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Last-mile Delivery of PM Garib Kalyan Yojana Benefits during the COVID-19 Pandemic

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Summary:













In this policy brief, we identify some of the challenges in enrolling for and availing the benefits under the Pradhan Mantri Garib Kalyan Yojana announced by the Central Government of India. In light of the increased demand for banking facilities and the immediate need to reduce over-crowding of branches, we propose a set of recommendations for immediate activation of access points and a framework to identify and prioritize districts for this exercise. Further, we note that the current structure of incentives for Business Correspondents (BCs) and other key agents does not match the types of risks undertaken by agents to provide services effectively during a pandemic. We propose expansion of incentives paid out to BC agents as well as recommend relaxation of certain conditions linked to their incentive structures. Additionally, we note that there is little clarity as to how fresh enrollments for the schemes covered under PMGKY can take place. In the current scenario, this may lead to the exclusion of some households most in need of central/state assistance. Further, many protocols for access to benefits, such as Aadhaar-linked bank accounts and biometric authentication at ration shops, were intended to address inclusion, rather than exclusion, errors. To prevent exclusion errors in the short-term, we suggest that documentation requirements be relaxed and local authorities, along with BCs and ASHA workers, be empowered to make enrollments for welfare schemes with relaxed documentation requirements. We recommend that Public Distribution System (PDS) should be made universal to all households in an area, whether permanent residents or not, and the requirement of biometric authentication be removed. Lastly, we categorize the aforesaid recommendations based on the kind of levers they require – regulatory, business, and localized coordination

About Social Protection Initiative:

The Social Protection Initiative at Dvara Research is a policy initiative that aims to conduct research that will inform the design and implementation of a universal social security system. We believe a universal social security system is one that protects households and individuals against the vulnerabilities faced across the life cycle. At the same time, it is important to keep in mind India's unique demographic and economic realities. These vulnerabilities are the outcomes of complex interactions of being exposed to a threat, of a threat materializing, and of lacking the defences or resources to deal with a threat.

¹We thank Susan Thomas at Indira Gandhi Institute of Development Research, Aniket Doegar at Haqdarshak, Aaditeswar Seth at Gram Vaani, Ashish Ahuja at Fino Payments Bank, and Rupal Kulkarni at Shram Sarathi for their excellent insights on the issues covered in this brief. The authors would also like to thank Nishanth K and Hasna A. from Social Protection Initiative for their rigorous inputs throughout the drafting of this brief. We have also benefited from weekly discussions hosted by Indradeep Ghosh with practitioners and researchers on policy responses to COVID-19.

Summary of Recommendations

Recommendations	Regulatory	Business	Localized Coordination
Updation of 'Find My Bank' data by private service providers in real-time			
Increasing access point density in high priority regions			
Supervision and Coordination to reduce exclusion of priority areas			
Special passes for BC Agents			
Setting Minimum limits for Commission given to BC agents			
Removal of per-day caps for incentives earned by agents			
Medical reimbursement in case of hospitalization due to COVID-19			
Compensation for lost earnings due to COVID-19 quarantine			
Creating additional incentives for agents who provide services in underbanked areas with vulnerable population			
Harmonize documentation requirements across schemes at the state and Central Level			
Grant discretion to Panchayats to relax documentation requirements for needy beneficiaries in the short term			
Enable Universal PDS without biometric authentication			

Policy Context

On 26th March 2020, Union Finance Minister Nirmala Sitharaman announced a slew of measures under the Pradhan Mantri Garib Kalyan Yojana (PMGKY) to alleviate financial hardships arising due to the COVID-19 outbreak. The announcement covered several welfare measures, specifically, the provision of rations and direct cash transfers under various existing welfare schemes. Some of the key measures under the PMGKY are:

1. Extra ration of 5 kgs to be given free of cost to 80 crore poor people in the country for the next three months (Apr-June 2020).
2. First instalment under PM Kisan to be immediately transferred to 8.69 farmers.
3. Ex-gratia amount of Rs. 1,000 to be given in two instalments to National Social Assistance Programme beneficiaries over the next three months through Direct Benefit Transfer (DBT) mechanism.
4. Ex-gratia amount of Rs. 500 per month to be given to all women who have a Jan-Dhan account for the next three months.
5. Women under the Ujjwala scheme to be given free cylinders for the next three months.
6. Directions to the state government to utilize the Building and Other Construction Workers (BoCW) Welfare Fund (corpus amount of 31,000 cr Rs.) to protect 3.5 crore registered workers from economic disruption.

On 14th May 2020, further welfare measures were announced by the Finance Minister². Some of these measures include:

1. Migrant workers are to receive rations (5kg grain per person and 1kg chana per family) at the site where they are stranded, whether or not they have ration cards under the National Food Security Act.
2. Rs. 6000 crores have been allocated for employment opportunities under the Compensatory Afforestation Programme (CAMPA)
3. Special credit lines have been extended for farmers and small traders
4. The One Nation One Ration Card scheme is to be implemented nation-wide starting March 2021.

In this policy brief, we examine the delivery of cash and in-kind benefits announced under PMGKY and take a closer look at the access points available to citizens. Throughout the brief, we emphasize on shifting the focus of delivery protocols (under PMGKY) from reduction of inclusion errors (i.e. benefits being delivered to an ineligible citizen) to reduction of exclusion errors (i.e. benefits not being delivered to eligible/deserving citizens). Cash transfers under PMGKY are being deployed through the existing DBT infrastructure which was primarily built to tackle inclusion errors. The infrastructure has been touted as a system that eliminates ghost beneficiaries and reduces “leakages”. However, mechanisms under the DBT system do not ensure maximum reach of welfare benefits for two specific reasons. First, the system automatically precludes the unbanked and the underbanked since it relies upon banking infrastructure to deliver cash. Second, the system is fairly new (on-boarding of schemes onto DBT started in 2014) and is prone to high rates of error both at the back and front-ends. Since relief measures during COVID-19 are being delivered through the same architecture, we find it imperative to highlight possible points of exclusion and recommend measures to counter the same, ensuring uninterrupted welfare access to the most needful persons during this pandemic.

²Press Information Bureau. (2020, May 14). Finance Minister announces short term and long-term measures for supporting the poor, including migrants, farmers, tiny businesses and street vendors. Retrieved from: <https://www.pib.gov.in/PressReleaseDetail.aspx?PRID=16238621623862>

Table 2 below enlists the various exclusionary factors at play in welfare delivery from the perspective of both the access points operator (such as a BC or a CSC) and the citizen.

Table 2: Exclusionary Factors in Welfare Delivery

Possible Exclusionary Factors \ Stakeholders	Intermediaries/Access Point Operators	Citizens
Financial	Revenues, costs, and commissions/incentives	Overcharging for access
Regulatory	Unpredictability in regulation	Documentation Requirements
Operational	Technological failures	Unavailability of an Access Point

Based on the above, this brief focuses on the following recommendations:

1. Facilitating delivery of cash transfers in the last mile
 - a. Access to and operational capacity of cash-out points during the COVID-19 outbreak
 - b. Incentive structures of Business Correspondents (BC) agents
2. Revising document protocols for scheme enrolment and authentication during the COVID-19 outbreak.
3. Facilitating access to rations (in-kind benefits) during the COVID-19 outbreak.

1. Facilitating Delivery of Cash Transfers under PMGKY

The national lockdown has brought difficulties in reaching end-beneficiaries of welfare measures into sharp focus. A key focus area for the government over the last few years has been the creation of digitized architecture in the form of Direct Benefit Transfer (DBT) system and Jan Dhan-Aadhaar-Mobile (JAM) trinity to address leakages and inadequate identification mechanisms in targeting scheme beneficiaries. While there has been progress in making this architecture available throughout the country, it has not succeeded in addressing some of the last-mile problems implementers continue to reckon with.³ A major issue that has emerged over the last two-three years has been the erratic credit facilities under DBT. Erratic crediting into DBT accounts, either in the form of delays or complete halt in transfers after a first few payment cycles, continues to be an issue. This may be for one or more of several reasons, including transaction failures at the back-end⁴, spelling errors in beneficiary names⁵, blockage of accounts by banks during their cleaning exercises banks blocking accounts for non-usage, problems with Aadhaar seeding, and clashing of product codes in case of conversion of accounts from JDY to Basic Savings Bank Deposit (BSBD) accounts or vice

³Gupta, A. (2020). Reaching the Last mile: Delivery of Social Protection in India. Retrieved from: <https://www.dvara.com/blog/2020/01/21/reaching-the-last-mile-delivery-of-social-protection-in-india/>

⁴Khera, R., Somanchi, A. (2020, April 25). 'COVID-19 and Aadhaar: Why the Union Government's Relief Package is an Exclusionary Endeavour'. Retrieved from: www.epw.in/engage/article/covid-19-and-aadhaar-why-union-governments-relief

⁵News18. (2020, January 11). 'Retrieved from: hindi.news18.com/news/business/pm-kisan-samman-nidhi-scheme-farmers-did-not-get-2000-rupees-installment-due-to-aadhaar-card-verification-bank-ministry-of-agriculture-dlop-2490076.html

versa⁶. Therefore, we emphasize that digitization of welfare processes must also be accompanied by a bottom-up redesigning of administration protocols related to welfare delivery.

Any delivery failure has high costs for beneficiaries, particularly during the Covid-19 pandemic and national lockdown. This is, therefore, an opportunity for implementing agencies to fix some key problems in last-mile delivery. While digitizing welfare processes may be unavoidable at this time, there is certainly scope to redesign administration protocols in the last-mile. Against this backdrop, we highlight some of our concerns pertaining to the accessibility of bank branches, Business Correspondents (BCs), Common Services Centres (CSCs), Post Offices (POs), and other access points, as well as their operational capacities.

1.1 Physical and Digital Infrastructure

Under normal circumstances, each access point (i.e., bank branch, ATM, CSC or BC) caters to a far greater number of customers than what its operational capacity allows for. Since the lockdown, there has been even greater pressure on the banking system in rural and semi-urban areas, on account of the cash transfers announced under the PMGKY, as well as the uncertainty around access to financial services during the lockdown. Many reports have noted instances of overcrowding at bank branches to avail benefits under PMGKY. Additionally, in our recent conversations with a set of customers of microfinance institutions, in the first round of the Covid-19 Impact on Daily Life Survey⁷, 19 per cent of respondents reported that they did not have a banking access point in their village/neighbourhood.

At this point, it is crucial to ask if there are enough access points across the country to address the increased demand for welfare transfers during a pandemic. Therefore, we examine the Access Point Density (APD) of each district using data from 'Find My Bank' (FMB), a GIS-based platform hosted by Ministry of Finance, Government of India⁸. We define Access Point Density (APD) as the total number of bank branches, ATMs, and 'Bank Mitras' per 100,000 adults.

We found that the poorest districts by MPI⁹ (including Alirajpur, Bahaich, Balrampur in Uttar Pradesh, Malkangiri in Odisha, Jamui in Bihar) have an average APD of 61.89 - nearly half of that of richer districts (including Thrissur and Pathanamthitta in Kerala, Kangra in Himachal Pradesh, Pune in Maharashtra, etc.) which have an average APD of 118.26.

We acknowledge that the above numbers may not present an accurate real-time picture, as we do not have information on how many of these bank branches, ATMs, and bank mitras are operational or active at normal times. The CIDL survey showed that many bank branches were functioning at limited capacity – respondents stated that only 52% of bank branches and 31% of BCs were operating as usual. About 31% of

⁶Kodali, S. (2020, April 15). 'COVID-19, Aadhaar-DBT and a Reminder of the Issues with Transaction Failure Data'. Retrieved from: <https://thewire.in/government/covid-19-aadhaar-dbt-and-a-reminder-of-the-issues-with-transaction-failure-data>

⁷Covid-19 Impact on Daily Life (CIDL) Survey is an ongoing primary survey of MFI customers by Dvara Research, in partnership with MFIs across states in India.

⁸Department of Financial Services, Ministry of India. (2020). Find My Bank: <http://findmybank.gov.in/FMB/>

⁹Based on Multidimensional Poverty Index (MPI) scores published by the Oxford Poverty and Human Development Initiative (OPHDI). MPI is a measure of acute poverty. It complements traditional income-based poverty measures by capturing the deprivations that each person faces at the same time with respect to education, health and living standards. Higher the index, greater the level of poverty. MPI scores used are for the year 2016.

respondents stated that the BCs in their area were not operational at all. *Thus, the actual number of bank branches, ATMs, and especially BCs which are currently active may well be lower than what we have calculated based on FMB data.* We recommend the activation of as many banking points as possible with immediate effect. Any such activation exercise would first require identification of areas which are in dire need of active access points. There is a clear paucity of real-time data on how many access points are there on the ground and how many out of these are actually operational. Therefore, the first step towards a comprehensive activation strategy would be for the government to work in tandem with both public and private financial service providers (FSPs) such as banks and BC Kiosks/CSCs. Any such stocktaking exercise would require the government to update its data on the FMB portal with the help of FSPs across districts. This can be achieved by allowing the latter to update (make additions to and delete) verifiable numbers on the access points they are/were running in a given district on the GIS platform. This exercise, albeit extensive, will ensure identification of districts and villages with low APD and enable FSPs to follow an optimization strategy while activating their access points.

In addition to the above, we further recommend that the activation process of access points must be undertaken in a quick but phased manner, with immediate attention being directed towards districts characterized by a certain set of parameters (given the COVID-19 outbreak) which include:

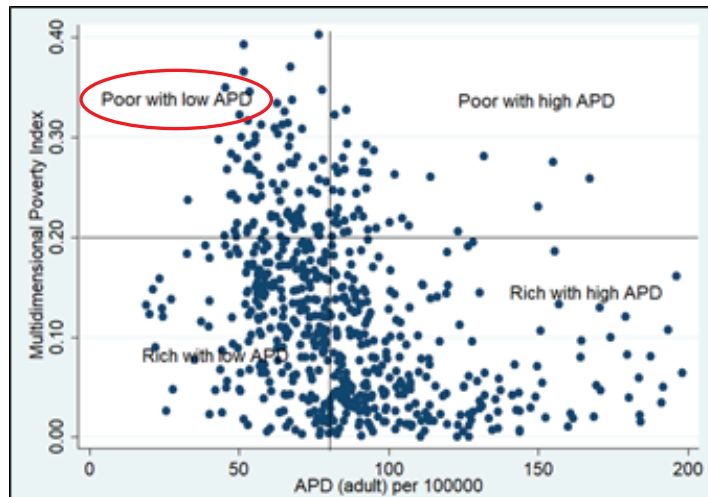
1. **Low Access Point Density:** This parameter helps us identify districts where more access points need to be created or activated.
2. **Higher rates of poverty:** This parameter helps us identify districts with high proportion of vulnerable/poor population who form the targeted cohort for a multitude of social welfare transfers by the government. We operationalize this variable by using their MPI scores as a working proxy.
3. **Maximum number of Containment or Buffer Zones:** This parameter helps us identify districts which are most likely to be put under a prolonged lockdown compared to other districts given the number of active COVID cases in their jurisdiction.

Based on the above, we put forth a matrix which will aid authorities and service providers in identifying districts which need to be prioritized for access point activation. Figure 1 illustrates the quadrant which must be prioritized for access point activation.

Table 3: Priority Levels of Districts for Access Point Activation

High-Priority Districts		
Low APD	High MPI	High Number of Containment/Buffer Zones
Medium-Priority Districts		
Low APD	High MPI	
Low-Priority Districts		
Low APD	Low/Mid-range MPI	

Figure 1: Access Point Density of Indian Districts






Financial service providers such as BC agencies must activate access points (individual BC agents in this case) on an urgent basis in districts characterized by low APD. To do this, service providers could utilize existing channels such as State Level Bankers’ Committees (SLBCs) and Lead District Managers (LDMs) to coordinate efforts to ensure that most under-served areas are attended to on a priority basis. The Reserve Bank of India has specified that SLBCs are responsible for reviewing financial inclusion initiatives as well as expansion of banking network including status of opening of banking outlets in unbanked villages and CBS-enabled banking outlets at the unbanked rural centres¹⁰. Since our recommendation of activating cash-out points falls directly within this mandate, we have identified SLBCs and LDMs as the main quasi-authorities for this process.

We also recommend that Block Developmental Officers (BDOs) may be consulted with to identify areas/hamlets with people in need of cash transfers being deployed by the government. Additionally, government authorities (both Central and state) should not limit themselves to activating existing access points but should also make efforts to create new cash-in/cash-out points. This can be done by onboarding established financial inclusion players such as microfinance institutions (with last-mile branch networks) and enable them to facilitate disbursement of these cash transfers.

¹⁰Reserve Bank of India (2019, July 02). Master Circular – Lead Bank Scheme. Retrieved from: https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?id=11622

Table 4: Summary of Recommendations (Increasing access point density in high priority regions)

Issue	Recommended Action Point	Entity(ies) Responsible	Enablers	
Paucity of real-time data on areas which are underserved or unbanked.	FMB Data to be made public and shared with financial service providers	Department of Financial Services, Ministry of Finance	Regulatory (Data sharing with private entities)	
Inadequate number of active Cash-in/Cash-out points in rural and semi-urban areas	Increasing number of access points, starting with priority districts (identified in Figure 1)	Financial service providers and lateral representative organizations such as BCFI	Strategic decisions by private players on costs and incentive structures for operators of such access points	
High financial exclusion of remote areas, exacerbated during lockdown	Supervision by State-level authorities to minimize exclusion of priority districts (identified in Figure 1)	State Level Bankers' Committees and Lead District Managers	Regular SLBC Meetings along with close coordination with Financial Service Providers	

1.2 Ensuring Mobility of CSPs in the Last-Mile


In addition to providing enough access points in each district, it is also important to ensure that BC agents are able to reach those in need of financial services. In a letter dated 26 March 2020, the Department of Financial Services, Ministry of Finance, addressed to heads of various Public Sector Banks (PSBs), has set out some guidelines for logistics for enabling cash withdrawals during the Covid-19 lockdown.¹¹ These include maintaining adequate liquidity at bank branches and with BCs, regularly replenishing ATMs and deploying mobile ATMs when necessary. The letter also included some overarching guidelines on coordination through State Level Bankers' Committees (SLBCs) and Lead District Managers (LDMs). Crucially, BCs were declared to be one of the essential services exempted from lockdown in order to ensure

¹¹Ministry of Finance, Government of India, Letter No. 21(23)/2014-FI (Mission) dated 26th March 2020

smooth movement across locations.¹² However, a quick assessment of the current situation on ground reveals the need for a more comprehensive approach by government agencies in the last-mile and clear communication from Central authorities. Media reports highlight that many BCs across the country are facing a cash crunch due to lockdown restrictions as well as due to increased demand in transactions during the lockdown.¹³ More worryingly, restrictions on the mobility of BCs directly result in overcrowding of bank branches which are already over-burdened and clearly put the citizens as well as the bank staff at risk of transmission.

Despite communication from the Central government that BCs are essential services, multiple reports suggest that local authorities have imposed restrictions on their movement. Some reports suggest, for instance, that in rural areas, BC agents need arbitrary permissions from local panchayats to cross over and offer their services in other hamlets/villages.¹⁴ The Business Correspondent Federation of India (BCFI) reported that due to the lockdown, only 30 per cent of their BCs were active in rural regions (as of 27th March 2020).¹⁵ The role of BC agents becomes even more crucial when ATMs, which are already few or non-existent in rural areas, face cash shortages or the already overburdened rural bank branches get overcrowded. Thus, there is an immediate need for SLBCs and LDMs to ensure communication of Centre’s directives on movement of BCs. **State governments, in close coordination with SLBCs, must set up an easy procedure for obtaining necessary permissions (special IDs/lockdown passes) for every active BC in their district (especially in rural/remote areas) and ensure that the procedure is hassle-free. This, in addition to monetary incentives (detailed below), also has the potential to encourage dormant BCs to come forward and start their operations.**

Table 5: Summary of Recommendation (Ensuring Mobility of Last-mile Agents)

Issue	Recommended Action Point	Entity(ies) Responsible	Enablers	
Restricted mobility of BC agents	Special passes for BC Agents	State Governments and SLBCs	Coordination with Service Providers for Accurate Identification of Agents	

¹²Ministry of Home Affairs, Government of India, Order Number 40-3/2020-DM-I(A) dated 15th April 2020

¹³Manikandan, A. (2020, March). ‘Challenges over cash shortage, restricted movements for government’s DBT agents.’ Retrieved from: <https://economictimes.indiatimes.com/news/politics-and-nation/challenges-over-cash-shortage-restricted-movements-for-governments-dbt-agents/articleshow/74850201.cms?from=mdr>

¹⁴Kulkarni, R. (2020, April 30). COVID Lockdown: In rural India, banking correspondents bring cash, emotional support to the doorstep. Retrieved from: scroll.in/article/960599/covid-lockdown-in-rural-india-banking-correspondents-bring-cash-emotional-support-to-the-doorstep?

¹⁵Gupta, S. (2020, March 27). Coronavirus: Rural India to face cash shortage amidst lockdown, says BCFI. Retrieved from: <https://m.dailyhunt.in/news/india/english/yourstory-epaper-yourstory/coronavirus+rural+india+to+face+cash+shortage+amidst+lockdown+says+bcfi-newsid-174427514>

1.3 Incentive Structures for Access Point Operators

In addition to navigating special directives related to the lockdown and dealing with local authorities, last-mile agents offering access to social welfare schemes or cash in general incur extra costs to keep their operations going. Operators of mobile cash-out points and CSCs in the last-mile will also experience high costs during COVID-19 due to two main factors:



Even before the COVID-19 outbreak, the incentives/commission structure for BCs and CSC operators has been found to be grossly inadequate with most BC agents performing below or close to their break-even point¹⁶. Village Level Entrepreneurs (VLEs) operating the CSCs have also reported dissatisfaction with their commission rates. Notably, VLEs do not have any fixed salary components in their contracts¹⁷.

Further, even if there are well-defined contracts between the bank and the BC agency, the sub-agents hired by BC agencies continue to be poorly paid, with no fixed salaries and low commission rates. The lack of adequate remuneration and incentives to agents has contributed to many inefficiencies in last-mile delivery of scheme benefits, including high attrition rates of BCs and instances where customers get overcharged. In the absence of any directive by Central authorities to state/local authorities and banks to adequately pay BC agents, these inefficiencies could only get worse. Extant rules set out by Department of Expenditure, Ministry of Finance, state that for cash transfer schemes (such as MNREGA, pensions, maternity benefits, etc.), an additional “disbursement incentive” of 1% (of transaction amount) will be payable to the bank/post office handling the beneficiary account from “the same budget line from which the respective scheme are being made available.”¹⁸ However, there is no prescription regarding what percentage of this incentive must be passed on to individual agents undertaking the actual disbursement.

Normally, the formulation of the payment structure for BC agents is usually undertaken by banks and Business Correspondent Network Managers (BCNMs) who decide on the payment structure for BC agents based on remuneration based on different factors, including industry average, competition, target pricing, loyalty and differential commissions for urban and rural¹⁹. However, this also results in a high degree of

¹⁶Singh, M. (2012, June). ‘Assessing Agent Profitability: MicroSave’s Agent Journal Studies’. Retrieved from: http://www.microsave.net/wp-content/uploads/2018/10/2FPB_6_Agent_Journals_The_Agent_Business_Case_In_India.pdf&usg=AOvVaw1LYqUZW9-HcNwaTfabQhKf

¹⁷Anognya, P., & Gupta, A. (2020, March 11). The “Common Services Centre” Model: A no-win Scenario? Retrieved from: <https://www.dvara.com/blog/2020/03/11/the-common-services-centre-model-a-no-win-scenario/>

¹⁸Department of Expenditure, Ministry of Finance (2015, August 20). Direct Benefit Transfer – payment of transaction charges to Banks/Post Offices. Retrieved from National Payments Corporation of India: www.npci.org.in

¹⁹Shukla, V. (n.d.). State of Business Correspondent Industry in India – The Supply Side Story. MicroSave. http://www.microsave.net/pdf/wpcontent/uploads/2018/10/1442569222_State_of_Business_Correspondent_Industry_in_India_The_Supply_Side_Story-1.

arbitrariness, with BC agents’ earnings varying from one agency to another. Banks typically retain 50% of the transaction fee received and the remaining commission (as per extant guidelines) is paid by the banks to BCNMs for distribution between them and their BC agents in the ratio of 20:80²⁰. This structure does not remunerate the BC agent adequately and results in high dormancy rates. **Therefore, there is a need to define a minimum limit for commission which must be passed on to the BC/last-mile agent by banks and post offices. RBI can also consider creating additional incentives for agents who provide services in underbanked areas with vulnerable population (as identified in Figure 1) in need of government cash transfers.**

We were able to access the incentives structures which has been approved by a PSB’s Corporate Centre for its BCs/CSPs during the COVID outbreak. The following is the breakdown of the incentive structure into its individual component:

Table 6: Incentive Structure for BC agents of a Public Sector Bank

Component	Quantum	Condition
Compensation to each kiosk operator (KO)/sub KO	Rs. 10 lakhs	Only in case of death due to COVID-19
Fixed incentive per month	Rs. 3,000 + taxes	Only for those CSPs who work for a minimum of 21 days during the months of March 2020 to May 2020
Transaction-based incentive	Rs. 2 per transaction	Only for those CSPs who undertake 40 or more transactions per day, with a per day cap of Rs. 150 per CSP
One-time Payment for Sanitization Equipment	Rs. 1,500	-

Although we welcome the attempt to put a salary-like component in place for the duration of the lockdown, we find the conditions for the receipt of these benefits to be extremely regressive. We note:

- a. Compensation worth Rs. 10 lakhs has only been provided for in cases where the KO or sub-KO dies due to COVID-19. A better approach would be to complement this feature with reimbursement for two key expenses in case the agent is found to be COVID-19 positive:
 - i. In case of hospitalization for COVID-19 , the medical costs incurred by the agent must be reimbursed. This cost may be shared by both the BCNM and the principal bank who have contracted/sub-contracted the individual agent. Transferring the cost liability of COVID-19 treatment to banks and BCNMs will also incentivize them to shift from a ‘last line of defence’ approach (compensation




²⁰BCFI. (2018). Minutes of Meeting on the Challenges Being Faced by Business Correspondents. Retrieved from: www.bcfi.org.in/wp-content/uploads/2018/05/DFS-MOM-140916.pdf

in case of death) to a to a more preventive approach. This would involve providing of masks and sanitizers to agents and avoiding the use biometric authentication methods.

- ii. In case the agent does not require hospitalization but has been quarantined at home, he or she must be given a fixed incentive (Rs. 3,000 in this case) irrespective of the number of days he or she could operate that month. The 21-day condition should not force quarantined agents to forego their fixed incentives. At the minimum, the banks must pay him/her the additional incentives which would have been earned had the agent not been quarantined due to COVID-19 (Rs.2*average number of daily transactions) until the agent recovers enough to get back to the field.
- b. It is also important to highlight the inadequacy of the incentive amounts vis-à-vis the costs incurred by them. Although it is easy to calculate individual agents' earnings, unfortunately, it is not easy to estimate the break-even points as most of them do not record expenses incurred in conducting banking business²¹. In light of such limitations, we list the **major cost drivers for agents during COVID-19 outbreak and lockdown below:**
- i. **Increase in visits to bank branch for cash replenishment** due to increase in demand for cash withdrawals.
 - ii. **Increase in radius served by each agent** to make up for the absence of other agents in the region.
 - iii. **Use of private transport** since public transport is unavailable during the lockdown.
- c. The minimum limit of 40 transactions per day to qualify for additional incentive (which, at Rs. 2 per transaction, is very low to begin with) is not adequately remunerative and should be done away with. To make things worse, there is a per day cap of Rs. 150 per CSP as well. Firstly, a number of transactions-based incentive structure might discourage agents from serving remote hamlets which do not contribute to their transaction volumes. Secondly, the per day cap of Rs. 150 might discourage an agent from undertaking more than 75 transactions per day even when there is a clear demand for them. The agent in this case is being incentivized to defer the transaction to another day when it brings him/her the additional incentive. Therefore, both these conditions in the incentive structure must be relaxed, especially for the months of May and June 2020.

²¹Singh, M. (2012, June). 'Assessing Agent Profitability: MicroSave's Agent Journal Studies'. Retrieved from: http%3A%2F2Fwww.microsave.net%2Fwpcontent%2Fuploads%2F2018%2F10%2F2FPB_6_Agent_Journals_The_Agent_Business_Case_In_India.pdf&usg=AOvVaw1LYqUZW9-HcNwaTfabQhKf

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Issue	Recommended Action Point	Entity(ies) Responsible	Enablers	
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<p>†</p>	<p>Creating additional incentives for agents who provide services in underbanked areas with vulnerable population (as identified in Figure 1) in need of government cash transfers.</p>	<p>k</p> <p>@ k"@</p>	<p>@</p> <p>#</p>	
<p>Per-day caps on daily earnings of BC agents disincentivizes operations, especially during COVID-19.</p>	<p>Removal of per-day caps for incentives earned by agents</p>	<p>Financial Service Providers and lateral representative organizations such as BCFI.</p>	<p>Business decisions service providers must account for</p>	
<p>Absence of any incentives for additional risks taken by agents during COVID-19</p>	<p>Medical reimbursement in case of hospitalization due to COVID-19</p> <p>Compensation for lost earnings due to COVID-19 quarantine</p>			

Lastly, we would like to highlight some of the requests made by BCFI including a fixed remuneration of Rs. 5,000 to sub-agents for the next three months. Although some banks have introduced a one-time additional monetary support in the range of Rs. 1,000-2,000, most other banks have not – thus highlighting the necessity of a Central mandate to do so. Lack of incentives will result in fewer active BCs and CSCs/e-mitras, etc. – thus resulting in de-facto exclusion of large portions of our population in rural areas who depend heavily on cash transfers by the government, especially the additional amounts being deployed under PMGKY.

2. Revision of Document Protocols

In addition to last mile delivery challenges, there are also challenges with fresh enrollments into schemes. As noted above, PMGKY confines benefits under each scheme to a limited set of persons who are enrolled into each scheme. The announcement by the Finance Ministry did not discuss fresh enrollments. Enrollments for welfare schemes such as the PDS or the Ujjwala Yojana require details of an Aadhaar card, an Aadhaar linked Jan Dhan bank account and proof of residence in the relevant area. With schemes like the NSAP and MNREGA, this information must be verified at the Gram Panchayat level.²² Enrollment may also take place through government authorized Customer Service Centres, especially in the case of PM-KISAN.

The processes that have been in place may not address citizens’ needs in the current context for a number of reasons. First, obtaining a BPL ration card, or receiving funds under the NSAP require a person to be identified as being below the poverty line. At a national level, BPL households are identified based on the Socio-Economic Caste Census, 2011.²³ Enrollment into individual schemes, such as NSAP, require the Gram Panchayat to verify the applicant’s status as being from a BPL household.²⁴ There is little clarity on how households which have fallen into poverty since the SECC or those experiencing temporary loss of livelihood during the lockdown can be identified as BPL.

Second, this does not address short-term difficulties in enrollment. Under normal circumstances, there are a number of barriers to registering for welfare schemes, including a multiplicity of schemes at the State and Central levels,²⁵ and inefficiencies in enrolling beneficiaries at the last mile.²⁶ Studies have shown, for instance, that citizens must make multiple visits to centres such as CSCs to enroll for government schemes or to withdraw cash received by DBT.²⁷ These problems are only exacerbated during the nation-wide lockdown. There is little clarity on whether CSCs are an essential service, and if they are, on whether they can make fresh enrollments into welfare schemes on an emergency basis. Similarly, we note that only 33 million of the estimated 55 million construction workers in the country are registered with the BoCW Fund.²⁸ This could be

²²Details of schemes are available at: Pradhan Mantri Jan Dhan Yojana (PMJDY), <https://pmjdy.gov.in/scheme>; PM Ujjwala Yojana(2019),<https://pmuy.gov.in/FAQ.pdf> ; Mahatma Gandhi National Rural Employment Guarantee Act, https://nrega.nic.in/Circular_Archive/archive/Operational_guidelines_4thEdition_eng_2013.pdf

²³Alkire, S., & Seth, S. (2013, January 13). A Comparison of Methods Identifying BPL Households. Retrieved from Economic & Political Weekly: <https://www.epw.in/journal/2013/02/special-articles/identifying-bpl-households.html>

²⁴Supra. At 23

²⁵Kumar, A. (2020, January 08). ‘How Does India Do Welfare?’. Retrieved from: <https://www.dvara.com/blog/2020/01/08/how-does-india-do-welfare/>

²⁶Gupta, A. (2020). Reaching the Last mile: Delivery of Social Protection in India. Retrieved from: <https://www.dvara.com/blog/2020/01/21/reaching-the-last-mile-delivery-of-social-protection-in-india/>

²⁷Narayanan, R. (2019). Pragma Kendra Assessment Study. Retrieved from: <https://pkas2018.wordpress.com/>

²⁸Jha, A. (2020, April 25). COVID-19 Relief Package Will Central Largesse Help Construction Workers? Retrieved from: <https://www.epw.in/journal/2020/17/commentary/covid-19-relief-package.html>

because many workers lack adequate documentation for enrolment, such as proof that they have worked in construction for at least 90 days. There is also a lack of clarity on the enrolment points that are available to them under BoCW.

We suggest that in the short term, there is a need for quick and proactive identification of needy beneficiaries at the local level. **To do this, the Central and State governments may relax requirements for the types of documentation required for enrollment and to harmonize these across schemes. At the local level, Panchayats could be empowered to enroll residents into DBT schemes based on phone-based applications by needy residents, as well as be given the discretion to further relax documentation requirements in special cases. Panchayat officers would be placed to identify needy families at the local level.**²⁹ Moreover, panchayats would also be best placed to make decisions with respect to the mode of disbursement of cash and in-kind benefits.

We also welcome the decision of the Central Government to expand the MGNREGA programme, in light of the large numbers of migrant workers returning to their villages at this time.³⁰ We suggest that since registration for MNREGA work is based on self-identification³¹, panchayats ought to be empowered to use registration for MGNREGA work as a means to identify needy households. Other sources for this could be the list of PDS beneficiaries or those households making use of the ICDS system. We emphasize that this must not rule out self-identification by households experiencing distress in the immediate term. **We also recognize that in light of the ongoing lockdown, many Panchayats may be functioning at limited capacity. We suggest that in the immediate term, ASHA Workers, Banking Correspondents and CSCs may also be empowered to carry out some functions of verification and enrollment at the local level.** As noted in the section above, there is a grave need to ensure that these classes of workers are adequately protected, by way of specialized equipment and insurance coverage to address possible health risks.³² Finally, we note that there are specific issues with respect to enrollment, for which little information is available in the public domain. There are variations in documentation protocols across states and across access points, however, there is very little systematic evidence setting out the details of the documentation required for enrolment and authentication for welfare schemes and cash across different settings. In particular, with respect to migrant workers and other informal labourers, we are unsure if any new enrolment/self-identification processes are in place under BoCW or any other specific purpose fund. There is a need to ensure the registration of as many workers as possible in the short term.



²⁹Kapur, A., Viswanathan, S. (2020, April 24). 'Three ways India could streamline its Covid-19 relief measures to protect vulnerable citizens'. Retrieved from: <https://scroll.in/article/959754/three-ways-india-could-streamline-its-covid-19-relief-measures-to-protect-vulnerable-citizens>

³⁰Supra Note 1.

³¹S. 3, Mahatma Gandhi National Rural Employment Guarantee Act, 200

³²A.P., J., Kumar, A. (2020, April 10). 'Expanding Insurance Coverage under the PM Garib Kalyan Yojana'. Retrieved from: <https://www.dvara.com/blog/2020/04/10/expanding-insurance-coverage-under-the-pm-garib-kalyan-yojana/>

Table 8: Summary of Recommendation (Revision of Document Protocols)

Issue	Recommended Action Point	Entity(ies) Responsible	Enablers	
Lack of access to adequate/ updated documentation for scheme enrolment	Harmonize documentation requirements across schemes at state and Central Level	Central and State Governments	Issuance of a Master Notification covering all cash transfer schemes under PMGKY	
	Grant discretion to Panchayats for relaxing documentation requirements for needy beneficiaries		Issuance of Circulars related to enrolment processes of cash transfer schemes under PMGKY	

3. Facilitating Delivery of Ration Entitlements under PMGKY

One of the other key promises in the PMGKY was the provision of additional rations – an additional 5kg of grains per person and a kilogram of pulses for each ration card. We emphasize that the immediate concern in light of the Covid-19 lockdown is to address exclusion errors, particularly with respect to access to rations. Many scholar³³ have argued that the universalization of the Public Distribution System will address these concerns at this time.

To examine this in greater detail, we compare the distribution of rations and the authentication procedure in Karnataka and Tamil Nadu. Tamil Nadu is the only state which follows a universal PDS in India whereas Karnataka follows targeted PDS much like the other states in the country. In Karnataka, rations are dispensed after biometric authentication with the cardholder’s fingerprints, which may or may not compared with the details on the smart card.³⁴ On the other hand, Tamil Nadu uses non-biometric authentication by smart card and a One Time Password (two-factor authentication) sent to the beneficiary’s mobile number.³⁵

We note that Karnataka has one of the highest exclusion rates among Indian states, whereas Tamil Nadu has much lower.³⁶ Further, despite having a targeted PDS system, Karnataka has high leakage of food grains, whe-

³³Khera R; Somanchi, A (2020) COVID-19 and Aadhaar: Why the Union Government’s Relief Package is an Exclusionary Endeavour, EPW Engage, retrieved from: <https://www.epw.in/engage/article/covid-19-and-aadhaar-why-union-governments-relief>

³⁴Logitronics Automation, PDS in Karnataka, retrieved from: <https://www.youtube.com/watch?v=gkdwJWz-org>

³⁵Ibid

³⁶Balani, S. (2013, December). ‘Functioning of the Public Distribution System’. Retrieved from: <https://www.prsindia.org/administrator/uploads/general/1388728622~TPDS%20Thematic%20Note.pdf>

-reas Tamil Nadu has only moderate leakage³⁷. The most important reason for the high exclusion rate in Karnataka is the difficulty in identifying households who fall below the poverty line³⁸. This is problematic as only those in the BPL category are entitled to food subsidies, whereas others are not.³⁹ Additionally, the biometric authentication system has a relatively high failure rate.⁴⁰ When it does fail, the card holder is unable to receive rations for the entire month (denial of ration). Further, if a beneficiary fails to procure their ration for 3 consecutive months, the system automatically suspends the beneficiary's enrollment. This could leave out returning migrants and those experiencing temporary poverty. By contrast, Tamil Nadu's non-biometric authentication system limits the number of authentication failures at the shop and the universal PDS system helps in reducing exclusion errors.⁴¹ The nature of AePDS is to prevent inclusion error where no single beneficiary has more than one card but on the flip side, this does not reduce the exclusion error.⁴²

We emphasize that considering the current national lockdown, preventing exclusion errors should take precedence over preventing inclusion errors. By this token, the emphasis on this time should not be using AePDS to prevent inclusion errors, but to universalize access to PDS at this time. By 'universalization' of PDS, we mean that provision of rations for each person at the site at which they are currently resident, whether or not they are ordinarily resident or have a permanent address in that location. Panchayat offices will be best placed to identify households within the village limits who may not be enrolled for PDS but require rations in the short term. We propose that any person desirous of receiving rations be able to self-identify with the local authorities and be made eligible to receive rations for the period of the lockdown. On comparing PDS in Tamil Nadu and Karnataka, we find that there are fewer exclusion errors and fewer leakages in Tamil Nadu. We suggest that in the immediate term, universal access to PDS ought to be guaranteed. This should be provided irrespective of whether the person in need of rations is ordinarily resident in that area or not. The adoption of the 'One Nation, One Ration Card' policy by as many as 17 states and UTs is a welcome step here but there is lack of clarity around its implementation guidelines.⁴³

We also suggest that households be permitted to self-identify that they are in need of rations to the local authorities and that coupons be issued for this purpose, irrespective of whether they are residents of a particular area or have a permanent address there. To this end, we welcome the decision of the Central Government to provide for rations to all migrant workers at site, whether or not

³⁷ibid

³⁸ibid

³⁹Masiero, S. (2016, January 25). 'Does computerisation reduce PDS leakage? Lessons from Karnataka'. Retrieved from: <http://eprints.lse.ac.uk/74799/1/blogs.lse.ac.uk-Does%20computerisation%20reduce%20PDS%20leakage%20Lessons%20from%20Karnataka.pdf>

⁴⁰Hundal, H. (2020, April 03). 'A Conundrum of Efficiency and Inclusion: Aadhaar and Fair Price Shops'. Retrieved from: <https://www.epw.in/engage/article/conundrum-efficiency-and-inclusion-aadhaar-and>



⁴¹Masiero, S. (2016, January 25). 'Does computerisation reduce PDS leakage? Lessons from Karnataka'. Retrieved from: <http://eprints.lse.ac.uk/74799/1/blogs.lse.ac.uk-Does%20computerisation%20reduce%20PDS%20leakage%20Lessons%20from%20Karnataka.pdf>

⁴²ibid

⁴³Ojha, S. (2020, May 01). 'One nation, one ration card' scheme: 5 more states join the initiative'. Retrieved from: <https://www.livemint.com/news/india/-one-nation-one-ration-card-scheme-5-more-states-join-the-initiative-11588331166781.html>

they are resident in a particular area.⁴⁴ Further, considering the risk of infection from using fingerprint-based authentication methods, we suggest that biometric authentication be suspended for the time being. Possible alternatives are card-based authentication methods, as in Tamil Nadu, or the issue of food coupons being followed by the Delhi government.⁴⁵ In Rajasthan, fair price shops now allow people to access rations by simply displaying Aadhaar card after complaints were received against the OTP method.⁴⁶ Likewise, Kerala has provided for ration cards to be issued to households on an emergency basis.⁴⁷ In putting a system of universal PDS in place, it is essential to ensure that the self-identification systems are accessible and easy to use. Such a system must be mediated by local officials at the panchayat or ward level, and not be dependent on access to the internet.⁴⁸

Table 9: Summary of Recommendation (Access to Ration under PDS)

Issue	Recommended Action Point	Entity(ies) Responsible	Enablers
Failure to Access ration as an existing PDS beneficiary	Relax authentication protocols, including biometric verification	State Governments	Issuance of Guidelines to Fair Price Shops in each state 
Failure to enroll in PDS	Enable Universal PDS		Issuance of Circulars related to enrolment process under PDS 
	Grant discretion to Panchayats to enroll needy beneficiaries in the short term based on a self-identification		

⁴⁴Press Information Bureau. (2020, May 14). Finance Minister announces short term and long-term measures for supporting the poor, including migrants, farmers, tiny businesses and street vendors. Retrieved from: <https://www.pib.gov.in/PressReleaseDetail.aspx?PRID=1623862>

⁴⁵Press Trust of India. (2020, April 21). 'Delhi govt to give 2000 food coupons each to MPs, MLAs for distribution among the needy: CM'. Retrieved from: <https://economictimes.indiatimes.com/news/politics-and-nation/delhi-govt-to-give-2000-food-coupons-each-to-mps-mlas-for-distribution-among-the-needy-cm/articleshow/75276635.cms?from=mdr; notification dated 27.04.2020>

⁴⁶Kulshrestha, P. (2020, April 19). 'No more OTP, Aadhar card enough to get ration for NFSA beneficiaries in Rajasthan'. Retrieved from: <https://timesofindia.indiatimes.com/city/jaipur/no-more-otp-aadhar-card-enough-to-get-ration-for-nfsa-beneficiaries-in-rajasthan/articleshow/75235774.cms>

⁴⁷"Govt issues order to provide ration cards within 24 hours of application", Kerala Kaumudi (May 4, 2020), retrieved from: <https://keralakaumudi.com/en/news/news.php?id=292960&u=>

⁴⁸Bhatnagar, G. (2020, May 02). 'Delhi: Survey Reveals Only 30% Ration Shops Distributing PDS Grains, Special Kits'. Retrieved from: <https://thewire.in/rights/delhi-survey-pds-ration-shops>

Summary of Recommended Action Points

Based on the above discussion, we summarize the recommended action points which will help Centre, state and district level authorities in improving the last-mile delivery of social welfare transfers.

1. Increasing access point density in high priority regions with immediate effect. This process of activation of banking points must be expedited by making data on the FMB portal public, which would enable both private and public service providers (such as banks and BC Kiosks/CSCs) to update verifiable numbers in real-time as well as help them identify districts and villages with low APD thus ensuring optimization of access point density.
2. The activation process of access points must be undertaken in a quick but phased manner, with immediate attention being directed towards districts characterized by, low APD, high density of welfare beneficiaries, and high number of containment or buffer zones during the pandemic. This process must be undertaken using a bottom-up approach with coordinated efforts between district-level entities such as SLBCs, LDMs, and Block Development Officers (BDOs).
3. There is an immediate need for SLBCs and LDMs to ensure communication of Centre's directives on movement of BCs. State governments, in close coordination with SLBCs, must set up an easy procedure for obtaining necessary permission-granting documents (special IDs/lockdown passes) for every active BC in their district (especially in rural/remote areas), ensuring that it is hassle-free. This, in addition to monetary incentives (action point below) will also encourage dormant BCs to come forward and start working.
4. In order to reduce burden on bank branches and activate dormant BCs, the incentive structure for BC agents must be standardized and they must be remunerated for the additional risks they are undertaking during the pandemic. Specifically, we recommend:
 - i. The existing revenue-sharing ratios between banks, BCNMs, and BCs must be tweaked in favour of individual agents, given the additional risk and the higher costs of operations during the COVID outbreak. We would also like to reiterate BCFI's previous recommendations regarding this. It recommended that banks must not retain more than 10 per cent of the transaction fee.⁴⁹ However, determination of sharing ratios must not be left entirely with profit-driven banks and a regulatory enabler, in the form of a minimum limit for commission passed on to the BC/last-mile agent by banks and post offices, must be put in place by RBI.
 - ii. RBI must create additional incentives for agents who provide services in underbanked areas with vulnerable population (as identified in Figure 1) in need of government cash transfers.
 - iii. In case of hospitalization of a BC agent due to COVID-19, the medical costs incurred by the agent must be reimbursed. This cost may be shared by both the BCNM and the principal bank who have contracted/sub-contracted the individual agent.
 - iv. In case the agent does not require hospitalization but has been put under home quarantine post COVID-19 diagnosis, he or she must be given his/her fixed incentive irrespective of the number of days he or she could operate that month.
 - v. There should be no per day cap on additional incentives the BC agent can earn. This per-day limit must be relaxed for, at least, the months of May and June 2020.

⁴⁹BCFI. (2018). Minutes of Meeting on the Challenges Being Faced by Business Correspondents. Retrieved from: bcfi.org.in/wp-content/uploads/2018/05/DFS-MOM-140916.pdf

5. In the immediate term, we suggest that the documentation protocols for enrollment into welfare schemes be relaxed. At a central level, we suggest that the government relax documentation requirements for enrollment and harmonize these across welfare schemes. Panchayats or other local authorities should be granted discretion to complete the enrollment of residents into DBT schemes, such as the National Social Assistance Programme, based on an assessment of the household's needs at this time. In the short term, since it may no longer be possible for citizens to travel to access points, local authorities should be granted discretion to carry out enrollments at the beneficiary's residence.
6. We suggest that universal PDS be instituted in the immediate term for all persons in a given area. This should be allowed whether or not the household is ordinarily resident there. We further suggest that any person in need of rations be allowed to self-identify with the local authorities and that biometric authentication not be insisted on for this.
7. Finally, we recognize that panchayats and other local authorities are understaffed and in need of additional support. We reemphasize that in the immediate term, BCs and ASHA workers be empowered to carry out some functions for the panchayat and be remunerated for their work.