

Chapter-IV
Compliance with Direct Benefit
Transfer (DBT) framework

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From 1 January 2013, the GoI started Direct Benefit Transfer (DBT) of benefits to beneficiaries with the aim to reform the Government delivery system by re-engineering the existing process in welfare schemes for simpler and faster flow of information/ funds and to ensure accurate targeting of the beneficiaries, de-duplication and reduction of fraud. DBT in respect of 27 GoI schemes was launched in 121 districts of the country including all 12 districts of Himachal Pradesh. The State Government has included 135 more schemes under DBT programme up to June 2021.

A total of 62 schemes including six selected social security pension schemes had been onboarded on State DBT portal as of June 2021. Various departments of the State Government transferred benefits of ₹ 4,646.91 crore electronically under these 62 schemes including six selected social security pension schemes during the period 2017-21. However, Audit noticed that no scheme out of six selected schemes was implemented as per *ibid* instructions and DBT guidelines as discussed in succeeding paragraphs of this chapter.

In the budget speech (March 2013) for the financial year 2013-14, the Chief Minister announced transfer of benefits to beneficiaries under all welfare schemes through DBT facility.

Scrutiny of records showed that the Department had launched DBT in respect of NSAP beneficiaries in July 2013. It was, however, noticed that DBT process was not followed as even after announcement made by CM in budget speech, the client server-based e-Kalyan was not re-engineered in line with DBT framework and the following requisite changes were not made:

- The disbursement process was not integrated with the e-Kalyan software and involved manual intervention as beneficiary list (through e-mail/ pen drive) generated from e-Kalyan as MS-excel sheet along with cheque was sent to bank / post office for credit into savings postal/ bank account of beneficiaries
- Identification of beneficiaries with Aadhar or any other unique ID was not ensured, absence of which led to duplicate payments to the same person as indicated in Para 5.4.1.
- Feedback loop for informing beneficiaries through SMS or otherwise about transfer of benefits to their postal/ bank account was not available.

Comparison of existing disbursement process under social security pension schemes with DBT framework has been detailed in Para 4.2 below.

4.1 Comparison of existing system with DBT framework

Comparative study of existing process vis-à-vis standard operating procedure (SOP) for DBT payments is as under:

Particulars	DBT Framework	Existing system
Addition of beneficiary	<ul style="list-style-type: none"> • During the addition of beneficiary, Bank account/ postal account details • 1 account details shall be entered alongwith Aadhar seeding, validation and authentication. 	<ul style="list-style-type: none"> • Upon manual verification and approval of the beneficiary application, the details of the beneficiary, along with bank / postal account are entered in the system without validation and authentication by Aadhar seeding or any other unique ID.
Validation of Aadhar and bank account after approval of application and registration on PFMS	<ul style="list-style-type: none"> • Beneficiary name, savings account details and Aadhar are pushed from scheme-management system to PFMS or directly entered in PFMS. • Data is subjected to Internal validation checks in PFMS (If incorrect, rejected within eight business hours) • Aadhar Payment Bridge (APB) verification on Aadhar mapper of NPCI (if Aadhar number seeded with bank account) or bank account validation from beneficiary's bank (if bank account provided). • Response from Bank/ NPCI to PFMS – PFMS awaits response from both Bank and NPCI. In case, there is delay of more than seven days in response from bank, validation is rejected by PMFS (separate tag for these cases) and Department is requested to reprocess the same. • Sharing of registration with scheme-software by PFMS – PFMS submits detailed response file to Department in rejected/ successful cases and stores the responses for payment file processing. 	<ul style="list-style-type: none"> • No such validation at application stage is available in the e-Kalyan software. • Only in October 2020 PFMS registration in respect of NSAP schemes had been completed and transfer of benefits using PFMS had been started. • Benefits of State social security pension schemes were not routed through PFMS/ IFMS.
Pension disbursement	<ul style="list-style-type: none"> • Department to create payment files after verification and place them on PFMS. • Authoriser to approve the payment files and digitally sign them on PFMS • PFMS to validate and send payment files to bank/ treasury. • Bank to transfer payment to beneficiary accounts. • All transactions to be routed through NPCI. 	<ul style="list-style-type: none"> • Beneficiary list is generated (soft copy – MS Excel Sheet) from e-Kalyan software. • In case of NSAP schemes, list is converted into compatible format with PFMS (as Hindi font of e-Kalyan is not compatible with PFMS) and uploaded on PFMS. Then benefits are transferred directly in the savings account of the beneficiaries. Due to non-integration of PFMS with the NSAP portal through Aadhar

	<ul style="list-style-type: none"> • Amount transferred to beneficiaries' account. 	<p>Payment Bridge system, NSAP portal is showing zero transaction through DBT in the State.</p> <ul style="list-style-type: none"> • In case of State schemes, beneficiary list (through e-mail / pen drive) alongwith cheque is sent to bank / post office for credit in the savings account of beneficiaries.
Feedback loop	<ul style="list-style-type: none"> • Bank to share payment status response file with PFMS. • PFMS to share the payment response with Department. • Feedback to beneficiaries through SMS alerts. 	<ul style="list-style-type: none"> • No SMS mechanism/ feedback loop is available for the beneficiary. • For NSAP schemes through PFMS acknowledgment push in the e-Kalyan is not available due to non-integration with PFMS.

Source: Standard Operating Procedure for DBT payments and e-Kalyan software

As can be seen from above comparison, the e-Kalyan was not compliant with the guiding principles contained in Standard Operating Procedure for DBT. Due to non-adherence to DBT framework and the risk of manual intervention, the existing system cannot be termed as Direct Benefit Transfer.

The procedure implemented by the Department is not in consonance with the DBT framework, which should involve transfer of benefits directly to the beneficiaries. The procedure can be termed as benefit transfer, but not as “direct” benefit transfer, since funds are not transferred directly to the beneficiaries (as is being done by some other States/ Government of India) but funds are transferred into the bank account of the DWO and then cheques are issued for further transfer to the beneficiary bank accounts.

Further, as described in para 1.5, the drawal of funds from IFMS and their credit into the DWO’s bank account is a separate activity; the transfer of funds through banks/ post offices for credit to the accounts of the beneficiaries is an entirely delinked activity; the third important step – viz. acknowledgement/ non-acknowledgement of credit to the beneficiary accounts from the banks/ POs is not done in an IT driven manner, but done manually. The fourth step of automated recording of the acknowledged payments in e-Kalyan against each beneficiary was not done at all. This resulted in a systemic problem of unspent balances in the bank accounts of DWOs as also detailed in Para 3.5.

Even for the NSAP scheme payments, although the DBT Module of PFMS served as the automated funds transfer platform, there was no automated pushing of files/ funds transfer orders from e-Kalyan to PFMS, and no pushing back of beneficiary-wise acknowledgment/ failure data files from PFMS back to e-Kalyan.

In the exit conference, on the aspect of integration of e-Kalyan with PFMS / IFMS, the Department stated that treasuries were now fully automated and necessary action would be taken for seamless transfer of benefits and intimation thereof to beneficiaries. It was further stated that the same would be initiated after discussion with HP-NIC.

Shortcomings in payment of pension amount and duplicate cases were noticed in Audit as detailed in Chapter - V. Thus e-Kalyan is merely a beneficiaries' database management system which is not functioning as per DBT framework. The following case was documented by DWO Mandi which highlights the implications of non-implementation of DBT.

Implications of non-implementation of Direct Benefit Transfer

Under DWO, Mandi in TWO Jogindernagar office, a case of embezzlement in welfare funds including social security pension funds, was reported. An amount of ₹ 1.10 crore pertaining to social security pension schemes was drawn in cash and was shown disbursed in cash. List of beneficiaries and receipt acknowledgments of beneficiaries were not found on record. Departmental enquiry for the period from June 2012 to August 2017 was under way. Had the Department implemented DBT in disbursement of social security pension schemes in time, irregularities in disbursement of funds could have been avoided.

Summary–

- The Department had not followed DBT process in social security pension schemes despite directions of the GoI.*
- DBT process was not followed as the client server-based e-Kalyan was not re-engineered in line with DBT framework. The disbursement process was not integrated with the e-Kalyan software and involved manual intervention. Uniqueness of beneficiaries with Aadhar or any other unique ID was not ensured.*
- Guiding principles contained in standard operating procedure for DBT payments such as interface with State treasury/ postal department/ banks, validation, disbursement through PFMS (in case of state schemes) and feedback mechanism were not complied with.*
- Acknowledgment push in e-Kalyan is not available due to its non-integration with PFMS and Fund Transfer Orders with beneficiary details are not automatically generated.*

Recommendations – The State Government may consider:

- Implementing DBT for all schemes across departments as per DBT framework.*
- e-Kalyan and IFMS/ PFMS should be integrated to ensure direct transfer into bank accounts of the beneficiaries, as per DBT framework.*
- Guiding principles contained in standard operating procedure for DBT payments may be adopted scrupulously.*
- To upgrade and interface e-Kalyan and IFMS (or other platform e.g. PFMS that the State Government may identify for automatic funds transfer, and not through cheques from the DWO's bank account) to ensure (a) automatic generation of funds transfer orders and subsequent transmission, (b) single nodal bank account at the State level is sed with minimal transient cash balances and (c) automated intimation of acknowledgement (or failure) to each beneficiary through an SMS portal.*