

## Standard Operating Procedure (SOP) Modules for Direct Benefit Transfer (DBT)



DBT Mission Cabinet Secretariat

## DBT Mission Cabinet Secretariat

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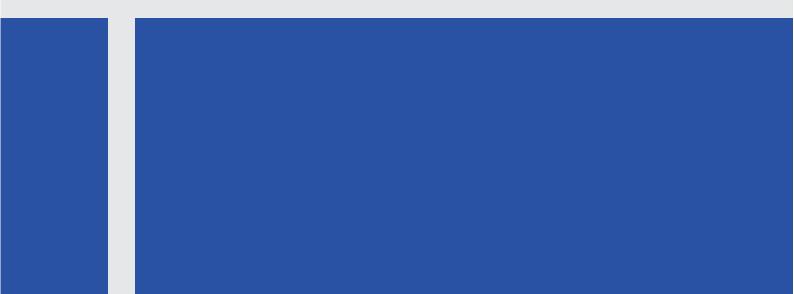
# List of Abbreviations

A/C - Account **APBS** - Aadhaar Payment Bridge System **ASHA** - Accredited Social Health Activist **BD** - Beneficiary Database **CAS** - Common Application Software **CBS** - Core Banking Solution CHC - Community Health Centre **DBT** - Direct Benefit Transfer **DHS** - District Health Society **DRD** - Department of Rural Development FMG - Financial Management Group **ICDS** - Integrated Child Development **Services IFD** - Integrated Finance Division **IFSC**- Indian Financial System Code **IT** – Information Technology JSY - Janani Suraksha Yojana MGNREGA - Mahatma Gandhi National Rural Employment **Guarantee Act MIS** - Management Information System **NACH** - National Automated Clearing House **NAEB** - National Afforestation and **Eco-development Board NAP** - National Afforestation Program **NGO** - Non Government Organisation **NHM** - National Health Mission NIC - National Informatics Centre

**NPCI** - National Payments **Corporation of India NSAP** - National Social Assistance Program **OMMAS** - Online Management, Monitoring and Accounting System PAHAL - Pratyaksh Hastantarit Labh **PAO** - Pay and Accounts Office PD - Program Division **PDS** - Public Distribution System **PFMS** - Public Financial Management System PHC - Primary Health Centre **PIP** - Program Implementation Plan **PIU** - Program Implementing Units PMGSY - Pradhan Mantri Gram Sadak Yojana Pr. AO - Principal Accounts Office **RGI** - Registrar General of India SC - Sub health Centre **SFDA** - State Forest Development Agency SFT - Secure File Transfer **SOP** - Standard Operating Procedure **SRRDA** - State Rural Roads **Development Agency** UC - Utilization Certificate **UIDAI** - Unique Identification Authority of India **ULB** - Urban Local Body **UT** - Union Territory



# 1. DBT Framework



Direct Benefit Transfer (DBT) framework has a multi-stakeholder architecture which capitalises on the competencies of various departments and institutions to deliver benefits to beneficiaries in a timely and effective manner. The figure below explains how different stakeholders work together to facilitate a holistic environment for successful implementation of DBT system.

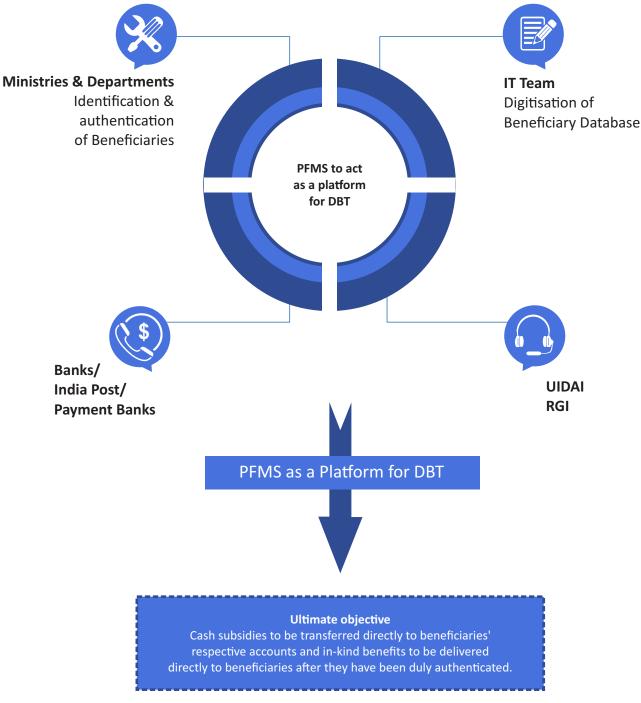


Fig.1 Stakeholders Involved in DBT Framework

#### **ROLES & RESPONSIBILITIES OF STAKEHOLDERS**

#### 1. Ministries/Departments

- · Creation of a DBT Cell to facilitate smooth transition of different schemes to DBT.
- . Examination of all schemes to identify specific schemes and/or their components which are suitable for DBT.
- · Identification and authentication of beneficiaries for respective schemes.
- $\cdot$  Maintenance of database containing scheme wise beneficiary details.
- · Seeding of *Aadhaar* into beneficiary database.
- · Creation of payment files for disbursements to end beneficiaries.

#### 2. IT Team of Ministry/Department

- · Digitization of verified beneficiary data
- · Creation and maintenance of real time MIS portal
- · Timely update and maintenance of data

#### 3. UIDAI/Registrar General of India

- · Ensure Aadhaar enrolment
- · Enable Bio- metric authentication to establish identity of individual

#### 4. PFMS

- Facilitate mapping of schemes to bank accounts of different stakeholders by Program Divisions involved in fund flow under various schemes.
- · Verification of bank account details of beneficiaries by maker/checker using PFMS platform.
- Processing of payment files to the sponsor bank of Ministry/ State Department/ Implementing Agency for disbursal of benefits:
  - a) For DBT payments by Ministry/Department- done by DDO/PAO of concerned Ministry/Department
  - b) For DBT payments by implementing agency- done by maker and payment authority of Implementing Agency
- Sharing final payment response with the concerned Ministry/State Department/Implementing Agency within the time limit as prescribed by banks.
- · Establishment of reverse feedback loop to Ministries/Departments.
- Issue automatic Utilization Certificates (UC) to the Ministries/Departments which have utilised their funds under a scheme.
- · Provide training and hand-holding support to user departments.
- Dissemination of information about payments to beneficiaries through SMS alerts based on reverse information on credit success from Banks.

#### 5. Banks/ Post Offices

- Opening of bank accounts/postal accounts/Jan Dhan accounts.
- Updating Beneficiary data (Updating bank account numbers and linking them with Aadhaar).
- Carrying out payments to beneficiaries' accounts within the prescribed time limits.
- Generating payment status response files with PFMS.
- Dissemination of payment information to beneficiaries through SMS alerts about credit/debit of the fund transfer under a scheme.



# 2. Classification of Government Schemes/Components



To facilitate better understanding of which scheme or component of scheme can be considered as DBT compliant, and to spearhead the transition process of schemes to DBT, the schemes/components can be classified into two broad categories based on the type of benefit given to the beneficiaries:

- Cash Transfer to Individual Beneficiary This category includes schemes or components of schemes wherein cash benefits are transferred by Government to individual beneficiaries. For example PAHAL, MGNREGA, NSAP etc. This transfer of cash benefits from Ministry/Department to beneficiaries happens through different routes as given below:
- a) directly to beneficiaries (from Consolidated Fund of India)
- b) through State Treasury Account to beneficiaries (from State Consolidated Fund)
- c) through any Implementing Agency (as appointed by Centre/State Governments) beneficiaries
- II) In-kind Transfer to Individual Beneficiary This category includes schemes or components of schemes where in-kind benefits are given by the Government to individuals through an intermediate agency. Typically, the Government or its agent incurs internal expenditure to procure goods for public distribution and to provide services for targeted beneficiaries. Individual beneficiaries receive these goods or services for free or at subsidised rates.

To cite an example, in Public Distribution System (PDS), Food Corporation of India (FCI) is the Government agent responsible for procurement, movement, storage and distribution of food grains to Fair Price shops. FCI issues the food grains at subsidised rates, as fixed by the Government. The rates so fixed do not cover the full economic cost incurred by the Corporation. The difference represents the consumer subsidy for the PDS, and is paid to the Corporation by the Government of India. Similarly, Government incurs internal expenditures for provision of in-kind subsidies on other products like kerosene, fertilisers, books, medicines, vaccines, etc.

#### **Other Transfers**

This category includes transfers made in the form of honorariums, incentives, etc. to community workers and NGOs, etc. who are the enablers of government schemes for successful implementation of the schemes. For example - ASHA workers under NHM, Aanganwadi workers under ICDS, teachers in Aided School, Sanitation staff in ULBs, etc. are not beneficiaries themselves but they are given wages, training, incentives, etc. for their service to the beneficiaries/community.



# 3. Standard Operating Processes (SOP) for DBT Schemes



The process of direct benefit transfer to beneficiaries comprises various sub processes at different levels in the overall structure. These sub processes include:

#### A.Preparatory Steps

- **B.Registration on PFMS**
- C.Creation of Beneficiary Database

#### D.Validation of Beneficiary Details (for SOP I and SOP III) / Distribution of in-kind benefits (for SOP II)

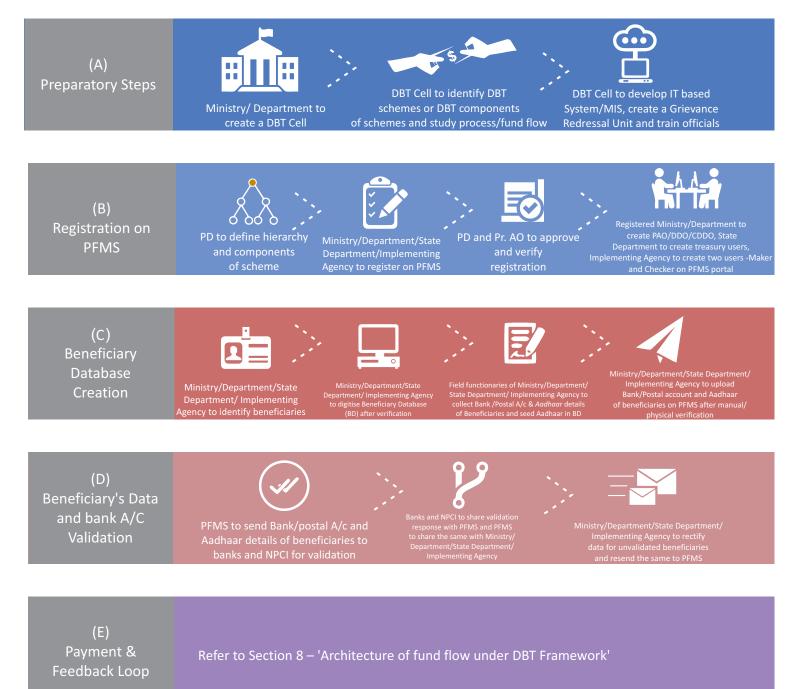
#### E.Payment and Feedback Loop

Sub processes A to D are enunciated for two scheme categories, namely Cash Transfer to Individual Beneficiary, In-Kind Transfer to Individual Beneficiary and Other Transfers/Processes within the program design in Sections 5, 6 and 7 respectively. The sub process 'Payment and Feedback Loop' listed at E is discussed elaborately in Section 8 titled 'Architecture of Fund Transfer Under the DBT Framework'. Section 8 is applicable only for SOP I and SOP III.

These sub processes are described with the help of a general process map below:

SOP I:

## CASH TRANSFER FROM GOVERNMENT TO INDIVIDUAL BENEFICIARY





 SOP I: Cash Transfers from Government to Individual Beneficiaries



## **A. Preparatory Steps**

1

3

Ministry/Department to create a DBT Cell

Each Ministry/Department will create a DBT Cell which will be headed by an officer not below the rank of Joint Secretary and comprise of officials handling the identified Schemes, officials from Integrated Financial Division (IFD), Officers from CCA/CA and IT experts (NIC).

Ministry/Department may consider outsourcing the IT solutions as per requirements.

DBT Cell to develop IT based System/ MIS, create a Grievance Redressal unit and train officials

DBT cell will develop an IT based System Utility/MIS for its schemes that will provide a coherent centralized workflow engine for field functionaries, officials and beneficiaries and enable report generation, dynamic update of data and daily tracking of progress. It should also be compatible with PFMS. The System Utility/MIS may be like NREGA-SOFT of Ministry of Rural Development which will capture data at process initiation points and provide an intuitive user interface in local Indian languages. Data once entered should be usable in all subsequent operations to reduce data duplication and re-entry at different stages. The system may be designed with functional modules to enable easy maintenance and provide space for all stake holders for their share of work. Thus, each Ministry/Department will have in place a comprehensive System Utility/MIS for effective monitoring, management and implementation of schemes. Process re-engineering may be undertaken to simplify procedures wherever necessary.

DBT cell will constitute a dedicated body to deal with complaints and grievances of beneficiaries in a fair and timely manner. The grievances may be pertaining to various issues like delays in receiving subsidy amount in the bank account of beneficiaries, incorrect or delayed feedback, incorrect set of entitlements received by the end beneficiary, etc. However, suitable grievance redressal mechanisms need to be established at different layers to address grievances pertaining to various stakeholders in the system.

DBT Cell will train all stakeholders including officials of States and UTs on usage of MIS.

DBT Cell may provide a user manual/guide and organise workshops/seminars.

DBT Cell to identify DBT schemes or DBT components of schemes and study process/ fund flow

#### **Responsibility of DBT Cell**

DBT cell will identify DBT schemes or DBT components of schemes and classify them in the following categories.

I) Cash Transfer from Government to Individual Beneficiary

ii) Transfer In-kind from Government to Individual Beneficiary

iii) Other Transfers/Processes

DBT Cell will study the existing process flow and fund flow under each scheme and reengineer the same wherever necessary.

## **B. Registration on PFMS**

## PD to define hierarchy and components of scheme

PD will define hierarchy and components of each scheme on Public Financial Management System (PFMS). This is a one-time activity to be carried out for each scheme to ensure monitoring of flow of funds. Components may need to be configured each year, if required. In case the hierarchy/components get changed for a particular scheme, it is required that the changes be incorporated for the next financial year in advance.

## PD and Pr. AO to approve and verify registration

PD will approve the registration by verifying the d e t a i l s f u r n i s h e d b y t h e M i n i s t r y / D e p a r t m e n t / S t a t e Department/Implementing agency at the time of registration. The bank account details will be verified using the PFMS-CBS interface.

After approval, PD will send a statement to Pr. AO via PAO acknowledging that it has verified the details, and the same may be accepted by Pr. AO. In case there are sub-agencies, the M i n i s t r y / D e p a r t m e n t / S t a t e Department/Implementing agency will register the sub-agency(ies) whose bank details will be approved post verification by the PFMS-CBS interface.

#### Ministry/Department/State Department/Implementing agency to register on PFMS

PD will register the concerned Ministry/ Department/State Department/ Implementing agency along with the details of the sponsor bank. Alternatively, the concerned Ministry/Department/State Department/Implementing agency can register itself through the link available on home page of PFMS. Integrity of data captured and veracity of bank accounts/IFSC codes, etc. need to be ensured.

Registered Ministry/Department to create PAO/DDO/CDDO, State Department to create treasury users, Implementing agency to create two users - Maker and Checker on PFMS portal

The registered Ministry/Department will create PAO/DDO/CDDO as users on the PFMS Platform. For State Department, treasury users will be created on PFMS. Implementing Agency will get a login ID and password from the Ministry/Department after its registration is approved on PFMS. The agency may create two users - Maker and Checker/Authoriser. Maker will be responsible for creating payment files for beneficiaries (e-Sanction) and Checker/Authoriser will verify the payment files. Checker/Authoriser will use PFMS platform for approval of payment file by providing digital signature. The Authoriser will enrol Digital Signature on PFMS and configure it. The Authoriser can also be the PAO or State Nodal Officer. It is imperative that the Integrated Finance Division (IFD)/ PAOs, etc. also process or settle payment files online.

## **C. Beneficiary Database Creation**

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Ministry/Department/State Department/ Implementing Agency to identify beneficiaries

Ministry/Department/State Department/ Implementing agency will identify beneficiaries for each scheme. State/UT officials or field functionaries will prepare beneficiary files as per prescribed parameters/format provided by Public Financial Management System (PFMS).

Field functionaries of Ministry/Department/State Department/ Implementing Agency to collect Bank/ Postal A/c & Aadhaar details of Beneficiaries and seed Aadhaar in BD

After digitisation of beneficiary database, trained State/UT officials or field functionaries will collect the bank/postal account details of the beneficiaries and seed them in the database as per the parameters/format prescribed by PFMS. They will also collect the *Aadhaar* details of beneficiaries and seed them in the database. One-time consent of the individual beneficiaries for use of their *Aadhaar* numbers may be obtained. **Integrity of data captured and veracity of bank accounts/IFSC codes,** *Aadhaar* **etc. need to be ensured.**  Ministry/Department/State Department/ Implementing Agency to digitise Beneficiary Database (BD) after verification

B a s e d on the beneficiary files, Ministry/Department will digitise BD using MIS which will have scheme-wise beneficiary details such as name, numbers, demographic details of beneficiaries, etc. The beneficiary details will be verified by concerned authorities (State Nodal Officer/ Institutions etc.). Digitisation of verified data may be carried out in the System Utility/MIS as per the prescribed e-Governance standards incorporated in NIC's Common Application Software (CAS) provided to States/UTs.

Ministry/Department/State Department/ Implementing Agency to upload Bank/Postal account and *Aadhaar* of beneficiaries on PFM

Ministry/Department/State Department/ Implementing Agency will send/upload the beneficiary files to/on PFMS for verification of Bank/Postal account details and *Aadhaar*. Obtaining meaningful data is essential to reduce the iteration for account validation.

## D. Beneficiary's Data and Bank A/C Validation

PFMS to send Bank/postal A/c and Aadhaar details of beneficiaries to banks and NPCI for validation

PFMS, through its automated processes, will send beneficiary files to banks/ India Posts for account validation and *Aadhaar* details to NPCI for verification of *Aadhaar*.

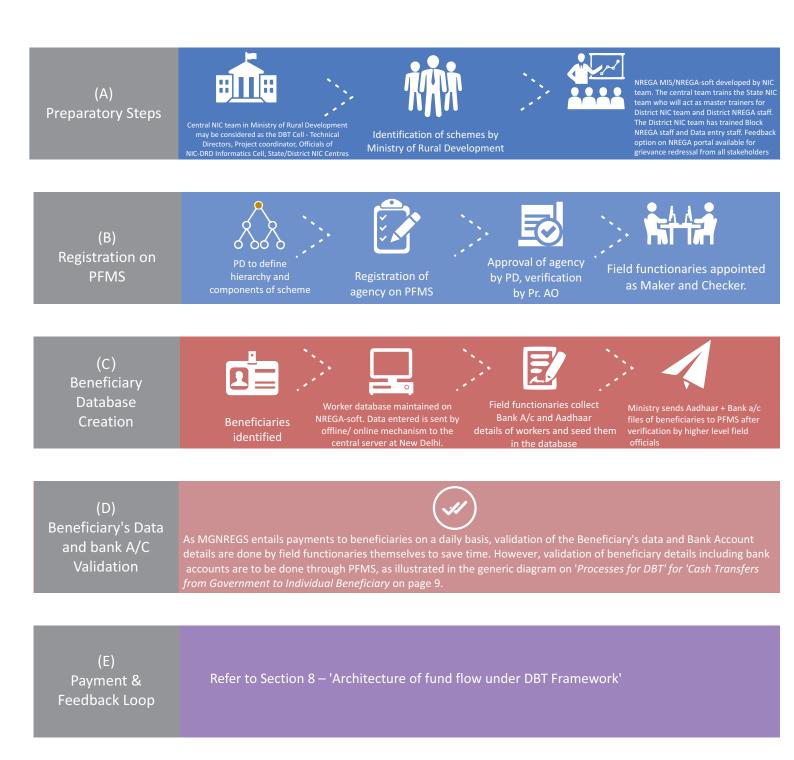
Ministry/ Department/ State Department/ Implementing Agency to rectify data for unvalidated beneficiaries and resend the same to PFMS

M i n i s t r y / D e p a r t m e n t / S t a t e Department/Implementing Agency will check the response files and rectify beneficiaries' data wherever required and send the rectified files to PFMS again. Several rounds of data pushing may occur till data is 100% correct. This will continue till data of all beneficiaries is accepted/ validated from Banks /NPCI. However, the M i n i s t r y / D e p a r t m e n t / S t a t e Department/Implementing Agency can still prepare payment files for partial list of validated beneficiaries. -2

Banks and NPCI to share validation response with PFMS

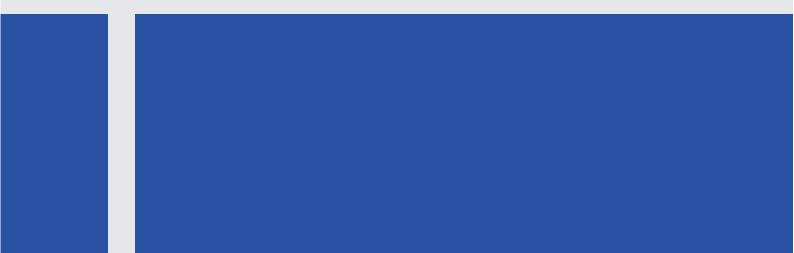
Banks and NPCI will share the validation responses for the beneficiary files with PFMS. These response files will contain information on account holder's name as per record. PFMS will send these response files for all beneficiaries (both for those whose details are validated and not validated) to Ministry/Department/State Department/Implementing Agency.

## An Illustrative Example of SOP I: MGNREGS, Ministry of Rural Development

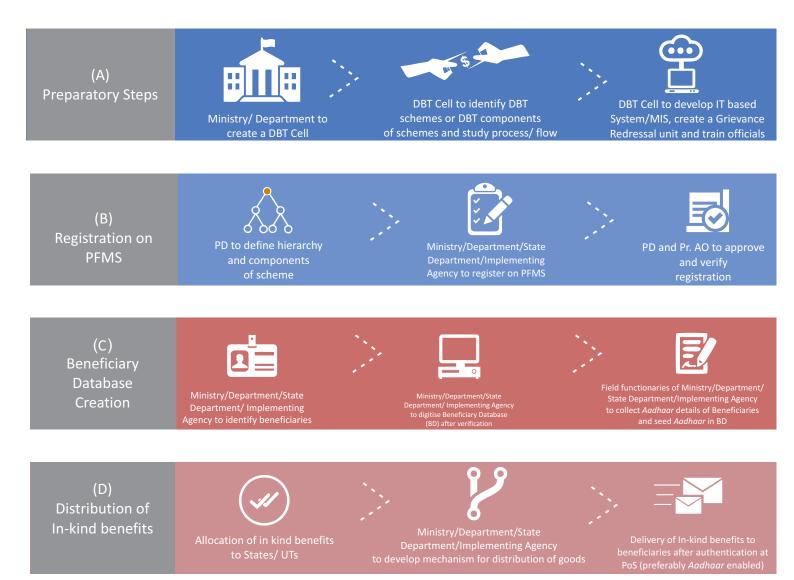




# 5. SOP II: In-Kind Transfers to Individual Beneficiaries



## SOP II: IN-KIND TRANSFER FROM GOVERNMENT TO INDIVIDUAL BENEFICIARY



## **A. Preparatory Steps**

3

Ministry/ Department to create a DBT Cell

Each Ministry/Department will create a DBT Cell which will be headed by an officer not below the rank of Joint Secretary, and will comprise officials handling the identified schemes, officials from Integrated Financial Division (IFD) and IT experts (NIC). Ministry/Department may consider outsourcing the IT solutions as per requirements.

DBT Cell to develop IT based System/ MIS, create a Grievance Redressal Unit and train officials

DBT cell will develop an IT based System Utility/MIS for its schemes that will provide a coherent centralized workflow engine for field functionaries, officials and beneficiaries and enable report generation, dynamic update of data and daily tracking of progress. It should also be compatible with PFMS. The System Utility/MIS may be like NREGA-SOFT of Ministry of Rural Development which will capture data at process initiation points and provide an intuitive user interface in local Indian languages. Data once entered should be usable in all subsequent operations to reduce data duplication and re-entry at different stages. The system may be designed with functional modules to enable easy maintenance and provide space for all stake holders for their share of work. Thus, each Ministry/Department will have in place a comprehensive System Utility/MIS for effective monitoring, management and implementation of schemes. Process reengineering may be undertaken to simplify procedures wherever necessary.

DBT cell will constitute a dedicated body to deal with complaints and grievances of beneficiaries in a fair and timely manner. The grievances may be pertaining to various issues like delays in receiving entitlements, incorrect or delayed feedback received by the end beneficiary, incorrect set of entitlements received by the end beneficiary, etc. However, suitable grievance redressal mechanisms need to be established at different layers to address grievances pertaining to various stakeholders in the system.

DBT Cell will train all stakeholders including officials of States and UTs on usage of MIS.

DBT Cell may provide a user manual/guide and organise workshops/seminars.

DBT Cell to identify DBT schemes or DBT components of schemes and study process/ fund flow

#### **Responsibility of DBT Cell**

DBT cell will identify DBT schemes or DBT components of schemes and classify them in the following categories.

- I) Cash Transfer from Government to Individual Beneficiary
- ii) In-kind transfer from Government to Individual Beneficiary
- iii) Other Transfers/Processes

DBT Cell will study the existing process flow and fund flow under each scheme and re-engineer the same wherever necessary.

## **B. Registration on PFMS**

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## PD to define hierarchy and components of scheme

PD will define hierarchy and components of each scheme on Public Financial Management System (PFMS). This is a onetime activity to be carried out for each scheme to monitor the flow of funds. Components may need to be configured each year, if required.

#### PD and Pr. AO to approve and verify registration

PD will approve the registration by verifying the details furnished by the Ministry/Department/State Department/Implementing Agency at the time of registration. Bank account details will be verified using the PFMS-CBS interface.

After approval, PD will send a statement to Pr. AO via PAO acknowledging that it has verified the details and the same may be accepted by Pr. AO. In case there are subagencies, Ministry/Department/State Department/Implementing Agency will register the sub-agency(ies) whose bank details will be approved post verification by PFMS-CBS interface.

#### Ministry/Department/State Department/Implementing Agency to register on PFMS

PD will register the concerned Ministry/ Department/State Department/ Implementing agency along with the details of the sponsor bank. Alternatively, the concerned Ministry/Department/ State Department/Implementing Agency can register itself through the link available on home page of PFMS. Integrity of data captured and veracity of bank accounts/IFSC codes, etc. need to be ensured.

## **C. Beneficiary Database Creation**

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#### Ministry/Department/State Department/ Implementing agency to identify beneficiaries

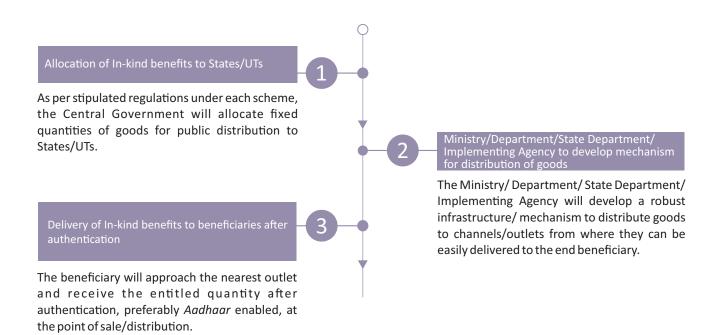
Ministry/Department/State Department/ Implementing Agency will identify beneficiaries for each scheme. State/UT officials or field functionaries will prepare beneficiary database in a standard format, as decided by the DBT Cell of the Ministry/Department.

Field functionaries of Ministry/Department/State Department/Implementing Agency to collect Aadhaar details of Beneficiaries and seed Aadhaar in BD

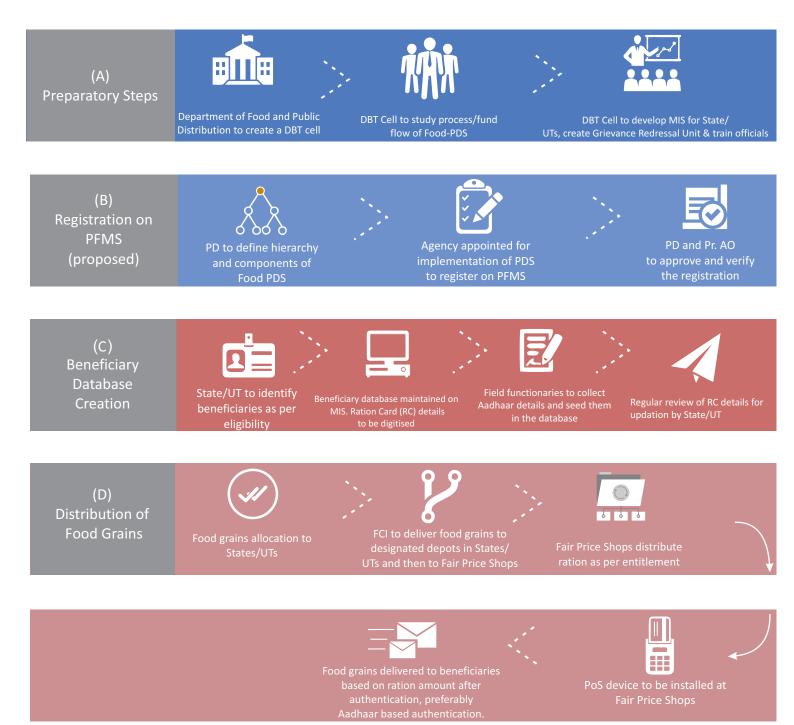
After digitisation of beneficiary database, trained State/UT officials or field functionaries will collect the *Aadhaar* details of beneficiaries and seed them in their bank accounts. One-time consent of the individual beneficiaries for use of their *Aadhaar* numbers may be obtained. **Integrity of data about beneficiaries including** *Aadhaar* need to be ensured. Ministry/Department/State Department/ Implementing Agency to digitise Beneficiary Database (BD) after verification

Based on the beneficiary files, Ministry/Department will digitise BD using MIS which will have Scheme-wise beneficiary details like name, numbers, demographic details of beneficiaries, etc. The beneficiary details will be verified by concerned authorities (State Nodal Officer/Institutions etc.). Digitisation of verified data may be carried out in the System Utility/MIS as per the prescribed e-Governance standards incorporated in NIC's Common Application Software (CAS) provided to States/UTs.

## **D. Distribution Of In-Kind Benefits**



An Illustrative Example of SOP II: Food PDS, Department of Food & Public Distribution

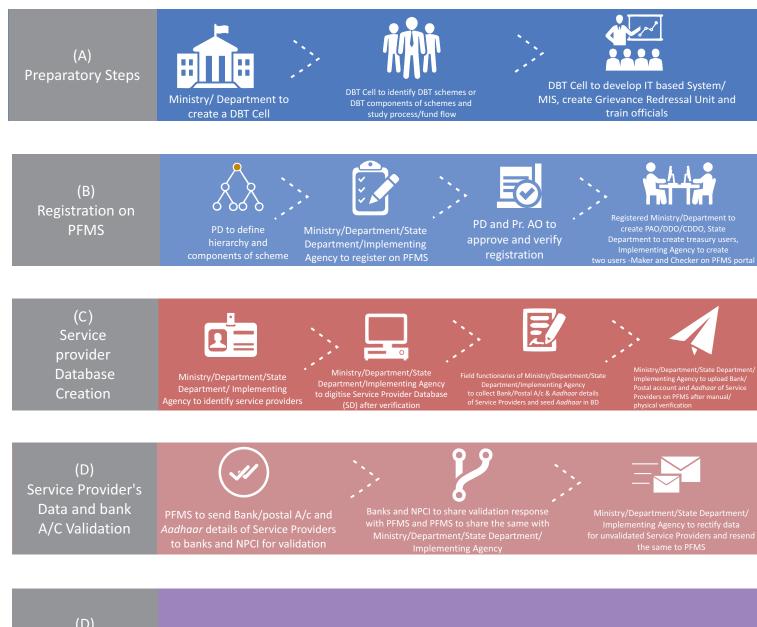




# 6. SOP III : Other Transfers



## SOP III: OTHER TRANSFERS



(D) Payment & Feedback Loop

Refer to Section 8 – 'Architecture of fund flow under DBT Framework'

## **A. Preparatory Steps**

1

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Ministry/Department may consider outsourcing the IT solutions as per requirements.

DBT Cell to develop IT based System/ MIS, create Grievance Redressal Unit and train officials

DBT cell will develop an IT based System Utility/MIS for its schemes that will provide a coherent centralized workflow engine for field functionaries, officials and beneficiaries and enable report generation, dynamic update of data and daily tracking of progress. It should also be compatible with PFMS. The System Utility/MIS may be like NREGA-SOFT of Ministry of Rural Development which will capture data at process initiation points and provide an intuitive user interface in local Indian languages. Data once entered should be usable in all subsequent operations to reduce data duplication and re-entry at different stages. The system may be designed with functional modules to enable easy maintenance and provide space for all stake holders for their share of work. Thus, each Ministry/Department will have in place a comprehensive System Utility/MIS for effective monitoring, management and implementation of schemes. Process re-engineering may be undertaken to simplify procedures wherever necessary.

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DBT Cell will train all stakeholders including officials of States and UTs on usage of MIS.

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ii) In-kind transfer from Government to Individual Beneficiary

iii) Other Transfers/Processes

DBT Cell will study the existing process flow and fund flow under each scheme and re-engineer the same wherever necessary.

## **B. Registration on PFMS**

## PD to define hierarchy and components of scheme

PD will define hierarchy and components of each scheme on Public Financial Management System (PFMS). This is a onetime activity to be carried out for each scheme to monitor the flow of funds. Components may need to be configured each year, if required.

## PD and Pr. AO to approve and verify registrat

PD will approve the registration by verifying the details furnished by the Ministry/Department/State Department/Implementing Agency at the time of registration. The bank account details will be verified using the PFMS-CBS interface.

After approval, PD will send a statement to Pr. AO via PAO acknowledging that it has verified the details and the same may be accepted by Pr. AO. In case there are subagencies, Ministry/Department/State Department/Implementing Agency will register the sub-agency(ies) whose bank details will be approved post verification by PFMS-CBS interface.

#### Ministry/Department/State Department/Implementing Agency to register on PFMS

PD will register the concerned Ministry/ Department/State Department/ Implementing agency along with the details of the sponsor bank. Alternatively, the concerned Ministry/Department/ State Department/Implementing Agency can register itself through the link available on the home page of PFMS website. Integrity of data captured and veracity of bank accounts/IFSC codes, etc. need to be ensured.

Registered Ministry/Department to create PAO/DDO/CDDO, State Department to create treasury users, Implementing Agency to create two users -Maker and Checker on PFMS portal

The registered Ministry/Department will create PAO/DDO/CDDO as users on PFMS Platform. For State Department, treasury users will be created on PFMS. Maker will be responsible for creating payment files for Service providers (e-Sanction) and Checker/Authoriser will verify the payment files. Checker/Authoriser will use PFMS platform for approval of payment file by providing digital signature. The Authoriser will enrol the Digital Signature on PFMS and configure it. The Authoriser can also be the PAO or State Nodal Officer. It is imperative that the Integrated Finance Division (IFD)/ PAOs, etc. also process or settle payment files online.

## **C. Service Provider Database Creation**

Ministry/Department/State Department/ Implementing Agency to identify beneficiaries

Ministry/Department/State Department/ Implementing Agency will identify beneficiaries for each scheme. State/UT officials or field functionaries will prepare beneficiary files as per prescribed parameters/format provided by Public Financial Management System (PFMS).

Field functionaries of Ministry/Department/State Department/ Implementing Agency to collect Bank/ Postal A/c & Aadhaar details of Beneficiaries and seed Aadhaar in BD

After digitisation of Service Provider database, trained State/UT officials or field functionaries will collect the bank/postal account details of the Service Providers and seed them in the database as per the parameters/format prescribed by PFMS. They will also collect the *Aadhaar* details of Service Providers and seed them in the database. Onetime consent of the individual beneficiaries for use of their *Aadhaar* numbers may be obtained. **Integrity of data captured and veracity of bank accounts/IFSC codes,** *Aadhaar* etc. need to be **ensured.**  Ministry/Department/State Department/ Implementing Agency to digitize Beneficiary Database (BD) after verification

Based on the beneficiary files, Ministry/Department will digitise BD using MIS which will have scheme-wise beneficiary details like name, numbers, demographic details of beneficiaries, etc. The beneficiary details will be verified by concerned authorities (State Nodal Officer/Institutions etc.). Digitisation of verified data may be carried out in the System Utility/MIS as per the prescribed e-Governance standards incorporated in NIC's Common Application Software (CAS) provided to States/UTs.

Ministry/Department/State Department/ Implementing Agency to upload Bank/Postal account and Aadhaar of beneficiaries on PFN

Ministry/Department/State Department/ Implementing Agency will send/upload the beneficiary files to/on PFMS for verification of Bank/Postal account details and *Aadhaar*. Obtaining meaningful data is essential to reduce the iteration for account validation.

## D. Service Provider's Data and Bank A/C Validation

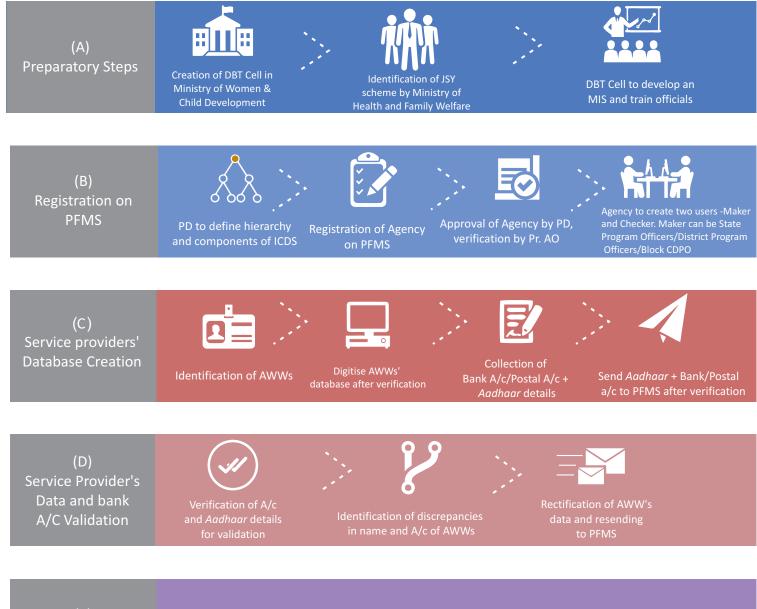
Department/Implementing Agency.

PFMS to send Bank/postal A/c and Aadhaar PFMS will send beneficiary files to banks/posts for account validation and Aadhaar details to NPCI for verification of Aadhaar. Banks and NPCI to share validation Banks and NPCI will share the validation responses for the beneficiary files with PFMS. 3 These response files will contain information on unvalidated beneficiaries and resend the account holder's name as per record. PFMS will send these response files for all beneficiaries Ministry/Department/State (both for those whose details are validated and Department/Implementing Agency will check not validated) to Ministry/Department/State the response files and rectify beneficiaries' data

wherever required and send the rectified files to PFMS again. Several rounds of data pushing may occur till data is 100% correct. This will continue till data of all beneficiaries is accepted/ validated from Banks /NPCI. Step D.1 repeats. However, the Ministry/Department/State Department/Implementing Agency can still prepare payment files for partial list of validated

beneficiaries.

An Illustrative Example of SOP III: ANGANWADI WORKERS (AWW)/ANGANWADI HELPERS INTEGRATED CHILD DEVELOPMENT SERVICES (ICDS) Ministry of Women and Child Development

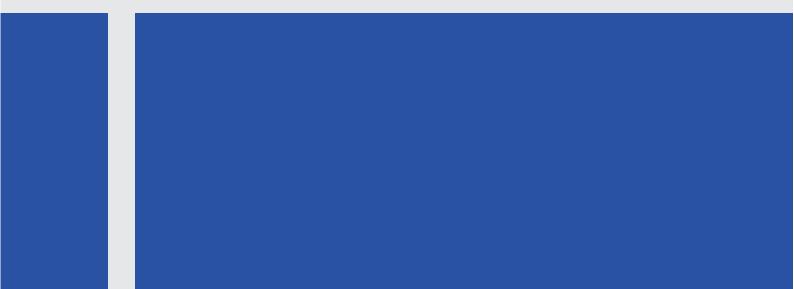


(E) Payment & Feedback Loop

Refer to Section 8 – 'Architecture of fund flow under DBT Framework'



# 7. Architecture of Fund Transfer Under the DBT Framework



Almost all schemes of the Government of India involve transfer of benefits, in either cash or kind to the identified beneficiaries. This necessitates the flow of funds from a parent Ministry/Department to the beneficiaries through different routes. A structured and well- defined fund transfer mechanism is thus, important to ensure not only the successful implementation of schemes on the DBT platform, but also compliance with accounting requirements.

The previous sections 5, 6 and 7 focussed on the DBT processes to be established. This section explains the fund flow mechanism to be followed under DBT. It is to be observed that this fund flow mechanism is particularly applicable to schemes involving Cash Transfers to Individual Beneficiaries (SOP I) and Other Transfers to enablers of Government schemes (SOP III). With regard to In-Kind Transfers (SOP II), the Ministry/Department must ensure that fund transfers, if any, at various levels are captured on the PFMS platform, while disbursement of In-kind benefits to beneficiaries is done post authentication, which preferably should be *Aadhaar* enabled.

In general, there are three different routes through which fund transfers can take place under various schemes, viz.

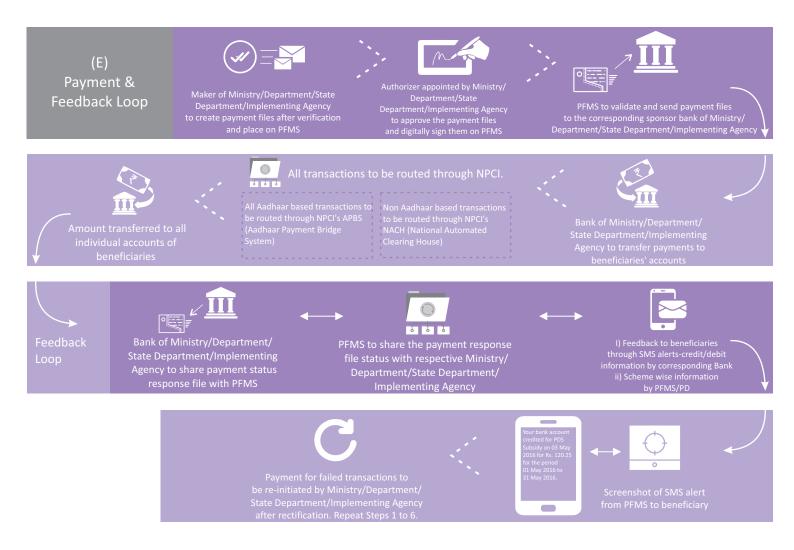
I. Fund transfer from parent Ministry/Department to the accounts of beneficiaries directly e.g. MGNREGS, scholarships by different Ministries/Departments.

ii. Fund transfer through State Treasury Account to beneficiaries, for e.g. old age pension in UP.

iii. Fund transfer through any implementing agency (as appointed by Centre/State Governments) to beneficiaries. For e.g. Schemes of the D/o Sports through SAI, Scholarships of the D/o Higher Education through UGC. Implementing agencies may also include Special Purpose Vehicles (SPVs) created by Ministries/Departments for disbursement of benefits (in cash or kind) to intended beneficiaries.

The architecture of fund flow process under the DBT framework is illustrated in the diagram below followed by a detailed description of each step.

## ARCHITECTURE OF FUND TRANSFER UNDER THE DBT FRAMEWORK



## **E. PAYMENT & FEEDBACK LOOP**

6b

6c

Maker of Ministry/Department/ State Department/Implementing Agency to create payment files after verification and send to PFMS

Maker appointed by Ministry/Department/State Department/Implementing Agency will create payment files on PFMS for beneficiaries and send them to Checker using PFMS with or without digital signature. The payment files will be processed in multiple batches.

PFMS to validate and send payment files to the corresponding sponsor bank of Ministry/Department/State Department/ Implementing Agency

Once approved and digitally signed by the Authoriser, the payment files will be sent by PFMS through an automated process to the corresponding sponsor bank of M i n i s t r y / D e p a r t m e n t / S t a t e Department/Implementing Agency.

## All transactions to be routed through NPCI

The sponsor bank will route all transactions through NPCI. All *Aadhaar* based transactions will be routed through *Aadhaar* Payment Bridge System (APBS) of NPCI and all non-*Aadhaar* based transactions will be routed through National Automated Clearing House (NACH) of NPCI. On-us and off-us transaction charges laid down by NPCI will be accounted for. An On-us (intrabank) transaction is one where an *Aadhaar* initiated transaction has effects only in accounts within one and the same Bank and does not necessitate an interbank settlement. An Off-us (interbank) transaction is one where there is movement of funds from one Bank to another necessitating an interbank settlement.

# Payment for failed transactions to be re-initiated by after rectification. Steps 1 to 6 repeat.

Payment for failed transactions will be re-initiated by the Ministry/Department/State Department/Implementing Agency after carrying out the required modification / rectification. The whole process from Steps 1 to 6 will be repeated. The above mentioned Steps 1 to 6 can be further elucidated for each of the three routes of fund transfer, the details of which are explained below.

i)Directly from Ministry/Department to beneficiaries- Under this channel of disbursement, funds would be transferred directly to the bank/postal accounts of beneficiaries from the Ministry/Department and there shall be no intermediary accounts. The funds will be maintained at the Central level.

## Authoriser to approve the payment files and digitally sign them on PFMS

Authoriser will verify and approve the payment files by digitally signing either through Ministry Portal interfaced with PFMS or or directly on PFMS. In case of any error or inaccuracy in the payment files, the Authoriser will reject the entire payment file (batch) by citing the appropriate reason from the drop down list of reasons for rejection. There can be multiple Authorisers for approval of payment.

Bank of Ministry/ Department/ State Department/Implementing Agency to transfer payments to beneficiaries' accounts

Amount will be debited from the sponsor bank of Ministry/Department and beneficiaries' bank accounts will be credited through the appropriate payment bridges.

Bank of Ministry/Department/State Department/Implementing Agency to share payment status response file with PFMS

Through an automated process, the sponsor bank of Ministry/ Department/ State Department/ Implementing Agency will share the payment status response files with PFMS.

PFMS to share the payment response file status with respective Ministry/ Department/ State Department/ Implementing Agency

PFMS will then share the payment status response files with Ministry/ Department/ State Department/Implementing Agency. These response files will contain the details of successful and failed transactions along with reasons for the failure. This information on payment status will also be readily available in PFMS reports on DBT.

I) Feedback to beneficiaries through SMS alerts-credit/debit information by corresponding Bank ii) Scheme wise information by PFMS/PD

Establishment of feedback loop has to be an integral part of the IT platform. Feedback will be given to the beneficiaries through SMS alerts regarding transaction by corresponding bank. Scheme wise payment amount details will be intimated to beneficiaries by PFMS/Program Division through SMS. Reverse information loop on failed/successful transactions will be important for generating electronic Utilization C e r ti fi c a t e s (U C s) / a c c o u n ti n g purpose/information loop to beneficiaries, etc.

#### An illustrative example: NeFMS project under MGNREGS

National Electronic Fund Management System (NeFMS) is a pilot project launched by the Central government on 01.04.2016. This has been implemented in 11 states, namely Assam, Bihar, Haryana, Karnataka, Kerala, Odisha, Punjab, Rajasthan, Tripura, Uttarakhand and Uttar Pradesh for direct and faster disbursal of wages (excluding material component and administrative component) under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). The expenditure on wage component is debited to the Major Head of Account 2505 – Rural Employment while the expenditure on material cost and administrative component are debitable to the Head of Account 3601 - Grants-in-aid to State Govt. (Major Head). The fund flow process under N-eFMS takes place as follows:

- Department of Rural Development sends Fund Transfer Orders (FTOs) for wage component to PFMS daily.
- PFMS sends the FTOs to respective Bank/India Post Accounts.
- Banks/India Posts will send response files to PFMS.
- These response files will be subsequently shared with the Department.
- Payment for validated beneficiaries will be transferred directly into the accounts of the beneficiaries.
- Payment for failed transactions will be re-initiated.

## FUND FLOW VIA MINISTRY/DEPARTMENT

	DESIRED FUND FLOW PROCESS	Illustrative example- NeFMS project (MGNREGS)
otep 01	Maker appointed by Ministry/ Department to create payment files after verification and place them on PFMS	Under N-eFMS, the Department of Rural Development ( DoRD) creates Fund Transfer Orders (FTOs) i.e. payment files for wage component and sends them to PFMS daily
step <b>02</b>	Authoriser appointed by Ministry/ Department to approve the payment files and digitally sign them on PFMS	PFMS validates the NREGA workers' details with the respective Banks/Postal Accounts, shares the same with DoRD which is approved and digitally signed by the Authoriser. Validation of a new beneficiary bank account for a scheme is a one-time activity
step 03	PFMS to validate and send payment files to the sponsor bank of Ministry/ Department	Sending of payment file by PFMS to sponsor bank of DoRD
step <b>04</b>	Sponsor Bank to transfer payment to beneficiaries' accounts	Transfer of amount by sponsor bank of DoRD into NREGA workers' accounts
step 05	Sponsor bank to route all transactions through NPCI. All Aadhaar based transactions to be routed through APBS and all Non Aadhaar based transactions to be routed through NACH	Sharing of payment status response (success/failure back to PFMS server) file by sponsor bank of Ministry/Department with PFMS
step <b>06</b>	Sponsor bank to share payment status response file with PFMS. PFMS to share the response files with Ministry/Department i.Feedback to beneficiaries through SMS alerts-credit/debit information by beneficiary's bank ii. Scheme wise information by PFMS/PD	Payment for failed transactions to be re-initiated by Ministry after rectification
step <b>07</b>	Payment for failed transactions to be re-initiated by Ministry/ Department after rectification and repeat Steps 1 to 6.	

#### ii) Through State Treasury Account

Under this channel of disbursement, funds from the Central Government will be transferred to beneficiaries' accounts through the State Treasury Account. This route is generally adopted in Centrally Sponsored Schemes which are largely funded by the Central Government with a defined share of State Government. After receipt of Central share in the State Consolidated Fund and matching State share, funds are transferred to Districts/Panchayats from the State Consolidated Fund and then to the beneficiaries. However, it may also be possible that the State may use an electronic Fund Management System of its own for payments in which case the funds will be transferred from the State Consolidated Fund directly into the beneficiaries' accounts.

#### Illustrative Example: Indira Gandhi National Old Age Pension Scheme in Uttar Pradesh

The Indira Gandhi National Old Age Pension Scheme (IGNOAPS) is a non-contributory old age pension scheme that covers Indians who are 60 years and above and live below the poverty line. The pension scheme is part of the National Social Assistance Programme (NSAP) that was launched by the Ministry of Rural Development in August, 1995.

Presently, on the basis of Socio-Economic Caste Census (SECC) data, funds are allocated to the States / Uts.

Funds for IGNOAPS are released to the Consolidated Fund of the State Government of U.P. After receiving the share from the centre, the state withholds its share and transfers the fund to individual beneficiaries from the State treasury. The detailed fund flow is explained henceforth.

The fund flow from the Ministry to the State treasury and from the State treasury to the end beneficiary is mapped entirely to the centralized PFMS. The bank/postal account details of the end beneficiaries are sent to PFMS for validation of bank accounts.

The payment files are electronically generated by the Department of Rural Development of the State government and placed on PFMS for payment. The payment file is then digitally authorised by the concerned finance officer and nodal officer of the State department. Finally, this file is sent to the State Treasury, where the payment file is verified and based on availability of funds under the appropriate head to which the old age pension corresponds, funds are released directly into the account of the beneficiary through PFMS.

## FUND FLOW VIA STATE TREASURY

	DESIRED FUND FLOW PROCESS	Illustrative example- IGNOAPS in U.P*
STEP 01	Maker appointed by State Department to create payment files after verification and place on PFMS	Department of Rural Development, U.P (U.P DoRD), electronically generates payment files. The payment files are sent to be placed on PFMS
step 02	Authoriser appointed by State Department to approve the payment files and digitally sign them on PFMS	PFMS sends e-files to banks for validation. Verified files are sent to the concerned finance officer and nodal officer of U.P, DoRD for digital authorisation
step 03	PFMS to validate and send payment files to the sponsor bank of State Department	State Treasury of U.P receives payment files from the department via PFMS and digitally signs the payment files
STEP	Sponsor Bank to transfer payment	On receiving payment files, sponsor bank of State Department of U.P will
04	to beneficiaries' accounts	initiate payments to beneficiaries' accounts
ostep 05	Sponsor bank to route all transactions through NPCI. All Aadhaar based transactions to be routed through APBS and all Non Aadhaar based transactions to be routed through NACH	Sharing of payment status response file by sponsor bank of State treasury of U.P with PFMS
STEP	Sponsor bank to share payment status response file with PFMS. PFMS to share the response	Payment for failed transactions to be
06	files with Ministry/Department. i. Feedback to beneficiaries through SMS alerts-credit/ debit information by beneficiary's bank ii. Scheme wise information by PFMS/PD	re-initiated by State Treasury of U.P. after rectification
отер 07	Payment for failed transactions to be re-initiated by Ministry/ Department after rectification and repeat Steps 1 to 6	

#### iii) Fund Transfer through Implementing Agency

Under this channel of disbursement, funds will be transferred by Ministry/Department to an identified implementing agency as nominated by Ministry/Department as per the budget allocated to such implementing agencies. These implementing agencies will be responsible for further transfer of funds to banks/postal accounts of the identified beneficiaries.

#### Example:- UGC as an implementing agency for various scholarship/fellowship schemes

UGC is an implementing agency for various government schemes relating to scholarship programs. The fund flow mechanism is as under:

- UGC receives the amount of funds allocated for scholarships under the department's budget.
- UGC identifies the beneficiaries/scholarship holders. The list of such identified beneficiaries is uploaded on the web portal maintained by UGC.
- After validation of beneficiary list by PFMS, payment files are generated by the UGC's sponsor bank.
- These payment files are digitally signed by authoriser appointed by UGC and then sent to PFMS through the UGC portal.
- The sponsor bank, on the receipt of payment files from PFMS, initiates the process of fund transfer.
- Payment status response file of the fund transfer is shared by the sponsor bank with PFMS which in turn shares the same with UGC.
- Payment for failed transactions to be re-initiated by UGC after rectification.

## FUND FLOW VIA IMPLEMENTING AGENCY

	DESIRED FUND FLOW PROCESS	Illustrative example- UGC Scholarship Schemes*
otep 01	Maker appointed by State Department to create payment files after verification and place on PFMS	UGC, the Implementing Agency electronically generates payment files which are then placed on PFMS
step <b>02</b>	Authoriser appointed by State Department to approve the payment files and digitally sign them on PFMS	Authorising officer of UGC to approve the payment files and digitally sign them on PFMS
step 03	PFMS sends validated payment files to the sponsor bank of Implementing Agency	PFMS to send validated payment files to sponsor bank of UGC
step <b>04</b>	Sponsor Bank of Implementing Agency to transfer payment to beneficiaries' accounts	Sponsor Bank transfers scholarship amounts to scholarship holders' accounts
step 05	Sponsor bank to route all transactions through NPCI. All Aadhaar based transactions to be routed through APBS and all Non Aadhaar based transactions to be routed through NACH	Sponsor Bank shares payment status response files with PFMS. PFMS shares the same with UGC
step <b>06</b>	Sponsor bank to share payment status response file with PFMS. PFMS to share the response file with Ministry/Department. i. Feedback to beneficiaries through SMS alerts-credit/ debit information by beneficiary's bank ii. Scheme wise information by PFMS/PD	Payment for failed transactions to be re-initiated by UGC after rectification
<sup>STEP</sup>	Payment for failed transactions to be re-initiated by Ministry/ Department after rectification and repeat Steps 1 to 6	



The banking and postal networks in the country have a pivotal role to play in the successful implementation of schemes on the DBT platform. The banks and post offices not only provide financial facilities in terms of bank/postal accounts to the beneficiaries of schemes, but also bear the responsibility of ensuring last mile connectivity and accessibility to benefits provided in the bank accounts of beneficiaries. They are thus required to devote additional resources in terms of financial, physical and human resources for this purpose.

To ensure an adequate incentive mechanism for the financial intermediaries, the Ministry of Finance has issued a **Government Order (No. 32(07) /PF-II /2011- Vol. II) dated 26.02.2016** stipulating transaction charges/cash out incentives for DBT transactions carried out by banks and post offices. As per the Government Order, this commission is paid in two parts, as described below:

### i) Transaction charges

A transaction cost of Rs. 0.50/- would be payable for every transaction that happens between the sponsor banks, destination entities and NPCI in accordance with the extant NPCI circular.

### ii) Cash out incentives

For MGNREGA, Maternity Benefits (ICDS) and Pension Schemes, a fixed component of Rs. 5/- per transaction and an available component of Rs. 0.50/- per Rs. 100 (transaction amount rounded up to the next hundred) subject to a maximum of Rs. 5/- would be payable. This incentive is provided to promote last mile delivery of financial services.

These transaction charges are however subject to changes in future as per requirements.