

Are pensions reaching the “last mile?” Insights into the digitization of payments —Part II

Nikita Dhingra



“Pehle naa pension time par milti thi, aur naa poori pension milti thi”

(The pension was neither provided on time nor was the full amount ever given in the previous system), says Amba Devi, a woman aged 68, who is now delighted to receive her pension directly in her bank account.

In Part I of this blog series on the National Social Assistance Programme (NSAP), we provided the background and rationale for the inception of NSAP, details of the various sub-schemes, digitization of pension payments, and the challenges associated with last-mile delivery. The state and central governments must strengthen the delivery of payment services and provide better technical, logistical, and monitoring support. This would ensure that NSAP and its related sub-programs function optimally and efficiently for program beneficiaries. This blog provides recommendations to address the challenges and gaps.

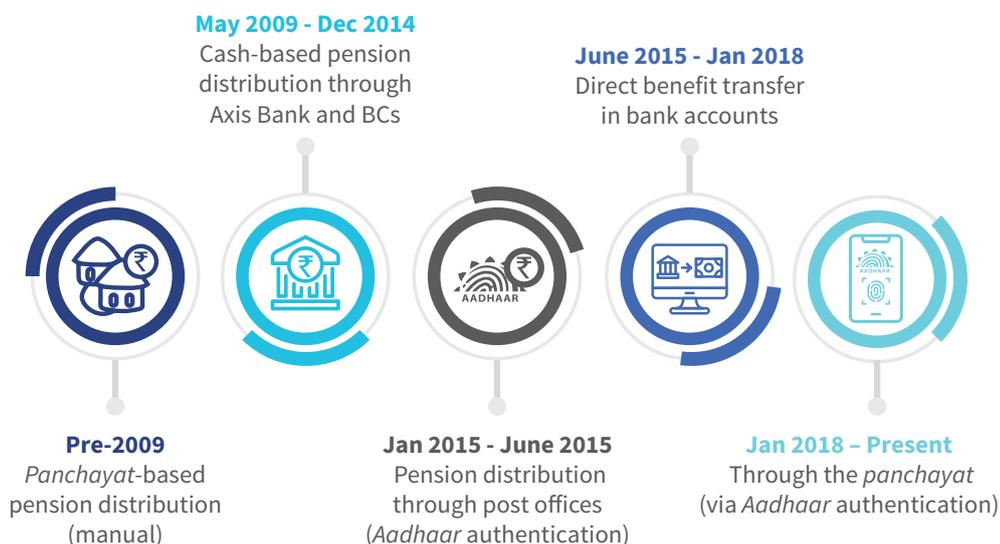
1.The government can **simplify procedures and provide doorstep delivery**, at least, to elderly and infirmed beneficiaries. The Andhra Pradesh (AP) model serves as an example of successful adaptation of delivery channels to local circumstances. The government had initially experimented with a range of pension delivery mechanisms. These included distributing payments

through the *gram panchayat* (village government) offices and Direct Benefit Transfers (DBT) in bank accounts (using the BC model) and postal accounts.

Yet each delivery mechanism had its challenges. Finally, the government disbursed cash payments at the *gram panchayat* offices on a fixed date requiring *Aadhaar* authentication on a point-of-sale device. To minimize the chance of exclusions and ensure accountability, Village Revenue Officers (VROs)¹ were authorized to authenticate on behalf of beneficiaries who were unable to do so themselves.

In a study conducted by MSC in Andhra Pradesh, 84% of the respondents preferred the *panchayat*-based cash distribution over the bank or BC-led delivery method citing easy and timely cash disbursements. Accessibility to bank branches was a challenge, especially for elderly beneficiaries. Moreover, BCs agents were neither ubiquitous nor trusted, due to reasons mentioned in

Figure 1: Alternative modes of delivering social pension, 2009–2019



¹ The VRO is an executive- or managerial-level ranked public servant in India with the authority to represent the President and the State.

Part I of the blog series. *Aadhaar* authentication ensures that benefits reach the right beneficiaries, and has been the most preferred and efficient mechanism of pension delivery.

2. The use of non-bank financial intermediaries, such as payment banks, micro-ATMs, and white-label BCs² would effectively help **expand the range of accessible touchpoints**. Beneficiaries were dissatisfied with their earlier experience with the Department of Posts (DoP) in the delivery of pensions, as highlighted in MSC's study in Andhra Pradesh. The primary reason for the dissatisfaction was the low commission rate of 2% that the DoP charges from beneficiaries. Another reason was inadequate human resources in terms of *Grameen Dak Sewak* (GDS) or postal workers to effect doorstep delivery of pensions. Beneficiaries reported not receiving regular and correct pension amounts.



Other states would struggle to adopt the AP model of *panchayat*-based cash disbursements because of high initial capital cost, recurring logistical issues, and administrative costs of setting up digital infrastructure and human resources at the *panchayat* office. Hence, states need to look for alternate models that do not require high investment but can provide predictable door-step delivery of pension to the beneficiaries. India Post Payment Bank (IPPB) can offer one such alternate model.

IPPB, which falls under the Department of Posts, rides on the vast network of post offices nationwide and therefore has massive reach. At the time of reporting, IPPB was operational across 1,55,000 post offices, 1,35,000 of which are in rural areas, as coverage points alongside GDS postal staff to provide house-to-house banking services. The front-end technology employed by IPPB could be instrumental to authenticate payments, plug leakages, and ensure timely delivery of payment.

Trust in DOP and IPPB's brand name and IPPB's doorstep

banking facility are enablers or pull factors for potential customers to use IPPB for their NSAP benefits. Thus, the sophisticated technology employed by IPPB with a wide range of access points and a vast network of GDSs who provide doorstep banking could ensure effective pension delivery.

For other agents, such as banking correspondents and e-mitras, the GoI and state governments should regularly monitor the functioning and incentive structure to maintain the efficiency of service delivery and a strong incentive structure. This would address the issue of inadequate pay for BCs, thereby incentivizing them to effect last-mile delivery of pension payments better.

3. The GoI should **strengthen the implementation of exception management procedures** in the delivery of pensions. This will not only ensure workarounds for those whose data continues to be incorrect but also prevent the vulnerable segment from being excluded due to digitization. For example, Andhra Pradesh uses excellent exception-management practices that prevent exclusions. These include the use of iris scanners as a backup for biometrics and authorizing the Village Revenue Officer (VRO) to authenticate on behalf of beneficiaries in case their biometrics fail. Other states could emulate this practice.



4. State governments should undertake an independent assessment of the challenges experienced by pension beneficiaries. Andhra Pradesh follows a system of robocalls to receive feedback from beneficiaries of pension and PDS. Positive or negative feedback is recorded, and negative feedback and complaints are forwarded to the local government concerned and resolved within 24 hours.

Another example is Karnataka, where a monthly

²A white-label BC is one who can act as an agent network for any bank or financial service provider. White-label BCs are permitted to transact with multiple banks to serve beneficiaries.

monitoring system was instituted for the *gram panchayats* in Oorkunte Mittur, Kolar district and Dibburhalli, Chikkaballapur district to oversee their annual village development plans. This innovative framework has given state inhabitants better access to public services, such as streetlights, toilets, and a more efficient public distribution system, among others. Such models of robust governance through effective decentralization—in terms of giving power to the *gram panchayats* for monitoring—should be emulated for NSAP payments as well.

5. Both the GoI and state governments should **develop a targeted communication strategy** regarding the nuances of NSAP documentation processes, agent channels, delivery mechanisms, and grievance redressal mechanism (GRM). If functionaries at the state and village levels play an active role in scheme dissemination, the GoI can provide every household with the correct information. This could help alleviate information asymmetry regarding NSAP, chances of exclusion, and hence play a pivotal role in the scheme's success. Similar outreach campaigns, such as LPG panchayat as part of PM Ujjwala Yojana have been successful in their efforts to sensitize at the grassroots level.

An example of an efficient GRM is the Rajasthan Sampark portal. This portal allows citizens of the state to reach out to specific government departments with issues, concerns, or both over the delivery of public services or subsidy benefits. It has to date resolved more than 2.3 million complaints. The GoI should also conduct a one-time, large-scale data correction exercise across states that is initiated at the village or *Panchayat* level to correct beneficiary details in pension payment databases.

The NSAP is a significant step toward providing social protection to Indian citizens. NSAP covers approximately 2.5% of the Indian population, many of who rely on such payments for their subsistence. It is, therefore, essential that beneficiaries, especially those at the base of the pyramid, receive the correct pension benefit at the right time. The five steps above will boost the efficiency and effectiveness of the delivery of these critical benefits to some of the most vulnerable people in the country.