



A Critical Analysis Of Direct Benefit Transfer In India

***Dr.V.C.SARAVANAN,**

****Dr. R. KARUPPAIAH**

Assistant Professors

*Department of Commerce with Computer Application

**Department of Business Administration

G.T.N Arts College (Autonomous), Dindigul – 05.

Abstract

The role of Direct Benefit Transfer (DBT) has been instrumental in delivering over 450 schemes to more than 900 million people. Since 2016, the government has allocated nearly 65% of the welfare and subsidy budget directly into the accounts of beneficiaries. Undoubtedly, DBT is poised to meet the expectations of both the government and the people, especially those who are economically disadvantaged. The hope is that DBT will continue to expand its coverage to encompass more schemes, ensuring that benefits reach the entire country and its people promptly and without flaws. To achieve this, the government must dedicate concerted efforts across various planning areas to uplift the lives of the poor and powerless in society. This paper delves into the significant role played by Direct Benefit Transfer, emphasizing its impact on improving the lives of the less fortunate. By creating an environment where people can lead long, healthy, and creative lives, DBT emerges as a crucial tool in the government's initiatives for social welfare and economic empowerment. The ongoing success of DBT underscores the need for continued planning and strategic implementation to maximize its positive effects on the lives of the citizens it serves.

Keywords: Financial Inclusion, Direct Benefit Transfer, Pros and cons, Technology etc

Introduction

On January 1, 2013, the Direct Benefit Transfer (DBT) program was launched in a few Indian cities, initially covering scholarships and social security pensions. The program aimed to make the distribution of government funds more transparent, efficient, and less prone to fraud. DBT was first implemented in 43 districts and was later expanded across the country, starting in December 2014, with the inclusion of schemes like MGNREGA along with 34 others. The primary goal of DBT is to eliminate pilferage and bring transparency to the distribution of funds sponsored by the Indian government. Under DBT, benefits and subsidies are directly transferred to citizens living in poverty. The Common Platform for DBT Routing (CPSMS), implemented by the Office of the Controller General of Accounts, plays a crucial role. It can create a beneficiary list, digitally sign it, and facilitate payments via the Aadhar Payment Bridge.

In India, transfers and subsidies from the central and state governments constitute about 4% of the country's GDP. The current system involves various channels for transfers, leading to delays and reduced tangible value for beneficiaries. Previous schemes faced challenges due to ill-targeting, leakages, and ineffective service delivery. The federal structure's multiple levels of sanctions also caused additional delays

and inefficiencies. To address these issues, DBT leverages modern technology and IT tools to improve government efficiency, effectiveness, transparency, and accountability. The system aims to instill citizen confidence in governance and ensure the timely distribution of subsidies and benefits to different segments of society. In FY22, DBT transfers have increased to Rs 20.45 lakh crores, with the expanded use of Aadhaar-enabled DBT platforms for flagship welfare schemes playing a significant role in this growth.

The Direct Benefit Transfer (DBT) scheme has become a transformative initiative in India's welfare system, revolutionizing the delivery of subsidies and financial support to the underprivileged. The "Jam triangle," integrating Jan-Dhan bank accounts, Aadhaar cards, and mobile numbers, has streamlined the disbursement of funds, eliminating intermediaries and ensuring efficient subsidy delivery.

Research objectives

1. To understand the meaning and initiatives of Direct Benefit Transfer.
2. To analyze the Pros and Cons of Direct Benefit Transfer.

Methodology:

The research adopts an ex post facto and analytical research design, employing a historical and descriptive approach to investigate Direct Benefit Transfer (DBT) initiatives in India. The study utilizes both primary and secondary sources, incorporating qualitative analysis of the gathered data from diverse reputable outlets.

Data Collection:

Primary Sources: The research incorporates personal observations, offering insights into the practical aspects of DBT implementation. This first-hand information provides a valuable perspective on the challenges and successes of the initiative.

Secondary Sources: The study extensively relies on secondary sources to gather information. This includes reputable books, internet websites, newspaper articles, and various international journals and magazines. These sources contribute diverse viewpoints and offer a comprehensive understanding of the DBT landscape.

RESULTS AND DISCUSSION

Three crucial factors contribute to the success of DBT in India:

Financial Inclusion, represented by 47.8 crores Jan Dhan accounts, providing a platform for direct benefit transfers and reducing system leakages. **Aadhaar Registration**, with over 130 crores registered Aadhaar numbers, serves as a robust identification system, enabling targeted benefit delivery. **Mobile Penetration**, with over 120 crores mobile users, including 60 crores smartphone users, makes accessing and receiving benefit transfers convenient, enhancing the inclusivity of the DBT process.

Together, these factors establish a strong foundation for efficient and targeted benefit delivery, reducing leakages, and ensuring timely benefits for intended recipients. The DBT scheme has had a significant impact, reaching 85 percent of households in rural areas and benefiting 69 percent of households in urban regions. In the fiscal year 2021-22 alone, the Indian government transferred a remarkable Rs 6.3 lakh crores directly to beneficiaries' bank accounts, increasing to Rs 7.16 lakh crores the following year, with a cumulative transfer of Rs 33 lakh crores since the scheme's inception in 2015. The COVID-19 pandemic highlighted the relevance and impact of the DBT scheme, serving as a lifeline for countless individuals and families. The scheme played a pivotal role in providing essential financial support to vulnerable segments of society during the crisis. Presently, the DBT scheme is linked to 319 schemes of 53 central government ministries, benefiting individuals across more than 450 schemes when combined with state government programs. This widespread integration has resulted in over 105 crores beneficiaries. The DBT scheme's impact is further emphasized by the multitude of people benefiting from these programs, as many individuals receive support through multiple schemes. The sheer magnitude of its impact is evident from the substantial number of transactions it facilitates. In the fiscal year 2021-22 alone, an astounding 783 crore transactions took place under the DBT scheme, underscoring its efficacy in providing direct financial assistance to the intended beneficiaries.

Introduction and Implementation: Benefits and Concerns

The government anticipates a revenue of ₹12,700 crores from Direct Benefit Transfer (DBT) to LPG subsidy. An additional noteworthy aspect of the program is the voluntary surrender of the subsidy by individuals to support those in need. As of now, 77,76,293 people have chosen to give up their LPG subsidy, signifying a conscious effort towards resource reallocation. This initiative not only contributes to the efficient utilization of resources but also reflects a collective commitment to redirect subsidies where they are most needed, showcasing a community-driven approach within the DBT framework.

The government took several measures to align the UIDAI with the IT ministry, moving it from the headship of the Planning Commission. This strategic move aimed to ensure synchronization between Digital

India, Direct Benefit Transfer (DBT), and the linkages with Aadhaar Cards. With the recent passage of the Aadhaar (Targeted Delivery of Financial and Other Subsidies) Bill in the Lok Sabha, direct benefit transfers by Aadhaar have obtained statutory backing. The government emphasizes that utilizing Aadhaar can directly reach those in need, eliminating system leakages and unauthorized participants.

A summary of the Aadhaar Card and unique identification linked bank accounts is presented in Table 1-3. Beneficiaries of DBT schemes are categorized into:

1. MGNREGS (Rural Employment)
2. National Social Assistance Programme (NSAP) (Includes Old Age Pension, Widow Pension & Disability Pension)
3. PAHAL (formerly DBTL, LPG Subsidy)
4. Scholarship Schemes (Scholarship & Fellowship Schemes)
5. Others (all remaining schemes)

The table: 1 & 2 shows the financial disbursements and the volume of transactions for each scheme. The Direct Benefit Transfer (DBT) is the transfer of subsidies and other welfare benefits directly to the bank accounts of beneficiaries. The number of transactions indicates the frequency with which these transfers occur. PAHAL: Total DBT: ₹39,777,789,479 Total No. of Transactions: 452,111,312. MGNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme): Total DBT: ₹527,369,439,891. Total No. of Transactions: 364,390,641. NSAP (National Social Assistance Programme): Total DBT: ₹19,762,691,000. Total No. of Transactions: 59,441,706 SCHOLARSHIP SCHEME: Total DBT: ₹59,119,978,782. Total No. of Transactions: 517,176,870. PMAYG (Pradhan Mantri Awaas Yojana - Gramin): Total DBT: ₹282,234,910,897. Total No. of Transactions: 7,048,554. PDS (Public Distribution System): Total DBT: ₹1,102,225,463,401, Total No. of Transactions: 1,360,180,065. FERTILIZER: Total DBT: ₹1,550,056,235,457, Total No. of Transactions: 94,943,013. OTHERS: Total, DBT: ₹643,470,379,290, Total No. of Transactions: 1,024,626,378. The various government schemes in India, including the total Direct Benefit Transfer (DBT) amounts and the number of transactions for each scheme.

Table No: 1

Beneficiaries under direct benefit transfer schemes (2023-2024)

SNo.	Scheme Group Name	Total Direct Benefit Transfer (₹)	Total No. of Transactions
1	PAHAL	39,777,789,479	452111312
2	MGNREGS	527,369,439,891	364390641
3	NSAP	19,762,691,000	59441706
4	SCHOLARSHIP SCHEME	59,119,978,782	517176870
5	PMAYG	282,234,910,897	7048554
6	PDS	1,102,225,463,401	1360180065
7	FERTILIZER	1,550,056,235,457	94943013
8	OTHERS	643,470,379,290	1024626378

Source: Ministry of finance, Government of India

Table 2.

Total Number of Transaction under Direct benefit transfer (2023-2024)

(Figures in Numbers)

SNo.	Scheme Group Name	Total No. of Transactions
1	PAHAL	452111312
2	MGNREGS	364390641
3	NSAP	59441706
4	SCHOLARSHIP SCHEME	517176870
5	PMAYG	7048554
6	PDS	1360180065
7	FERTILIZER	94943013
8	OTHERS	1024626378

Source: Direct benefit transfer mission, Government of India

To address these concerns, the system needs checks and balances to ensure that citizens' freedom and privacy are not compromised. Despite criticisms, the paper acknowledges that the Aadhaar Card plays a crucial role in the context of public finance. It can contribute to reducing government expenditure leakages, ensuring efficiency, and promoting transparency, even though privacy concerns need to be carefully addressed.

Table 3
State-wise DBT Fund Transfer

(In Rs. crore)

SNo.	State Name	2016-17	2017-18	2018-19	2019-20 (Apr-Jun) (Provisional)
1	Andaman And Nicobar Islands	5.7	81.9	25.6	5.9
2	Andhra Pradesh	3,429.2	2,440.2	21,270.0	3,129.3
3	Arunachal Pradesh	12.0	35.4	119.5	19.2
4	Assam	1,568.0	1,637.6	4,937.8	945.1
5	Bihar	2,492.5	3,505.3	19,910.4	3,759.8
6	Chandigarh	25.8	48.2	100.7	9.1
7	Chhattisgarh	2,186.7	2,406.8	9,623.9	1,931.3
8	Dadra And Nagar Haveli	4.1	8.9	109.2	7.7
9	Daman And Diu	3.3	6.0	18.7	2.2
10	Delhi	409.1	748.3	1,229.1	130.8
11	Goa	31.5	59.4	120.0	11.4
12	Gujarat	986.3	2,371.1	12,201.4	1,927.4
13	Haryana	710.1	1,120.1	5,974.0	1,286.8
14	Himachal Pradesh	518.2	640.0	1,029.8	206.9
15	Jammu And Kashmir	175.0	637.0	1,658.6	507.1
16	Jharkhand	1,399.1	1,581.9	10,581.6	845.6
17	Karnataka	3,002.6	4,522.7	16,569.5	2,552.8
18	Kerala	2,650.0	1,157.7	7,945.2	713.4
19	Lakshadweep	0.2	0.5	2.5	0.0
20	Madhya Pradesh	2,853.1	4,213.5	25,569.5	3,099.7
21	Maharashtra	2,778.8	4,433.6	24,442.3	2,664.6
22	Manipur	34.1	119.0	353.1	67.6
23	Meghalaya	142.1	753.3	829.8	71.7
24	Mizoram	27.9	220.6	560.5	132.1
25	Nagaland	9.7	40.8	193.7	65.2
26	Odisha	1,710.8	2,279.3	12,870.8	1,145.8
27	Puducherry	43.5	88.3	356.8	31.6
28	Punjab	1,126.3	1,655.4	7,452.5	1,656.8
29	Rajasthan	4,074.9	4,671.0	18,641.5	3,517.4
30	Sikkim	36.9	90.1	112.9	15.3
31	Tamil Nadu	5,975.9	9,628.3	13,579.5	2,959.9
32	Telangana	873.5	1,480.0	9,587.9	1,531.6
33	Tripura	820.7	413.3	1,391.2	183.2
34	Uttarakhand	680.5	802.0	1,448.3	284.2
35	Uttar Pradesh	5,527.2	7,070.3	36,865.4	7,256.4
36	West Bengal	6,863.1	8,051.9	23,004.6	2,775.5
Total		53,188.5	69,019.5	290,687.9	45,450.5

Source: Direct benefit transfer mission, Government of India

Financial Inclusion

The concept of financial inclusion has been further advanced through the integration of Direct Benefit Transfers (DBT) into the JAM trinity, consisting of Jan Dhan Yojana bank accounts, Aadhaar Cards, and universal mobile banking access. The Jan Dhan Yojana initiative led to the opening of a significant 15 crore accounts, and nearly one billion Aadhaar enrollments have been achieved. With mobile banking access, the government aims to facilitate easy money transactions, making DBT the focal point for promoting financial inclusion. A person possessing an Aadhaar Card can easily prove their identity and open a bank account. This streamlined process is particularly beneficial for rural and needy individuals, offering an

escape from the often cumbersome account opening procedures. From the perspective of banks, the use of Aadhaar Cards can substantially reduce the costs associated with Know Your Customer (KYC) norms. Reports from the Reserve Bank of India support the claim that financial inclusion is enhanced through these measures.

However, it's essential to consider certain arguments in the context of financial inclusion paradigms. While Aadhaar Card-enabled bank accounts facilitate the transfer of cash and interest subventions, it is crucial to recognize that the fundamental function of a bank is to accept deposits and grant loans. The shift to Aadhaar-enabled accounts for these transfers should not overshadow the necessity of maintaining a focus on credit creation, which is as or even more important than cash transfers. Additionally, the paper highlights the importance of addressing inflationary pressure and other potential risks associated with cash transfers, emphasizing the need for comprehensive discussions and debates on these issues in the context of financial inclusion.

Inflationary pressures and related concerns

Transitioning from subsidized schemes to cash transfers implies that beneficiaries will now access benefits at market prices. Sellers, in turn, earn income, part of which may be saved or spent elsewhere, creating a series of secondary spending. However, if the increased demand is not met with a corresponding increase in supply, the central bank may implement a monetary tightening policy to control inflationary pressures. This can have a dampening effect on the economy, limiting investment prospects, and affecting not only investors but also those on the margin, particularly the poor.

Without a Below Poverty Line (BPL) provision and with inflationary pressures, individuals in the lower income bracket may face price hikes and an increased cost of living. Conversely, with cash transfers, individuals who previously couldn't avail themselves of the scheme at subsidized rates may now benefit from the Direct Benefit Transfer (DBT) in cash. Consequently, economic instabilities may arise along with the reallocation of benefits, potentially proving detrimental to the overall goals of the system. The challenge lies in finding a balance that ensures the effective distribution of benefits without causing undue economic disruptions and inflationary pressures.

Pros and Cons of Direct Benefit Transfer.

Direct Benefit Transfer (DBT) has several merits, which contribute to its widespread adoption in various countries, including India. Here are some of the key advantages or merits of Direct Benefit Transfer:

- I. Targeted Delivery:** DBT allows for precise targeting of beneficiaries, ensuring that government subsidies and benefits reach the intended individuals or households. This targeted approach helps in reducing leakages and ensures that assistance reaches those who need it the most.
- II. Reduced Leakages and Corruption:** By directly transferring funds to the bank accounts of beneficiaries, DBT minimizes the chances of leakages and corruption in the distribution process. It eliminates intermediaries and reduces the scope for fraudulent activities, leading to more transparent and accountable financial transactions.
- III. Financial Inclusion:** Implementing DBT often involves linking the transfer to bank accounts, promoting financial inclusion. This encourages individuals to open and use bank accounts, fostering a culture of savings and financial literacy.
- IV. Technology Integration:** DBT leverages modern technology, such as Aadhaar-enabled platforms, mobile banking, and online systems. This technological integration not only streamlines the distribution process but also aligns with the broader goals of digitization and e-governance.
- V. Prevention of Duplicate Benefits:** With the use of technology and Aadhaar authentication, DBT helps prevent duplication of benefits. This ensures that individuals do not receive the same benefits from multiple government schemes, promoting fairness and equitable distribution.
- VI. Improved Governance and Transparency:** DBT enhances the transparency and accountability of government welfare programs. The digital trail of transactions and direct transfers creates a more accountable system, reducing the scope for corruption and malpractices.

While DBT offers numerous merits, it is essential to consider potential challenges and ensure that the system is implemented effectively to realize its full benefits.

Demerits Direct Benefit Transfer.

While Direct Benefit Transfer (DBT) has several advantages, it is essential to acknowledge the potential challenges and drawbacks associated with its implementation. Here are some of the demerits or challenges of Direct Benefit Transfer:

- I. Exclusion Errors:** significant concern is the potential exclusion of eligible beneficiaries due to issues such as lack of awareness, documentation, or technical barriers. Some individuals may not possess the required identification or access to digital platforms, leading to their exclusion from benefits.
- II. Technological Barriers:** The success of DBT depends on technology adoption, including internet access, smart phones, and banking infrastructure. In areas with limited technological infrastructure, beneficiaries may face challenges in accessing and utilizing the funds, leading to exclusion.
- III. Inadequate Financial Literacy:** Beneficiaries may lack the necessary financial literacy to manage the funds received through DBT effectively. Without proper education on financial planning, there is a risk that the transferred funds may not be used optimally, defeating the purpose of targeted assistance.
- IV. Increased Banking Costs for Beneficiaries:** For beneficiaries without existing bank accounts, the need to open and maintain accounts may lead to additional costs, such as account maintenance fees. This could potentially reduce the net benefit received by the individual.
- V. Dependence on Aadhaar:** In some cases, the exclusive reliance on Aadhaar authentication for identity verification has raised concerns about potential exclusion due to errors in the Aadhaar database or issues related to biometric verification.
- VI. Lack of Grievance Redressal Mechanisms:** Inadequate mechanisms for addressing grievances or disputes related to DBT can result in frustration among beneficiaries. Lack of a robust grievance redressal system may undermine the accountability and transparency of the program.

It's important to note that addressing these challenges requires careful planning, continuous evaluation, and adaptability in the implementation of DBT programs to ensure that the benefits reach the intended recipients without causing undue hardships.

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