

A review of the effectiveness of India’s direct benefit transfer (DBT) system during COVID-19: Lessons for India and the world

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Between March 2020 and May 2021, about 222 countries planned or implemented more than 3,333 social protection measures. Of these, 23% were cash transfer programs that reached more than 1.3 billion people, or about 17% of the world’s population. India was among the first few countries to announce a relief package worth USD 23.2 billion¹ (INR 1.7 trillion) in March, 2020, under the *Pradhan Mantri Garib Kalyan Yojana* (PMGKY²). PMGKY intended to help poor households that faced losses or saw their incomes fall during the lockdown. The relief package offered both in-kind and cash benefits.



The speed and the scale of the cash transfers were unprecedented. Cash transfers served as a lifeline for people to cover their basic needs. However, some people faced challenges in accessing their money. Therefore, we should attempt to understand the efficiency of various cash transfer mechanisms and the hurdles in delivering the benefits during the pandemic. MSC conducted two rounds³ of demand-side research⁴ to evaluate the Govt’s response to COVID-19. In this paper, we discuss the efficiency of PMGKY and the payment infrastructure used to deliver money during the COVID-19 pandemic in India.

“ ”

The amount helped make rent and utility payments in times when I had no income and savings in my bank account

- Ganne Amma, PMJDY beneficiary, Andhra Pradesh

..... ”

¹ We have used a conversion rate of USD 1 to INR 73.1 as of 20th May, 2021 throughout the paper.

² Some of the benefits provided under the PMGKY program: 1. Additional free ration to over 800 million beneficiaries equal to their current ration entitlement (under the *National Food Security Act*) for eight months; 2. Cash transfer of USD 6.8 (INR 500) per month to 200 million *Pradhan Mantri Jan Dhan Yojana* (PMJDY) women account holders for three months; 3. An advance payment of USD 27.3 (INR 2,000) to 87 million farmers under *PM Kisan*, an existing income transfer program for farmers; 4. An ex-gratia payment of USD 13.6 (INR 1,000) to 30 million pension (widow, elderly, and differently abled) beneficiaries under the *National Social Assistance Program* (NSAP); 5. Provision for 80 million *Pradhan Mantri Ujjwala Yojana* (PMUY) beneficiaries to refill three cooking gas cylinders free of cost

³ The first round was conducted in May, 2020 (during the three-month lockdown) while the second round was conducted in September, 2020 (post lockdown).

⁴ Read [here](#) for details of the methodology

1

Governments and policymakers across the world should build a robust payment infrastructure, including the last mile for scalable cash transfer programs

While India has built a robust Direct Benefit Transfer (DBT) system, it needs to focus more on beneficiary- or user-centricity. This need for change means that governments must include women, persons with disabilities, and other traditionally excluded or vulnerable groups in the design process, following the “Principles of Digital Development.” For this, policymakers can draw lessons from India’s G2P infrastructure to develop systems that suit their unique needs. MSC’s Digital Readiness Assessment tool can help countries analyze their G2P (government-to-person) infrastructure.

The G2P users or beneficiaries should be able to choose their preferred payment system. The DBT system should also be transparent and accessible; that is, the recipients should be able to access or use funds conveniently, reliably, and at a low cost. Recipients should be able to get information -from the channel they prefer at any point in time. The system should address common consumer risks, such as unreliable network or service, complex user interfaces, and inadequate payment processes that force recipients to ask others for assistance and share personal information.

Most G2P payments in India are transferred directly into the bank account of beneficiaries through the DBT system. After that, beneficiaries can withdraw money from multiple cash-out points, such as banks, automated teller machines (ATMs), banking correspondents (BCs), or common service centers (CSCs). Alternately or additionally, they can use digital platforms to transact.

Since its inception in 2013, the Indian government cumulatively transferred USD 230 billion (INR 16.8 trillion⁵) to beneficiaries through DBT. Of this amount, 33% was transferred through six billion transactions in the previous financial year 2020-21. DBT has also proved financially valuable as the Government of India (GoI) could save a cumulative amount of USD 24.4 billion (INR 1.8 trillion) as of March, 2020 using this delivery channel. The savings were possible after the government removed duplicate beneficiaries, reduced the cost of transactions, and plugged leakages in the previous system of delivering cash benefits manually.

During the COVID-19 pandemic, the GoI used the DBT system to transfer USD 3.9 billion (INR 282 billion) to 318 million beneficiaries two weeks after announcing the PMGKY program. Overall, the GoI deposited USD 9.3 billion (INR 680 billion) in the bank accounts of over 420 million beneficiaries under PMGKY. This large-scale transfer showed the robust nature of the cash transfer system in India while ensuring timely, efficient, and convenient transfers during the pandemic.

However, despite the strength of the system, some DBT transactions failed. During the second quarter of 2020-21 (April to June), the government processed more than 830 million transactions, and 1.47% of these transactions failed. While this may be a small percentage, it meant that hundreds of thousands of beneficiaries did not receive their payments. Transaction failures occurred for various reasons during payment processing, including dormant or closed bank accounts, mismatch in bank details, inactive *Aadhaar*⁶ numbers, and lack of bank accounts mapped to *Aadhaar* numbers. These issues must be resolved to strengthen the cash transfer infrastructure in India.

⁵ Data accessed through DBT Portal on 22nd June 2021.

⁶ *Aadhaar* number is a 12-digit random number issued by the UIDAI (Unique Identification of India Authority) to the residents of India after satisfying the verification process laid down by UIDAI. Any individual, irrespective of age and gender, who is a resident of India, may voluntarily enroll to obtain an *Aadhaar* number.

The governments should also map density-based data on the number of DBT beneficiaries in an area against active cash-out points. This mapping will ensure the beneficiaries can access the last-mile payment infrastructure easily. This geographical analysis should be done at the sub-district level⁷ across India to identify areas that lack cash-out points.

After that, the government and financial institutions **should draw a roadmap to identify the areas with low access to touchpoints, high poverty, and higher numbers of beneficiaries. This roadmap will help to speed up the expansion of functional touchpoints that beneficiaries can access with ease.** Apart from the traditional banking channels, other players, such as payment banks, white-label BCs, and micro-ATMs, could be used.



Denial of services by bank officials

Pushendra, a respondent from Indore, struggled to access the PMGKY cash benefits. His wife received the PMJDY benefits in her bank account, so he asked her to withdraw the money from the bank. On the first day, she stood in the queue but was unable to get her money. The next day, bank officials asked her to fill some forms, which she could not fill correctly. The officials repeatedly asked her to fill the new form without offering to help. Finally, Pushendra visited the bank. The officials asked him to link his wife's *Aadhaar* with her bank account to access the money. He did that. After that, he was told to wait for a month. When he went back to the bank after a month, he was asked to link a mobile number to the bank account. When the officials asked him to wait, he got annoyed as he and his wife had to spend an entire day without work. He lost his temper and got into an argument at the bank, and then within four hours, he could withdraw the money. He was upset with his experience. He believes that the officials should assist poor people like him.

2

Governments should adopt a beneficiary-focused strategy for cash transfers that creates transparency and permits two-way interaction

Governments and relevant stakeholders should adopt a strategic approach to awareness, communication, and outreach (ACO) for G2P programs. This approach would create awareness of the program and avoid confusion during emergencies. In 2020, the ACO working group developed a six-step strategic communication approach (see Figure 1) for effective communication under social protection programs.⁸

The government could also use interactive voice response system (IVRS)-based methods or principles of orality to design digital and non-digital information campaigns on the programs.⁹ Such efforts would enhance awareness among the illiterate population.

Beneficiaries should be allowed to voice their feedback on the program and delivery of benefits in real-time so governments can adopt an iterative approach to the design and delivery of the program. An example of this is the effective feedback loop set up by the Andhra Pradesh government to deliver its welfare programs smoothly. It implemented a real-time governance framework that used technology. Every beneficiary receives a robocall each time the beneficiary accesses a service. The robocalls collect feedback on the delivery of services. The system automatically escalates issues to a manual system to register complaints, which must be resolved within a specified turnaround time. This escalation process makes the system accountable and increases transparency and beneficiary satisfaction.

⁷ A sub-district is an administrative division that is a subdivision of a district. A district in India is an administrative division of a state or union territory.

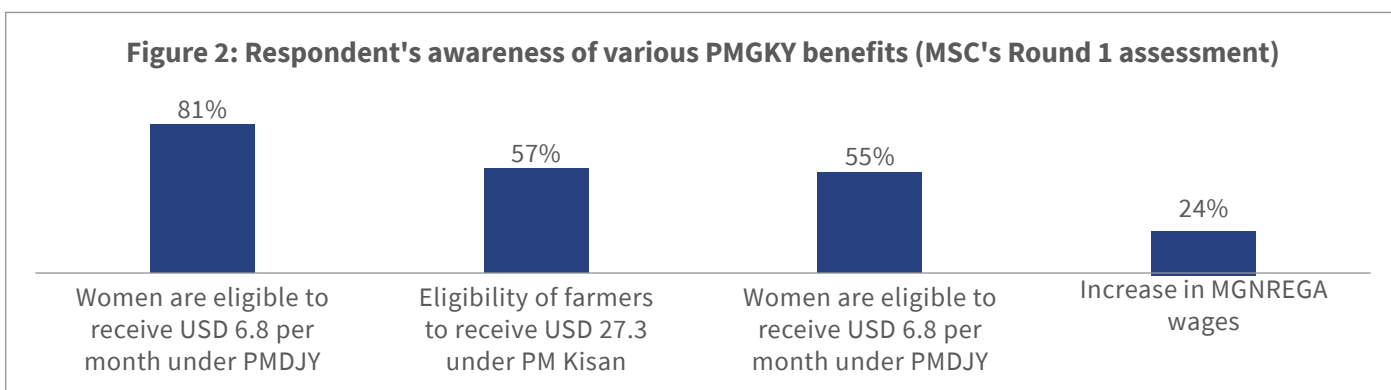
⁸ This approach is based on Well Made Strategy's framework for effective and efficient implementation of cash transfer benefits

⁹ "Orality" refers to the modes of thinking, speaking, and managing information in societies where most people are unfamiliar with technologies of literacy, especially writing and print. Orality encompasses not just speech but a wide range of modes for personal and collective information management that are preferred to text in oral cultures—from pictures, tallies, and cash, to apprenticeship, rituals, and songs.



Communication remains a weak link in the effective implementation of social protection programs. As per our Round 1 assessment, only 41% of the respondents knew of the benefits provided under PMGKY. Awareness levels on various PMGKY benefits

also differed (as illustrated in Figure 2). Most beneficiaries had only macro-level information about measures announced by the government. Only a tiny percentage of respondents knew details, such as eligibility requirements, benefit amount, and the timeline for receiving benefits.



Additionally, unclear messaging around some benefits under PMGKY confused beneficiaries. Some respondents heard that women who had an account under the *Pradhan Mantri Jan Dhan Yojana* (PMJDY¹⁰) would receive a monthly benefit of USD 6.8 (INR 500) for three months. Soon, people who did not have a PMJDY account rushed to the banks to open new PMJDY accounts in the hope of receiving such benefits. However, people did not know that the PMJDY benefits under PMGKY were exclusively for pre-existing PMJDY account holders.

cash benefits in their bank accounts. However, even if many beneficiaries receive an SMS from banks, they may not be able to read the contents because only 65% of the beneficiaries can read an SMS. Therefore, these respondents rely on their updated bank account passbooks or hear from their neighbors and friends about cash deposits in their accounts.

The source of information about cash receipts varies. More than 57% of respondents (Round 2) claimed they received an SMS from banks after receiving

Moreover, the announcement of the PMGKY program led people to crowds outside banks to check whether they had received a cash transfer. Unfortunately, the suspension of the passbook printing service at some bank branches confused people about the timing and amount credited to bank accounts. Beneficiaries often faced a situation when they received funds but did not understand under which program the benefit was credited.

¹⁰ PMJDY intends to provide universal access to banking facilities for every household in India.

3

In emergencies, topping up existing programs may prove more advantageous than introduce new ones. A dynamic database of social safety programs categorized by households and segments, such as occupation, gender, condition, and income levels should augment this process.

As seen in our study, the cash benefits under PMGKY were built under pre-existing or ongoing programs, using existing payments systems and databases, which helped deliver the benefits on time to more than 90% of the respondents. While many developing countries initiated cash transfer programs solely to respond to the pandemic, the cash benefits under PMGKY in India were mainly provided under existing or ongoing cash transfer programs.¹¹ The nature of these programs in India differed. Some were simple and others more complex. For instance, while pension beneficiaries received a one-time cash benefit, farmers received an advance payment under the existing income support program.

The *Pradhan Mantri Ujjwala Yojana* (PMUY) provides clean cooking fuel to poor households. Beneficiaries of the program, primarily women, received money under PMGKY to buy three cylinders of cooking gas, thus making the fuel free for the beneficiaries. However, this benefit was

conditional. The first installment, equivalent to the cost of one cooking gas cylinder, was transferred in advance to all PMUY beneficiaries. Installments for the purchase of the second and third gas cylinders were transferred only if the beneficiaries bought a gas cylinder with the earlier tranche of the advance money.



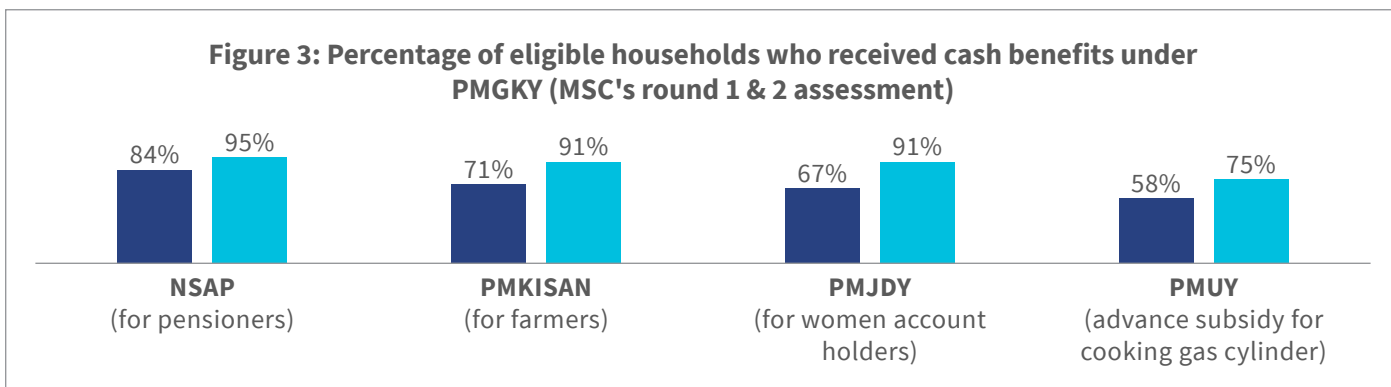
Confused between multiple benefits

Usha, a 40-year-old respondent from Bhopal, has a bank account under the PMJDY scheme. After the lockdown, she heard from her neighbors that the government was giving women USD 6.8 (INR 500). She reached out to a nearby BC point to inquire about her bank balance. Usha realized that her account had a balance of more than USD 41 (INR 3,000). She was completely unaware of the amount. She did not receive any SMS alert to inform her it had been credited. Usha withdrew the entire amount at once. She did not understand what benefits she had received as her bank had suspended passbook printing during the lockdown.

However, our study revealed that cash transfers under existing programs used the payment infrastructure to deliver efficient and timely benefits. Additionally, beneficiaries most often know when they receive the benefits or can withdraw money under existing programs. This knowledge stems from their familiarity with the design of the existing programs and ways to access benefits.

Figure 3 illustrates the receipt of cash benefits by respondents eligible for one or more programs under PMGKY, as per MSC's Round 1 and 2 assessments. In Round 2, the proportion of respondents who received benefits under programs increased to above 90%. Non-recipients mostly did not know about the benefits as they did not receive an SMS from their bank, or could not visit a cash-out point due to lockdown restrictions. While the government claimed that PMGKY cash transfers were largely successful, some respondents did not receive the benefits due to transaction failures.

¹¹ These programs in India cover beneficiaries across different groups, such as farmers, pensioners, and low-income households with cooking gas connections.



India has separate databases for existing social protection programs. Yet, the country lacks a single entitlement-based system that shows “who gets what” and “who should get what” at the individual or a household level. Outreach through existing programs during emergencies benefits those who have already registered. People who have not registered earlier or recently become vulnerable are excluded from the benefits due to non-registration. Hence, the government should develop a comprehensive, reliable, and up-to-date citizen database for efficient and inclusive cash transfer programs. A dynamic and inclusive database of households will enable such programs.

India already has several vital enablers in place to build a comprehensive social registry, such as *Aadhaar*, population-scale payment solutions, beneficiary data, and various cash transfer

programs. This registry would help the Indian government develop an information system that will support outreach, intake, registration, and identification of the eligibility of people or households for various G2P programs. This is essential, particularly during times of emergencies where the timing of cash transfers is critical.

Some countries extended benefits to vulnerable populations through their existing database during the pandemic. For instance, the Dominican Republic extended emergency support to about 70,000 informal workers registered in its social registry, while Brazil used its Cadastro Unico database to expand its cash support to at least 11 million vulnerable people. The use of existing programs, databases, and payment systems speeds up the response during emergencies. The World Bank’s assessment indicates that during emergencies, new programs struggle to identify and enroll beneficiaries, assess the needs and conditions of households, and establish effective digital payment infrastructure.

4 Governments should undertake measures to make the BC channel more effective to serve beneficiaries better

The GoI, state governments, and financial institutions should monitor the functioning and incentive structure regularly to maintain the efficiency of the delivery of services and provide adequate monetary incentives. Monitoring would address inadequate pay for BCs—a persistent problem of many years—thereby incentivizing them to effect last-mile delivery of payments better. Further, it should also help them in building trust with their customers to conduct more transactions.

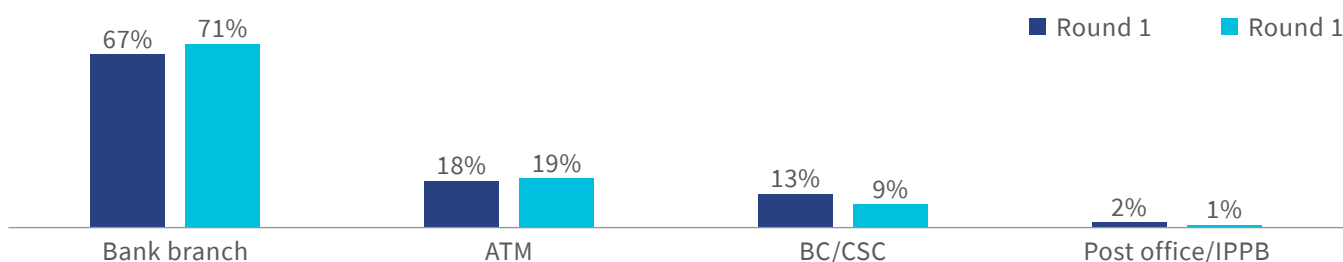
Governments should also allow BC agents to “white-label” their services to multiple banks, which means BCs can sell products from multiple banks to a customer. Permitting white-label BC agents would increase the role of BCs in bank credit, thereby utilizing their extensive reach and last-mile connectivity. However, this arrangement would require governments to regulate any unfair trade practices these BCs might engage in to earn extra commissions.

Our Round 1 assessment indicates that between April to May, 2020, among the 67% of respondent households that visited a cash-out point during the lockdown:

- 67% visited a bank branch;
- 18% visited an ATM;
- 13% visited a BC or CSC point;
- 2% visited a post office or India Post Payment Bank (IPPB¹²) outlet.

Respondents preferred bank branches for cash withdrawals because they trust banks over other available channels. This trust in banks persists despite customers’ costs while traveling to banks and the lengthy procedural hassles they encounter, such as completing cash withdrawal forms and waiting in long queues. In particular, technologically challenged respondents¹³ mentioned that they prefer to have their passbooks updated at the bank and wished to inquire about balances and withdrawals at the bank premises, even though BCs provide some of these services.

Figure 4: Cash-out point used by beneficiaries for their PMGKY cash benefit withdrawal (MSC's Round 1 & 2 assessment)



Additionally, the distance from the respondent’s residence to the bank branch did not deter them from visiting banks. According to MSC’s assessment, bank branches are on average 2.9 kilometers away from a respondent’s residence. This is farther than the average distance to all other access points. ATMs are 2.2 kilometers away, BCs or CSCs are 1.9 kilometers away, while post office or IPPB outlets are 1.8 kilometers away. Beneficiaries prefer going to banks despite the proximity of BC locations. Our previous studies across the Indian states of Jharkhand, Rajasthan, and Andhra Pradesh have also highlighted this preference. Beneficiaries continue to withdraw cash from banks, even though the banking infrastructure in the country remains stressed,¹⁴ particularly in rural and semi-urban areas.



¹² IPPB provides simple and efficient solutions by providing banking access to all its customers through its digital and mobile platforms. It uses a nationwide distribution network of the Department of Posts—one of the largest postal services in the world—to bring assisted banking services within the reach of every Indian, both rural and urban.

¹³ The only measure of this in our study was mobile literacy, which was measured through respondent’s ability to use various mobile (phone calls, SMS, etc.) and Internet banking channels. Only 6% of respondents could use internet banking, and 65% could read an SMS.

¹⁴ India has the highest number of commercial bank branches in the world. Interestingly, the number of bank branches in rural (34%) and urban (38%) areas is almost equal. The remaining bank branches are in semi-urban areas. However, as per population size, banks are far fewer in rural and semi-urban areas. This is because more than 80% of the Indian population lives in rural and semi-urban areas. The country has 18.7 bank branches per 100,000 adults in urban areas and just 7.8 branches per 100,000 adults in rural and semi-urban areas. Additionally, only 19% of the total 232,446 ATMs in the country were in rural areas in 2019.



A newly converted BC customer

Rani lives in a small village near Satna, Madhya Pradesh. She knew of banking agents who provide cash withdrawal facilities but had never visited one. She worried that the agent might use her fingerprints. Rani felt banks were the safest place to transact, especially for illiterate people like her. Recently, due to COVID-19 travel restrictions, Rani visited the bank agent to withdraw cash. She found agent services quite convenient and reliable. The visit has changed her perception regarding the operations and services that BC agents offer.

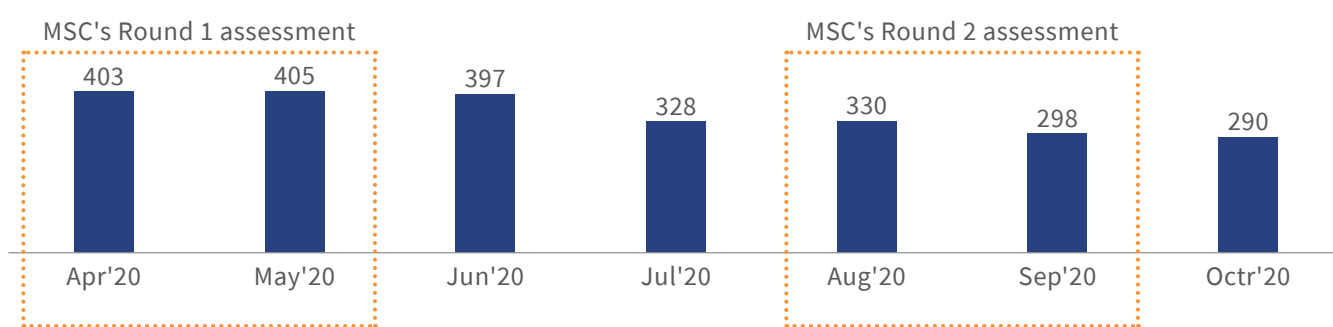
India has around 1.1 million BC outlets. People still hesitate to use this channel despite a robust agent network and improvements to the last-mile infrastructure. Reasons for this reluctance include lack of trust in BC agents, the additional hassles associated with cash withdrawal, such as cash shortages, overcharging, and denial of banking services—specifically withdrawals.

Our Round 1 assessment shows only 13% of respondents used the services of a BC agent to withdraw money during the lockdown. This number fell to 9% after the lockdown in the Round 2 assessment. This fall is because some beneficiaries tried to use the services of BC agents

due to restrictions on movement during the lockdown. However, they returned to banks as soon as the lockdown restrictions were lifted.

In addition, some beneficiaries who had used the services of a BC agent in Round 1 complained about unauthorized practices. BC agents charged beneficiaries an extra unauthorized amount of USD 0.13 – 0.27 (INR 10-20) for each transaction or up to 1% of the total withdrawal amount. Some even charged customers an unauthorized fee for basic operations like balance inquiries. The decrease in the usage of BCs is corroborated by the decline in Aadhaar-Enabled Payment System (AePS¹⁵) transactions after the lockdown was lifted in India (See Figure 5).

Figure 5: Decline in AePS transactions post lockdown (June onward) (in millions)



(Source: AePS 20-21 Product Statistics, NPCI)

Moreover, some beneficiaries did not use BC agents to withdraw funds since their bank accounts were not linked to their *Aadhaar*, which prevented them from using biometric-based transactions at BCs or CSCs. As of January, 2020, bank accounts of about

15% of Indian adults (160 million) were not linked to their *Aadhaar* number. Beneficiaries did not frequent BC agents as they did not know of BC interoperability. Many beneficiaries did not understand that they could visit almost any BC agent to withdraw cash.

¹⁵ AePS transactions are a bank-led model that allows online interoperable financial inclusion transactions at PoS (micro-ATMs) through the business correspondent of any bank using *Aadhaar* authentication.



Experience in using a Common Service Centre (CSC) to withdraw cash

Anil, a respondent who lives in Chhatarpur, a rural suburb of Delhi, prefers to use CSC to withdraw money. He does not receive SMS on receipt of any cash transfer, so he approaches a nearby CSC to seek this information. The center is a 5-10 min walking distance from his home. The total time taken to travel and withdraw money is nearly 30-35 minutes. Whereas the nearest bank branch is about 8-9 kilometers away. The bus ride to the bank costs USD 0.27 (INR 20) and takes 20 minutes. The total time taken to travel and withdraw money takes about two hours. Banks are generally crowded and no public transport was available during the lockdown, making it difficult for his aged parents to visit the bank. So now he prefers to access financial services at the CSC.

These centers generally charge a fee of USD 0.14 per USD 13.7 (INR 10 per INR 1,000) for withdrawal. In the recent months of the crisis, these CSCs have reduced their commission fee to USD 0.14 (INR 10) for every withdrawal of USD 68.4 (INR 5,000). Their charge for helping with information remains more or less the same meager USD 0.14 (INR 10). The respondent expresses his respect and affinity for these centers and seems to place a high degree of trust in them.

5

Governments should deliver cash benefits at the doorstep while ensuring correct targeting

Doorstep delivery of cash benefits has been instrumental in providing a safety net to those who cannot travel to access points. Such beneficiaries include the elderly, differently-abled, and those women customers constrained by safety concerns or regressive social norms. With this in mind, the state governments should incentivize and motivate BC agents to deliver money instead of becoming a channel for delivery through local government officials.

About 10% of respondents in Round 1 and about 6% in Round 2 received cash through a home delivery service. Cash was delivered through BC agents, village council officials, or mobile ATM vans. Interestingly, the state governments did 55% of all the home delivery of cash during the pandemic using village-level officials. For instance, in some regions in the state of Andhra Pradesh, pension payments were home delivered to senior citizens, the disabled, and widows. In the state of Kerala, the state government collaborated with post offices, bank agents, and village officials to enable doorstep delivery of cash to all Aadhaar-linked bank accounts.

As seen in Andhra Pradesh, local governments have largely succeeded with this model of

doorstep cash delivery. In a study conducted by MSC in Andhra Pradesh, 84% of the respondents preferred cash distributions through village officials rather than through a bank or BC-led delivery method. They cited easy and timely cash disbursements for their preference. With technology-enabled delivery and authentication infrastructure, state governments can deliver money to the beneficiaries without leakages. However, such a model of physical cash delivery defeats the purpose of financial inclusion and prevents beneficiaries from participating in the larger digital financial services (DFS) ecosystem.

This perceived shift in the way people prefer receiving their benefits demands further study, particularly in terms of the economics of the banking and CICO networks and their impact on service quality. This analysis will be pivotal to formulate policies on financial inclusion.

6 Governments should promote the use of digital payments

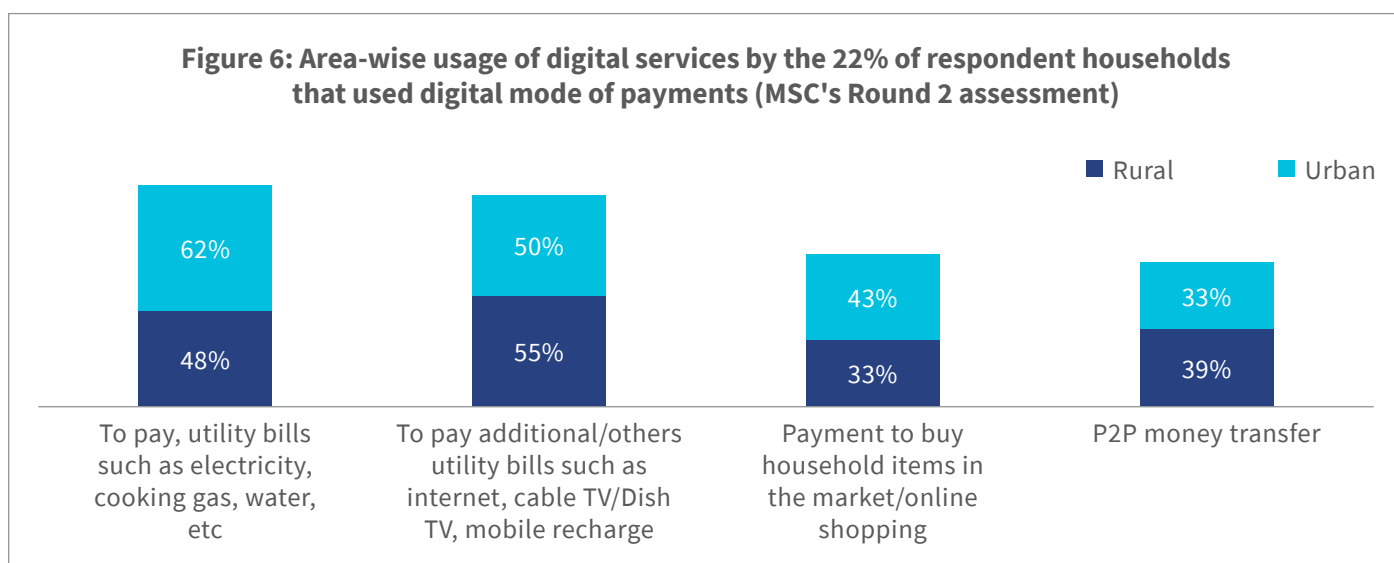
Governments should create an enabling environment and promote the use of the digital mode of payments. This environment would allow beneficiaries to use the benefit amount without visiting a withdrawal point, particularly during the pandemic, which would save them time and cost. The facility will help the beneficiaries who cannot travel to access points, particularly the elderly, differently abled, and women customers who are constrained due to safety concerns.

India has built a robust DBT system to transfer money directly into people’s bank accounts. However, people have different abilities and preferences as they access or withdraw their cash benefits. During India’s lockdown from March to May, 2020, only 77% of the respondents withdrew or accessed their PMGKY cash benefits. Of these, 67% went to a cash withdrawal point, while 10% received cash through a home delivery service.¹⁶ About 23% of respondents in Round 1 did not withdraw money during the lockdown. Of these, 62% could not visit a bank, an ATM, or a banking agent during the lockdown. In comparison, 18% had sufficient funds to manage their household expenses at that time.

However, with the easing of the travel restrictions after lockdown, about 93% of respondents

withdrew or accessed their cash benefits. A large number of beneficiaries continue to depend on physical cash-out points to withdraw their money.

Yet, the pandemic led to more households adopting digital modes of payment. Only 12% of households in our Round 1 assessment used digital platforms for day-to-day transactions and utility payments. The mobile payment applications Google Pay (58%) and Paytm (45%) emerged as the preferred platforms for digital transactions. The percentage of households that transacted digitally increased from 12% in Round 1 to 22% in Round 2. The households that used digital modes of payment used it to pay for utilities, such as electricity, water, cooking gas, mobile recharge, and cable network among others, purchasing household items from the market or online shopping, and P2P (person-to-person) transfers (in Figure 6).



¹⁶ Cash is delivered through mobile banking correspondents (BCs), village council officials, mobile ATM vans, or government officials.

Despite the rise of digital channels, most beneficiaries still struggle to adopt and use digital platforms. This difficulty results from their limited cognitive capabilities, low literacy levels, low incomes, and behavioral biases.¹⁷ Some respondents are suspicious of online modes or do not trust them despite having access to financial services infrastructure. They prefer analog physical channels.¹⁸ Moreover, 87% of those using digital channels are male—which highlights the gender divide in digital channels.

“ After I experience fraud with Google Pay, my trust in banks is reinforced. Even ATMs cannot be trusted. I have warned my friends too

- Abhijit, Clerk, Pune

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7 Governments should design a robust beneficiary-centric grievance resolution mechanism

The current DBT architecture lacks an effective mechanism for customers to resolve grievances. Beneficiaries and the personnel managing payments (at cash-out points) find it cumbersome to troubleshoot issues, such as non-receipt of funds, as multiple stakeholders and systems are involved. An interoperable smart DBT architecture should be developed to track the status of payments in real-time. Beneficiaries should have access to this system through multiple communication channels, such as mobile- or computer-based applications, SMS, IVR, WhatsApp. The smart DBT architecture should be automated to identify cases of transaction failure or delays. The implementing agency responsible for the transaction failure or delays should resolve the issues immediately and reprocess these transactions to avoid further delays.



No benefits as the PMJDY account had been closed

Encouraged by the news that Prime Minister Modi was sending money to PMJDY accounts held by women, Sunita went to the bank to enquire about hers. She had opened this zero balance account at the launch of the PMJDY program. The bank official informed her that the account had been closed as it had not been used. The bank official also said that nothing could be done about the situation.

When Sunita had opened her PMJDY account, she heard from people that if they deposited any money in this account, they would not receive any money from the government. So, she never deposited anything.

¹⁷ MSC's IPPB Diagnostic Study 2020: This is a qualitative and quantitative study conducted by MSC across 12 Indian states through telephonic interviews to gauge the effectiveness of digital payment channels and the supply- and demand-side challenges faced by the respondents.

¹⁸ MSC's IPPB diagnostic study 2020

Conclusion

Due to the pandemic, a sharp rise in the number of cash transfer programs in the past year reflects their crucial role in providing social security to marginalized populations. However, these programs lose their intended impact if beneficiaries cannot access their cash benefits quickly and easily. Poor communication strategy in the program design is a primary challenge that reduces the impact of these cash transfer programs.

A beneficiary-centric communication strategy for cash transfers should facilitate a two-way flow of information

and encourage continuous improvements based on beneficiary feedback. Such an approach would be ideal to ensure that the target segment knows about the programs and receives their benefits on time. Furthermore, the governments and relevant stakeholders should adopt and implement the recommendations above to target beneficiaries efficiently, remove inclusion and exclusion errors from the program design, and deliver benefits quickly.

About MSC's study

MSC conducted two rounds¹⁹ of demand-side research to gauge the effectiveness of PMGKY and support measures²⁰ announced by the Indian government using a mixed-method approach. [See this link for the research approach in detail.](#) We conducted the first round during the three-month lockdown in May, 2020 and the second after the lockdown²¹ in September, 2020. The study's objective was to assess various social protection interventions of the central and state governments during COVID-19 and suggest improvements to the programs.

We designed the research as a panel study with respondents selected using a multi-stage sampling approach from the BPL (below poverty line) database. The study is nationally representative and provides both national and state-level estimates for critical indicators.²² MSC covered beneficiaries who received benefits from at least one cash transfer program under PMGKY and benefited from the [Public Distribution System](#). The study covered a total sample²³ of 5,081 respondents in both rounds across 18 states and union territories. Both rounds (the panel) had 4,082 respondents in common.

This note is part of a series of publications from MSC's "Evaluation of the Indian government's response to COVID-19." The complete list of publications is as follows:

- 1 India's gender-responsive policies during COVID-19
- 2 A review of the effectiveness of India's Direct Benefit Transfer (DBT) system during COVID-19: Lessons for India and the world
- 3 Efficacy of India's food security response during COVID-19
- 4 Beyond the barriers of affordability: An analysis of India's cooking fuel support program under the COVID-19 assistance package
- 5 Efficacy of MGNREGA in mitigating the loss in income and unemployment caused by the COVID-19 pandemic

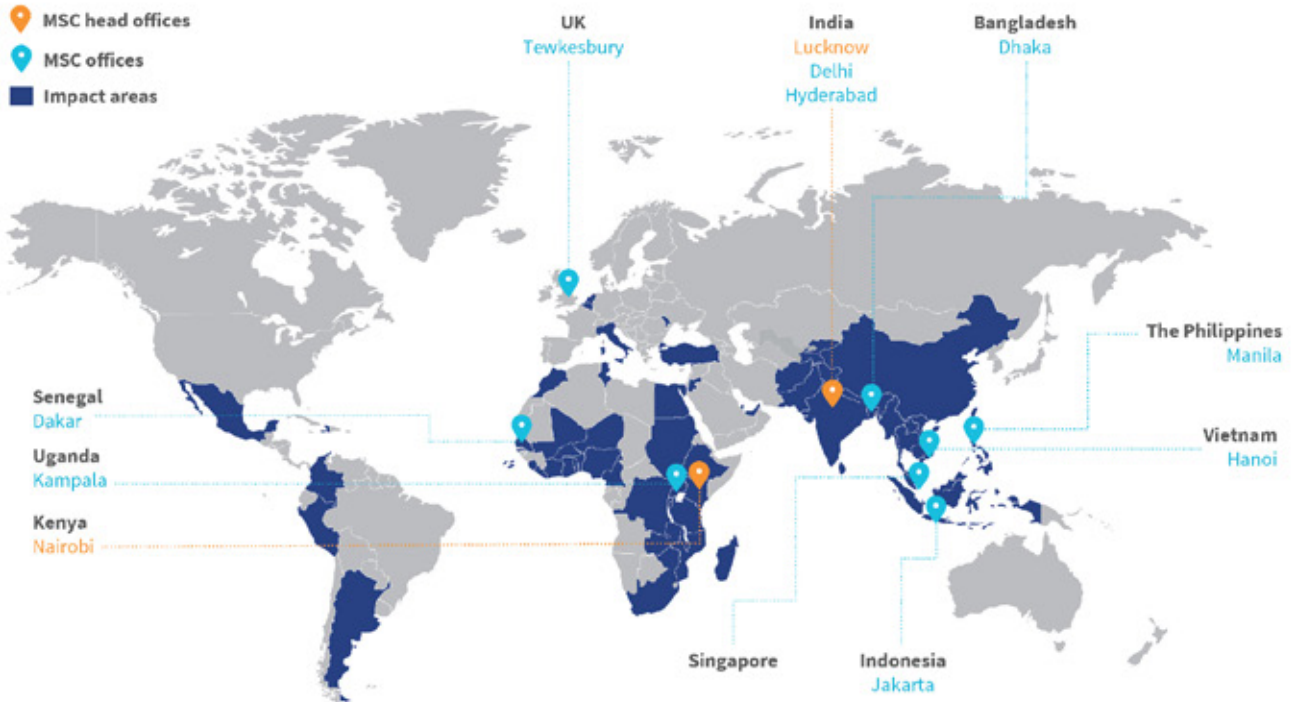
¹⁹ The first study was conducted in May, 2020 and the second in September, 2020.

²⁰ The [Public Distribution System](#), [Midday Meal program](#), [PM Ujjwala Yojana](#), [National Social Assistance Programme](#), [PM Kisan](#), [PM Jan Dhan Yojana](#), and [Mahatma Gandhi National Rural Employment Act](#)

²¹ India remained in lockdown from 24th March, 2020 to 31st May, 2020. The country started to relax restrictions from June, 2020, except those imposed in containment zones.

²² A sample size of 270 households was estimated for each state with a 95% confidence level and a 6% margin of error. The quantitative data was collected using Computer Aided Telephonic Interviews (CATI) system and MSC staff conducted the qualitative research over the telephone.

²³ In Round 2, some respondents could not participate in interviews while we could not reach others over the phone. This led to the attrition of 999 respondents between rounds 1 and 2. We replaced this missing sample with 999 new respondents with similar profiles to ensure we had the required sample size to provide state- and national level-point estimates.



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