

# Direct Benefits Transfer through Aadhar : Projected Benefits Estimation

**A**CCORDING TO a study by National Institute of Public Finance and Policy (NIPFP) substantial benefits would accrue to the government by integrating Aadhaar with schemes such as PDS, MNREGS, fertilizer and LPG subsidies, as well as housing, education and health programmes. The benefits arise from the reduction in leakages that occur due to identification and authentication issues. The paper uses the available information for government schemes such as PDS and MNREGS, where the literature has estimated some leakages and uses the learning from the study to make some assumptions for a few other schemes for which similar studies are scarce.

The study estimates the leakages due to identification and authentication errors, i.e. the existence of duplicates and “ghost” beneficiaries. Any reduction in leakages is considered a benefit, because the money can then be utilized for its real purpose, i.e., for the targeted beneficiaries, or if the reduction in leakages

leads to a reduction in the overall government expenditure required for the respective scheme, it is a benefit because the money can then be utilized in other programs.

## Public Distribution System (PDS)

The PDS system is envisaged to provide food to 65 million households. Studies report large leakages and diversions of subsidised food grains. According to reports almost 58 percent of the subsidised food grains issued does not reach targeted beneficiaries. One of the reasons for this loss has been identification errors in the PDS delivery system. These identification errors may be due to many reasons. For example, beneficiaries may be non-existent (“ghost”), or may be duplicates, i.e., have obtained multiple identities for the purpose of obtaining subsidies. This study relies on the conclusions drawn by the study conducted by the Planning Commission in 2005 concerning the PDS. It estimated that diversion of subsidised grains to non-existent (“ghost”) beneficiaries at 16.67 percent. It is assumed that utilising Aadhaar in PDS can

help in combating this component only.

The estimate is adjusted downwards by 25 percent to account for improvements in the system that may have taken place since the report was published. Thus, the benefit through reduction in leakages assumed is 12.5 percent of the subsidy.

According to official data the total food subsidy for the year 2010-11 was Rs.58,500 crore. The value is adjusted downwards by 30 percent to account for subsidies in the form of back-end costs, which are not consumer subsidies, for which exact data is not available.

The expenditure on kerosene subsidies in 2010-11 was around Rs.19,600 crore out of which 38 percent of PDS kerosene does not reach intended recipients. The estimated leakage is 11.1 percent of the subsidy. Again, the estimate is adjusted downwards by 25 percent to account for improvements in the scheme since the study was conducted. So, the benefit from integrating with Aadhar is assumed to be 8.3 percent of the value of the expenditure on PDS.

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Based on a study conducted by National Institute of Public Finance and Policy (NIPFP), New Delhi titled ‘A cost-benefit analysis of Aadhaar’, in November 2012.

## **Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)**

The MNREGS programme is envisaged to provide 100 days of employment to all rural households. The cost of wages under the scheme constitutes about 70 per cent of the total scheme expenditure. In 2011-12, the wage expenditure bill of the government was to the tune of Rs.24,864 crore. In order to ensure that this money reaches the intended beneficiaries, the MNREGS guidelines stipulate various transparency and accountability measures in the form of issuance of job cards, maintenance of muster rolls, monitoring and implementation systems and regular social audits. Despite these measures, studies indicate that implementation problems have been encountered in various states.

A key problem with the implementation of MNREGS is diversion of funds, through ghost beneficiaries and inflated/ fake work records. Using the data from various surveys, it is estimated that a leakage of approximately 12 percent is being caused to the government on account of ghost workers and manipulated muster rolls. Study assumes that 5 percent of the leakages can be plugged through wage disbursement using Aadhar-enabled bank accounts and 7 percent through automation of muster rolls.

### **Education**

Sarva Shiksha Abhiyan (SSA) and Mid-day Meal Scheme (MDM) are the government's flagship programmes in the field of primary education. Under SSA, the government pays for schooling

facilities, teacher's salaries, textbooks and uniforms for children. The MDM programme addresses the nutritional requirements of the students through provision of cooked meals. The allocation of benefits under these schemes is on the basis of enrolment figures provided by each state.

The introduction of MDM and SSA is noted to have contributed greatly to improved enrolments in schools. However the official enrolment data compiled from school records was often be prone to exaggeration on account of under-age enrolments, nominal enrolment of children who do not actually attend school, double enrolment of children who attend private schools, and fake enrolment of ghost beneficiaries.

The government has to face losses in the form of wasteful expenditure and leakages arising due to inflated enrolment data. Aadhar can help address this concern by providing a robust tracking mechanism to monitor the enrolment and attendance of students. On the one hand this will help address the problem of inflated enrolments of fictitious students and on the other, it will allow for real-time monitoring of the benefit distributions using attendance records. The study assumes that the integration of Aadhar with the MDM scheme in the manner contemplated above will enable the government to save approximately 10 percent of the costs that it currently incurs on the schemes.

To estimate the benefits of integration with Aadhar, the expenditure for teacher salaries, books and uniforms is taken as Rs.16,491 crore in 2011-12 and

for MDM, it is taken as Rs.9,128 crore in 2010-11 of which 85 percent of the value is accounted for administrative expenses.

### **Fertilizer Subsidy**

The government prescribes the maximum price at which fertilizers may be sold. These prices are usually lower than the cost of fertilizers or the cost of importing them. In 2010-11, the entire subsidy bill for fertilizers amounted to about Rs.62,301 crore.

At present, there is no mechanism for identifying and authenticating the individual farmers who receive these fertilizers. This creates potential for diverting the fertilizers towards non-agricultural uses, which is a problem because the subsidies are justified by the agricultural use. The system also suffers from inefficiencies because of the low level of automation.

The Task Force on Direct Transfer of Subsidies on Kerosene, LPG and Fertilizer has proposed a three phase process of moving towards direct transfer of subsidies into the bank accounts of the beneficiary farmers. Once this process has been implemented, it should be possible to directly transfer the subsidy amount into the bank account of the farmer, when the farmer buys the fertilizer. This should be possible with adequate technology infrastructure. There are no comprehensive studies on the losses due to leakages and inefficiencies in this subsidy schemes. Using the estimates for PDS and MNREGS as benchmarks, the study assumes that using such an Aadhar-enabled system would result in a benefit of 7 percent of the total value of subsidies.

## LPG Subsidy

The government subsidises the rate at which LPG cylinders are sold to the household consumers. The subsidy is not meant for commercial use. There are reports of widespread diversion of LPG cylinders towards commercial use and other forms of leakages in the system. The total subsidy bill for the government in the year 2009-10 on LPG was Rs.16,071 crore.

Though there are reports of raids finding extensive use of subsidised LPG cylinders for commercial purposes, there are no comprehensive studies documenting the extent of leakage and diversion. In the absence of such robust studies estimating the leakage from the system towards commercial use, the study assumes that use of Aadhar would result in a benefit of 10 percent of the value of the subsidy (similar to PDS).

## Indira Awaas Yojana (IAY)

Under this scheme, the government provides grants to identified households below the poverty line in rural areas for the construction and up-gradation of houses. The targeted beneficiaries

include those belonging to the scheduled castes and tribes, minorities, freed bonded labourers, disabled persons, former members of the paramilitary forces and family of military personnel killed in action. The construction assistance provided is Rs.45,000 per unit in plain areas and Rs.48,500 in hilly areas. The number of houses under construction sanctioned during the year 2010-11 was 19,52,914. Hence it is calculated that the value of financial assistance given was Rs.8,788 crore. The disbursement of funds takes place through bank and post office accounts.

Some reports highlight that there is corruption in this scheme, leading to leakage of IAY funds. Funds are allotted to multiple members of the same family, the benefit is given twice to one beneficiary, houses are allotted to government officials, bribes have to be paid, and middlemen create inefficiencies. Though exact numbers for leakages are not known, since the disbursement takes place through bank accounts, there can be leakages due to fake beneficiaries as well as the existence of "ghosts". The study assumes that leakages are of the order of 10 percent which

can be reduced by using Aadhar-enabled accounts.

## Other Schemes

Since the transfer of benefits for scholarships, Pensions etc. takes place through bank or post office accounts in these cash transfer programmes, the study assumes that having Aadhar-enabled accounts will result in a benefit of 7 percent of the value of the transfer.

## Scholarships

A number of scholarship schemes have been put in place by the government to support meritorious students belonging to disadvantaged backgrounds. Disbursing payments through Aadhar-enabled bank accounts will make the process more efficient and prevent funds from being diverted to bogus bank accounts. The aggregate government expenditure of Rs.4,519 crore on various scholarship schemes has been used to compute the cost savings through integration with Aadhar.

## Pensions

Studies find that overall leakages in social pension schemes, particularly old age pensions, are

**Table: Projected Annual Benefit accruing through integration of subsidies with Aadhar**

(Rs. Crore at constant prices)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Roll-out (percent)	0	2	5	10	20	40	80	100	-	-
MNREGS	0	61	155	317	646	1318	2688	3427	3496	3566
PDS	0	158	412	861	1797	3752	7834	10226	10680	11155
Fertilizer subsidy	0	87	214	419	821	1609	3154	3863	3786	3710
LPG subsidy	0	32	80	161	321	643	1286	1607	1607	1607
Education	0	50	127	259	528	1078	2199	2803	2859	2917
IAY	0	18	47	95	194	396	808	1030	1050	1071
Other schemes	0	18	47	95	195	397	810	1032	1053	1074
<b>Total Benefits</b>	0	425	1,082	2,206	4502	9192	18778	23989	24532	25100

relatively lower than other government programmes. However, leakages do take place in some areas due to duplication and fake entries, and because those who have died are not removed from the records and their benefits continue to be claimed.

The study used the budget allocation for the National Social Assistance Programme (NSAP) of Rs.5,110 crore for the analysis

### Janani Suraksha Yojana (JSY)

This is a safe motherhood intervention under the National Rural Health Mission (NRHM) intended to promote institutional delivery among the poor pregnant women. It is entirely sponsored by the Central Government and has special dispensation for states that have low institutional delivery rates, classified as Low Performing States (LPS) (as against High Performing States (HPS). The scheme provides cash assistance to all eligible mothers for delivery.

The coverage of JSY in 2010 stood at 113.38 lakh women spread across LPS and HPS. The expenditure under the scheme for the same period was Rs.1,600 crore.

### Accredited Social Health Activists (ASHA)

According to government data there are an estimated 7,30,909 ASHAS in India. The ASHA is a health activist who acts as the link between the community and the health care system. The initiative is designed to create awareness on health issues, motivate the community, and help improve access to basic health services.

The maximum compensation an ASHA can receive is approximately Rs.17,2000 in a year. However, studies suggest that the average amount of incentive per ASHA is lower annually. At an average of Rs.12,000 per annum, the total expenditure on payments to ASHAS is computed at Rs.877 crore.

### Integrated Child Development Centres (ICDS)

Anganwadi centres have been created under the ICDS and are part of the public health care and education system. Anganwadi centres are staffed with Anganwadi workers (AWW) and Anganwadi helpers (AWH). As of 31 March 2011, according to government data, 11,74,388 AWWs and 11,04,098 AWHs were in position. AWWs and AWHs are paid an honorarium of Rs.3,000 per month (for AWWs) and Rs.1,500 per month (for AWHs). □



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**KALINGA IAS** 011-45040868  
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77, Old Rajender Nagar Market, New Delhi - 110060  
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