Status

Status of DBT in East Godavari

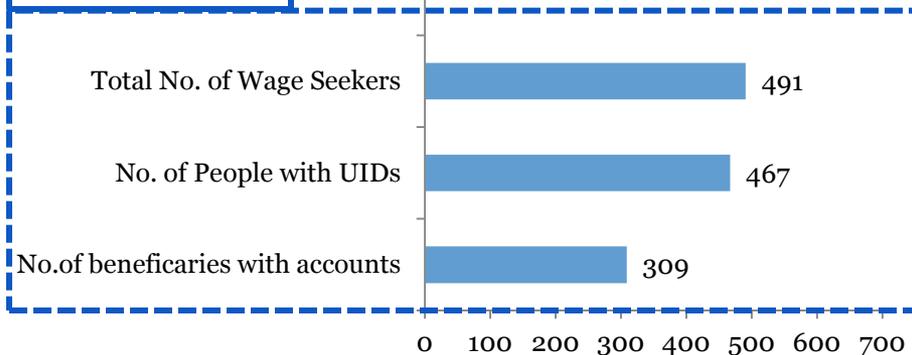
DBT in social security pensions is still in a very nascent stage in the district. Despite the presence of *Aadhaar* enabled bank accounts for a significant proportion of population in the pilot villages, payments were not made through *Aadhaar* to a majority of the people in these villages.

DBT Status in I. Polavaram*

Pensions

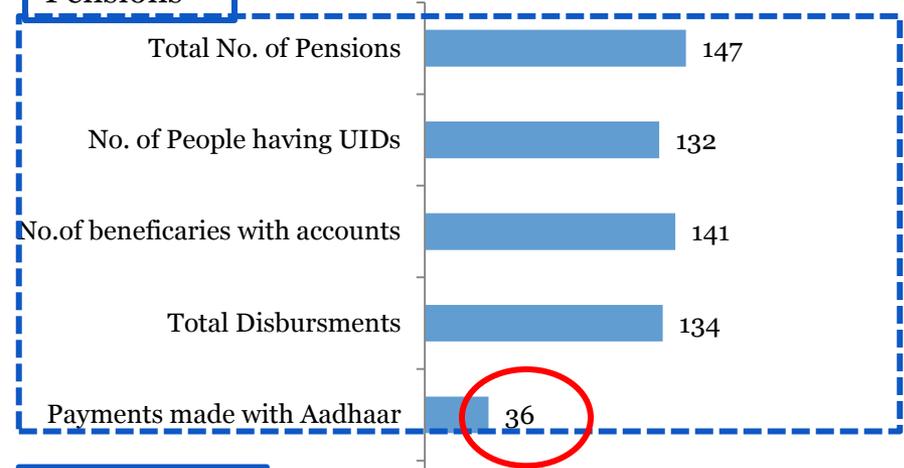


MGNREGA

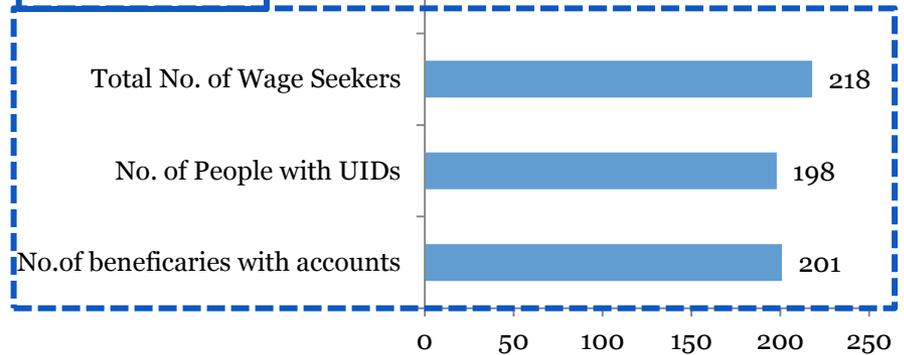


DBT Status in Penumarthi*

Pensions



MGNREGA



- Source: I. Polaravam and Kakinada rural Mandal offices
- The data for payment to MGNREGS workers was not available

■ Number of beneficiaries

Challenges with DBT in East Godavari

The key challenges and barriers being faced are highlighted below:

- **Delay in account opening:** There is a significant delay in opening the accounts of the beneficiaries (due to centralised processing). As a result of this delay, many beneficiaries still receive their entitlements using smart cards.
- **Lack of streamlined processes of bank and the BC:** The processes to ensure payment through smart cards are still not streamlined due to which many beneficiaries who have *Aadhaar* enabled bank accounts are still paid through smart cards.
- **Lack of enough micro ATMs:** As of now only four micro ATMs have been deployed in the two villages that can do only a limited number of transactions every day. The limited availability of micro-ATMs has decelerated the expansion of the project to other villages.
- **Limited number of banks on APB:** Major banks such as the Andhra Bank and the State Bank of India are still not integrated into the *Aadhaar* Payment Bridge. Many of the beneficiaries who already have accounts in these banks need to open new bank accounts to receive *Aadhaar* enabled DBT.

Case-lets

We discuss two case-lets here that illustrate how a rushed rollout of direct benefit transfer schemes would not meet the objectives unless adequate readiness is ensured.

Janani Suraksha Yojana (JSY)

JSY was launched in 2005 under the National Rural Health Mission (NRHM) to encourage institutional deliveries among women. As a part of this, pregnant women living below the poverty line are encouraged to deliver in hospitals and the government provides a financial assistance of Rs. 700 for rural and Rs. 600 for urban areas. In case of a surgery (caesarean section) financial assistance of Rs. 1500 is provided. This scheme is applicable only for the first two child-births.

In Andhra Pradesh, JSY has been clubbed with a state sponsored scheme of *Sukheebhava* and an additional amount of Rs. 300 is awarded to the pregnant women. The amount is paid as cheques to the beneficiary/family who then en-cash it at their bank.

With *Aadhaar*, the government intends to transfer the money directly into the beneficiary's bank account. However, introducing *Aadhaar* for releasing payments under JSY has been difficult due to the several challenges faced during enrolment, opening of bank accounts and seeding.

➤ **Enrolment:**

- Enrolling pregnant woman for *Aadhaar* has been a challenge. Currently, the Permanent Enrolment Centers (PEC) set up across the district are the only location where the pregnant women can enrol.
- According to the District Programme Officer - JSY, it is difficult to mobilise the pregnant women to the PECs.

➤ **Seeding:**

- ASHA and the Primary Health Centers (PHC) collect the information and pass it to the data entry operators at the block/cluster head office once a week/fortnight and the details are seeded to the database. This is a cumbersome and slow process.

➤ **Disbursement:**

- Opening of bank accounts has been extremely difficult and the district administration has undertaken a three way approach to address this. Special camps are organised at the PHCs to enrol the pregnant women who come for check-ups; a list of beneficiaries without bank accounts is prepared and is shared with the NIC to mediate with the banks in open the accounts.
- Door to door campaigns are also being undertaken to create awareness about opening the bank accounts for receiving the payments under JSY.

Electronic Payment and Application System of Scholarships (EPASS)

The Government of Andhra Pradesh is providing financial assistance to the students belonging to the Scheduled Caste, the Scheduled Tribe, the Backward Class, the disabled, and other economically weak sections, studying post matriculation courses to enable them complete their education.

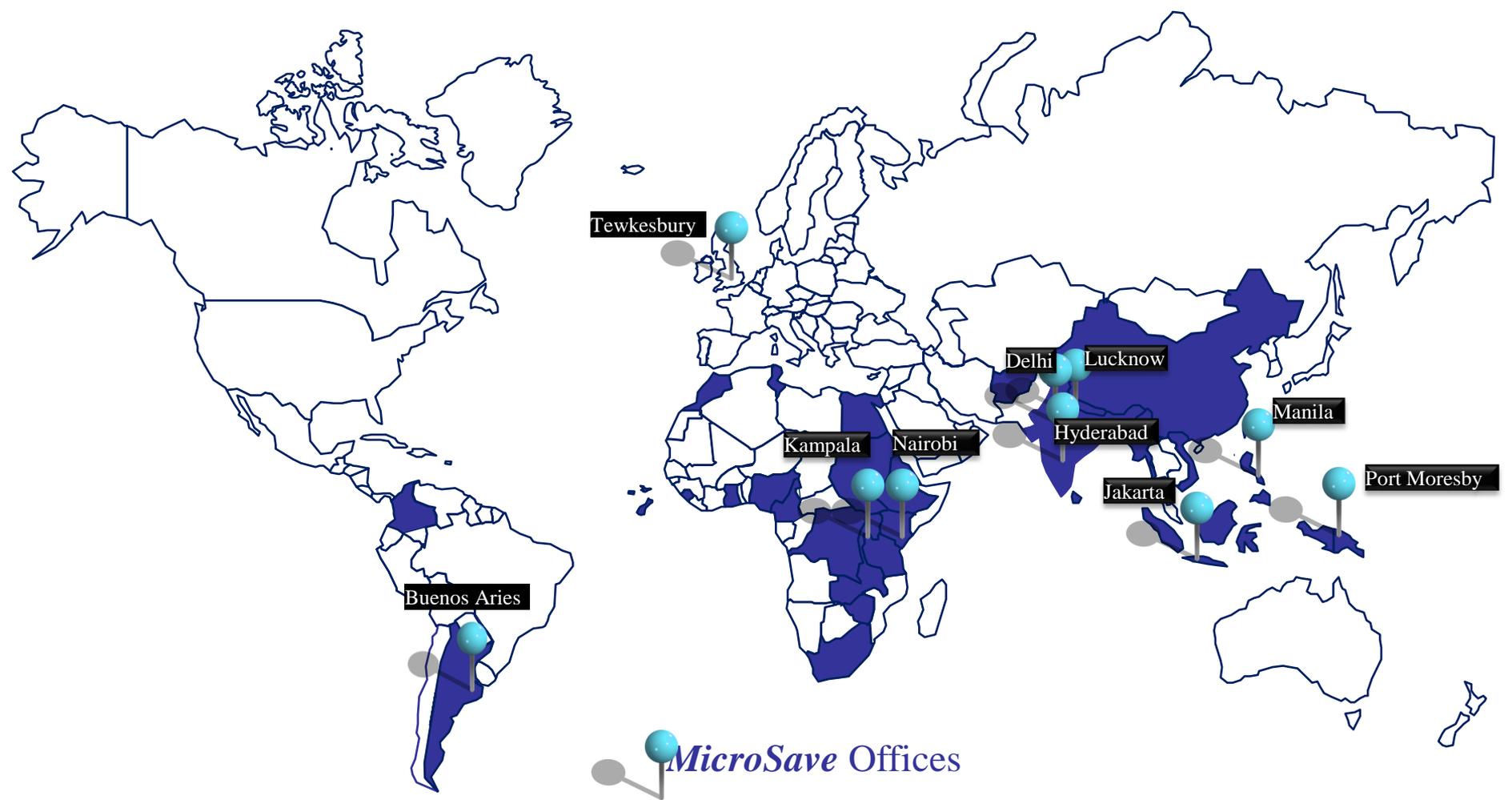
The government has devised a unique system of EPASS (Electronic Payment and Application System of Scholarships) through which it receives applications for scholarships and issues payments to beneficiaries. This system ensures that the payment is credited directly to the bank account of the intended beneficiary. Under this system, the student can withdraw their entitlements from the bank branch or through an ATM.

Seeding of *Aadhaar* numbers to the scholarship beneficiary database is currently underway. While this will bring many efficiencies to the system such as:

- Reduce documentation for identification of beneficiaries;
- Ensure transparency as only the intended beneficiary can receive payments;

There are also several of challenges in migrating a reasonably efficient EPASS system to a new one:

- Major banks such as the Andhra Bank and the State Bank of India are still not integrated to the Aadhaar Payments Bridge (APB). These banks constitute more than 80% of the total beneficiary accounts. Hence, new accounts for all these beneficiaries will have to be opened until the integration is done.
- Lack of availability of micro-ATMs to facilitate withdrawal. Thus, even if amount is credited to the account of beneficiaries, he/she may not have enough avenues to access their accounts.
- Enrolment campaigns may have to be run in colleges as many student beneficiaries who belong to other districts are not yet enrolled for Aadhaar



MicroSave (India)
 Head Office: Lucknow
 Tel: +91-522-2335734
 Fax: +91-522-4063773
 New Delhi Office:
 Tel: +91-011-45108373
 Hyderabad Office:
 Tel: +91-40-23386140
info@MicroSave.net

MicroSave (Kenya Office)
 Shelter Afrique House,
 Mamlaka Road,
 P.O. Box 76436, Yaya 00508,
 Nairobi, Kenya.
 Tel: +254-20-
 2724801/2724806
 Fax: +254-20-2720133
 Mobile: +254-0733-713380
info@MicroSave.net

MicroSave (Uganda Office)
 Regency Apartments
 30 Lugogo By-Pass
 P.O. Box 25803
 Kampala, Uganda.
 Tel. +256 312 260 225
 Mobile. +256 776 36
 5536
info@MicroSave.net

MicroSave (UK Office)
 The Folly, Watledge Close,
 Tewkesbury,
 Gloucestershire
 GL20 5RJ
 UK
 Tel. +44 1684 273729
 Mobile +44 796 307 7479
info@MicroSave.net

MicroSave (Manila Office)
 Unit 402, Manila Luxury
 Condominiums,
 Pearl Drive corner Gold
 Loop,
 Ortigas Center, Pasig City,
 Metro Manila, Philippines.
 Tel: +(632) 477-5740
 Mobile: +63-917-597-
 7789
info@MicroSave.net

MicroSave (Indonesia Office)
 Jl. Penjernihan I No. 10,
 Komplek Keuangan -
 Pejompong, Pasig City,
 Metro Manila, Philippines.
 Tel: +62 82122 565594
info@MicroSave.net

MicroSave (PNG Office)
 Corner of Musgrave
 Street and Champion
 Parade,
 Port Moresby, Papua
 New Guinea.
 TeleFax No.: +675 321
 8823/321 8854
info@MicroSave.net