

MicroSave India Focus Note # 107

District Readiness Assessment (DRA) Tool: Expediting G2P Payments

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Governments are the biggest social spender with their G2P payments. However, questions are consistently raised as to whether the payments reach the intended beneficiary. The 2010 McKinsey report on potential of e-payments in India, noted, “An electronic platform for government payments to and from individual households could save an estimated USD 22.4 billion a year – almost 10 per cent of the total payment flows between the government and households”.¹

G2P payments in India face issues such as insufficient withdrawal points in villages, inactive CICO (Cash-In Cash-Out) points, poor service quality at withdrawal points, sustainability of CICO points, lack of electronic mode of fund transfer, etc. That presence of CICO is particularly poor was covered recently in one of our [studies](#).

To address these gaps, *MicroSave* has developed the “District Readiness Assessment (DRA)”. It assesses the readiness of stakeholders responsible for effective and efficient payment of government benefits, in a particular geography. The DRA tool assesses readiness of factors critical for successful implementation of G2P payments. The primary focus of the DRA is on the front end implementation agencies and CICO networks. This Note discusses the scope and objectives of DRA and the importance of indicators used to measure readiness.

Scope of District Readiness Assessment

A key part of government strategy is to ensure timely, effective and convenient delivery of G2P payments to the intended beneficiary. One of the ways to do this is through electronic benefit transfer (EBT) or direct benefit transfer (DBT). EBT/DBT allows electronic fund transfers to beneficiaries’ bank accounts. EBT seeks to minimise irregularities, and simultaneously improve the availability of withdrawal points through a CICO agent network. While the government saves by weeding out ghost beneficiaries and unauthorised withdrawals. Beneficiaries access these benefits in the village itself, without incurring travel costs, paying ‘service charges’ to middle-men, and loss of wages.² A laudable approach, but implementation of DBT/EBT has thrown up more challenges than policy makers anticipated.

The challenges arise from the lack of coordination amongst the different stakeholders. The major stakeholders and their roles for a typical central government sponsored scheme are highlighted below in brief:

1. *Central Government:* Formulates the scheme and provides funds to states for implementation.
2. *State Governments:* Are responsible for successfully implementing the schemes. Additionally, they may formulate state specific schemes and provide funds from state budgets. Responsibility for the maintenance, update and digitisation of beneficiary data falls on the state for all such schemes.
3. *District Administration:* Responsible for implementing the scheme in the District. This level includes administration at Block and *Panchayat* level who do the ground work of implementation and payment processing.
4. *Payment Delivery Channels:* The usual delivery channels are bank branches along with their CICO network, and post offices. They are responsible for opening beneficiary accounts and providing withdrawal points.
5. *Beneficiaries:* They want convenient and accessible withdrawal points at the nearest possible location to minimise losses/ expenses.

What is the District Readiness Assessment?

The primary objective of the DRA is to provide descriptive and inferential data to key government ministries/departments, and implementation agencies to help them take evidence-based decisions. The DRA reports are designed to provide useful information in terms of the factors that are performing well, and others that need to be improved for the successful roll out. Specific inputs which the DRA toolkit provides are:

- Providing quantifiable parameters to assess readiness of the existing CICO agent network to handle G2P payment schemes in the district.
- Capturing the overall strength and weakness of the existing CICO agent network with respect to efficiency, coverage, customer service and sustainability.
- Assessing readiness of government departments and banks to electronically transfer G2P payments

¹ [Inclusive Growth and Financial Security: The Benefits of e-payments to Indian Society](#); McKinsey & Company, November 2010

² See *MicroSave's* Policy Brief # 4 “[The Answer is “Yes”—Cost and Willingness to Pay in India](#)”.

directly to beneficiary accounts efficiently, with least cost and no errors.

DRA reports can be used to identify specific areas for improvement in the G2P payment architecture, leading to process enhancement, and improvement in the beneficiary experience.

Assessment Indicators

Indicators for assessment of G2P readiness in a district are:

- Transaction Point Coverage:** CICO coverage indicates actual presence of active CICO agent network on the ground.³ Often this number is different from what is reported by banks and intermediaries. This indicator also captures the distance beneficiaries are required to travel to to withdraw their benefit amount.
- CICO Quality:** Parameters are used to score service quality of CICO agents. These parameters are based types of products offered, ease of doing transactions, grievance redressal mechanisms, inter-bank operability, training of agents and regular monitoring by banks. Scoring of these parameters is based on general practice followed in the field and guidelines provided by RBI over the years for efficient service delivery. Scoring is on a scale of 1 to 5: where 5 indicates highest performance on these parameters and 1 is the lowest.
- CICO Sustainability:** CICO sustainability not only considers the income of agents in absolute numbers, but also captures if income from agency business is enough to keep them motivated to continue serving beneficiaries in the longer term. This parameter captures whether the monetary expectation of CICO agents is being met or not, and the gap if any.
- Beneficiary Data Digitisation:** The primary prerequisite of direct benefit transfer to beneficiary accounts is that the beneficiary data must be available in digital form. This indicator captures the level of digitisation of beneficiary data for the concerned scheme in the district.
- Department and Payment Distribution Channel Readiness:** Readiness of the bank and department is measured in terms of availability of the mechanism to transfer benefits electronically to beneficiary accounts, leaving minimal possible space for manual intervention. It also includes measuring status of mapping of beneficiary accounts in government database; seeding of Unique Identification (UID-Aadhaar) number for beneficiary in bank account and department; turn-around time for opening of beneficiary bank

accounts; and quality control mechanisms at district level.

- Beneficiary Awareness:** This indicator covers the awareness levels of beneficiaries about CICO agent networks; utility of bank accounts; and the role of bank/agent in G2P payments. Beneficiaries' banking habits are also assessed in terms of services used by them.

Assessment indicators allow us to map and assess on a numeric scale the present readiness status of the District to assess whether a G2P programme can be implemented successfully or not. It also identifies the gaps that must be addressed before launching a G2P programme.

Category	Indicator	Particular	Threshold	Assessment
Transaction Point Coverage	Available as per the SLBC	31%	100%	⊖
	Median distance to withdrawal point	7.8 Km	4 Km	⊖
Beneficiary Awareness	Awareness about bank-CICO linkage	9%	100%	⊖
	Awareness of G2P by CICO	11%	100%	⊖
	Awareness about banking products and services other than savings	11%	100%	⊖
Transaction Point Quality and Sustainability	CICO Quality Score	3.51	5	⊖
	CICO Sustainability Index	3.14	5	⊖
Digitisation	Digitisation of beneficiary database	100%	100%	⊕
	Beneficiaries with individual bank accounts	87%	100%	⊕
Department-Bank Readiness	Percentage of beneficiary account mapped in data base	100%	100%	⊕
	TAT for beneficiary account opening	10Days	15 days	⊕

MicroSave has used the DRA extensively in its partnerships with multiple stakeholders such as central and state governments, banks and agent network management companies. These partnerships have formed basis to provide technical inputs to agencies to create more efficient DBT systems.

Conclusion

DRA's give implementing agencies scope to better channel their efforts before they enter any geography. In addition to helping G2P programmes, the DRA could also be adopted for other delivery models. A slightly modified version could be used to understand the preparedness of any service provider to penetrate any particular market.

³ See *MicroSave* Policy Brief # 9 "[Behind the Big Numbers: Improving the Reach and Quality of Agent Networks in India](#)"