

# **DIRECT BENEFIT TRANSFERS: A REVOLUTIONARY MECHANISM FOR FINANCIAL INCLUSION**

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## **Abstract**

Direct Benefits Transfer is a system for controlling and aggregating data on direct benefit transfers from various sources; it is not a socioeconomic assistance program. Experts from a variety of fields have acknowledged that DBT has brought about overall inclusivity and efficiency in India over time. It was initially intended to be a program in which the government's welfare benefits are credited directly to the beneficiary's bank or postal account upon accurate identification. It became popular in 43 districts across 24 Central Schemes approximately ten years ago.

The DBT in India has covered over 300 Central and over 200 State schemes, providing eligible beneficiaries with both in-kind and monetary support. The major social security programs in India, such as Pratyaksha Hastaantarit Laabh (PAHAL), Direct Benefit Transfer for LPG, the Mahatma Gandhi National Rural Employment Guarantee Act, the National Social Assistant Program, the Scholarship Program, the Public Distribution System, and others, are examined in this paper in relation to financial inclusion through DBT.

**Keywords:** DBT, Financial Inclusion, Social Assistance Programme, Beneficiary, Cash and Kind Transfers

## **Introduction**

Direct Benefit Transfer (DBT) is a system created to organize and track the distribution of direct benefit transfers from various sources; it is not a social assistance program. Over time, DBT has greatly increased inclusivity and efficiency in India, according to experts from a variety of fields. The Direct Benefit Transfer (DBT) was initially intended to be a program in which the government's welfare benefits are credited directly to the beneficiary's bank or postal account upon accurate identification. In 43 districts across 24 Central Schemes, it became popular approximately ten years ago. Up until now, over 300 Central and over 200 State programs have been covered by the DBT in India, which provides eligible beneficiaries with both in-kind and monetary support. Some well-known instances of financial assistance are widows, pensioners for the elderly, Divyanjan, farmers' income support programs like Pradhan Mantri Kisan, etc. scholarships for the underprivileged and other groups in need, as well as examples of in-kind support such as fertilizer subsidies, food grain support (PDS), midday meals for schoolchildren (PM POSHAN), etc., under the National Social Assistance Programme. Providing in-kind goods and services to intended beneficiaries is the second bucket of schemes, while the first set of support involves transferring assistance into the beneficiaries' individual bank accounts. A common theme is the identification and authentication of the intended beneficiaries through the use of electronic-ID Aadhaar. Benefits recipients' Aadhaar is obtained during enrollment, and it is subsequently validated against information kept in the Central Identities Data Repository of the Unique Identification Authority of India (the frequency of which is decided by the agency executing the scheme). For example, under PM KISAN, Aadhaar authentication is required only during enrollment, but under PDS, the beneficiary must authenticate her Aadhaar each time she wants to access her grain quota.

The Indian political system has a long history of democratic ideals that can be traced back to the 4th century. These ideals fully blossomed into a strong institutional democracy in the latter part of the 20th century, with the Constitution of India serving as the legal foundation. The Constitution of India clearly outlined the country's role as a welfare state, offering rights to all citizens and support for the vulnerable. The

Fundamental Rights and Directive Principles of State Policy were put in place to ensure these guarantees. The implementation of Direct Benefit Transfer (DBT) represents a significant advancement towards achieving the goals set forth by these foundational principles. The Directive Principles of State Policy, which govern state policy, enable the State to fulfill its affirmative duty of ensuring that people live dignified lives. These provisions actualize the right to a dignified living as guaranteed by the Fundamental Rights. Because of this, the DBT gives Article 21 greater teeth by effectively and efficiently implementing programs to address issues like disparities in income, opportunities, and resources, improving health, securing the right to work, and providing public assistance to those in need—all of which are components of the Directive Principles of State Policy. Effectively providing welfare benefits, the DBT model is a crucial pillar of contemporary Indian good governance.

According to The Economic Survey 2015–16, government support for growth must be proactive to attain equity and improve the economic circumstances of the impoverished and vulnerable. Furthermore, it demonstrated how price subsidies provided by the governments primarily benefit rich households over poor households.

For example, in the case of fuel, LPG, or electricity subsidies, market distortions are created that ultimately harm the poorest in society. Similarly, minimum support prices in the agriculture sector and railway passenger subsidies cause market distortions. Additionally, as a result of their leaks, the government incurs opportunity costs for the alternative uses of those resources in addition to direct wastes. It maintained that price subsidies do not need to cause distortions because the benefit they aim to create for the poor can be given to them directly through lump sum income transfers. In light of this, the Jan Dhan, Aadhaar, and Mobile Number (JAM) trinity was implemented with the aim of converting subsidies into Digital Benefits Transfers.

## **Objective and Research Methodology**

This paper is mainly based on secondary data. All data has been collected through Books, Magazine, Research Paper, Newspaper and DBT official Website. The research

methods is partially descriptive and inferential. This study aims to examine the Direct Benefit transfer (DBT) Scheme in India and the efforts made by the government to modify the subsidy distribution mechanism. The main objective of the present paper are-

- To find out the Growth of DBT and awareness of people about it.
- To find out the impact of DBT in financial inclusion in India.
- To find out the effectiveness of schemes.

## **Growth of DBT**

The NSSO survey results for 2022-23 and its projected elimination in extreme poverty has further enriched the discussion. While there have been numerous comparisons especially on macro-economic parameters and the poverty indicators, one thing that stands out is the efficiency of welfare schemes which has been significantly better in recent times. At the core of this increase in efficiency is the development of the Direct Benefit transfer system and its scalability in recent times.

DBT transfers have total an incredible Rs 35,30,011 crore over the years since it was founded. The DBT ecosystem is the focal point of welfarism in contemporary Bharat and has transformed the lives of the marginalized and impoverished on many levels.

The DBT has been well talked about by many researchers over the years. The IMF's book on inclusive growth consists of a chapter on inclusive growth in India and highlights the DBT system in detail. In very simple terms, it optimizes the JAM trinity Jan Dhan, Aadhaar and Mobile to ensure that cash transfers are transferred directly to the bank account of beneficiaries. For the year FY 2023-24, approximately Rs 5,45,599 crore has been transferred to almost 668 crore transactions through 315 schemes of more than 50 ministries.

One wonders what has made the DBT such an important part of the developmental narrative and why its central perhaps to future progress as well. There are three main reasons.

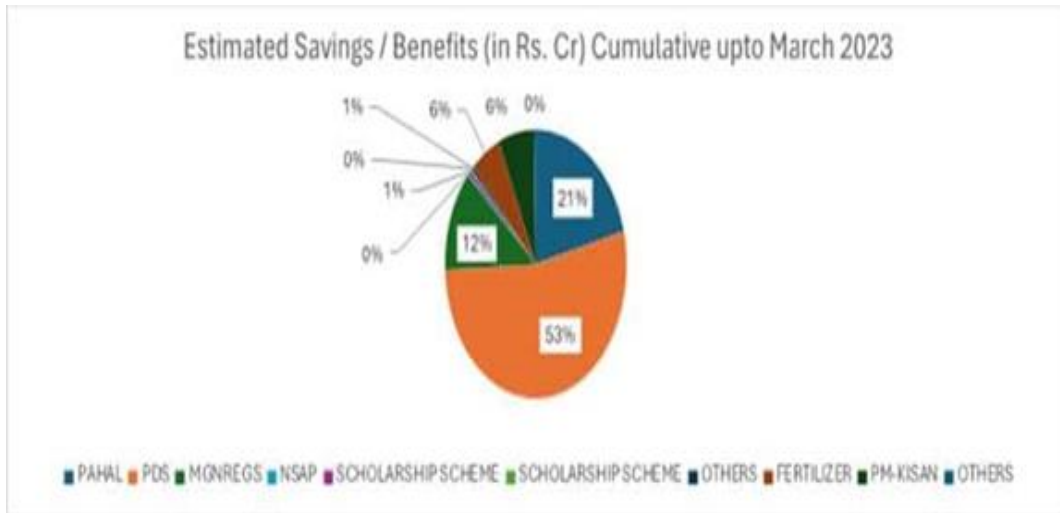
First, besides the technology, the recent scalability of DBT across many states in India has ensured that corruption through middlemen (on welfare schemes) is significantly reduced. Leakages of the system for direct cash transfers has been reduced significantly since the money reaches the beneficiaries directly into their bank accounts. This has generated significant monetary savings which we define in economics called the 'opportunity cost'---what would have been the cost had the DBT not been there? The answer to this question is staggering. According to the chart shown below, the cumulative savings in the DBT schemes from has been a staggering Rs 3,48,564.66 (approx. Rs 3.5 trillion) crores from the beginning of the DBT around FY2015 to March 2023.

This Rs 3.5 trillion is spread across the main flagship schemes such as PDS, MGNREGS, PM-Kisan and PAHAL schemes among others. Most of the efforts have been to cumulatively eliminate fake ID cards and beneficiaries and ensure that people receive the benefits of these schemes. If these numbers are legitimate, no reason to suspect otherwise given that its official data, then the opportunity cost of not having a DBT is huge. This could exceed the budget of various other big-ticket investments and schemes that have been conceptualized. For example, the Swachh Bharat Abhiyan's allocated budget from 2014-15 to 2021-22 is Rs 83,970 crores and funds released to states is about Rs 74,411.8 crores. When compared with the cumulative general government net lending/borrowing from 2015-2022 as per IMF WEO data, the amount of savings is almost 2.5 percent of the net general government net lending/borrowing figure! Such is the enormity of the savings that has been accrued as shown by the data for DBT thus far.

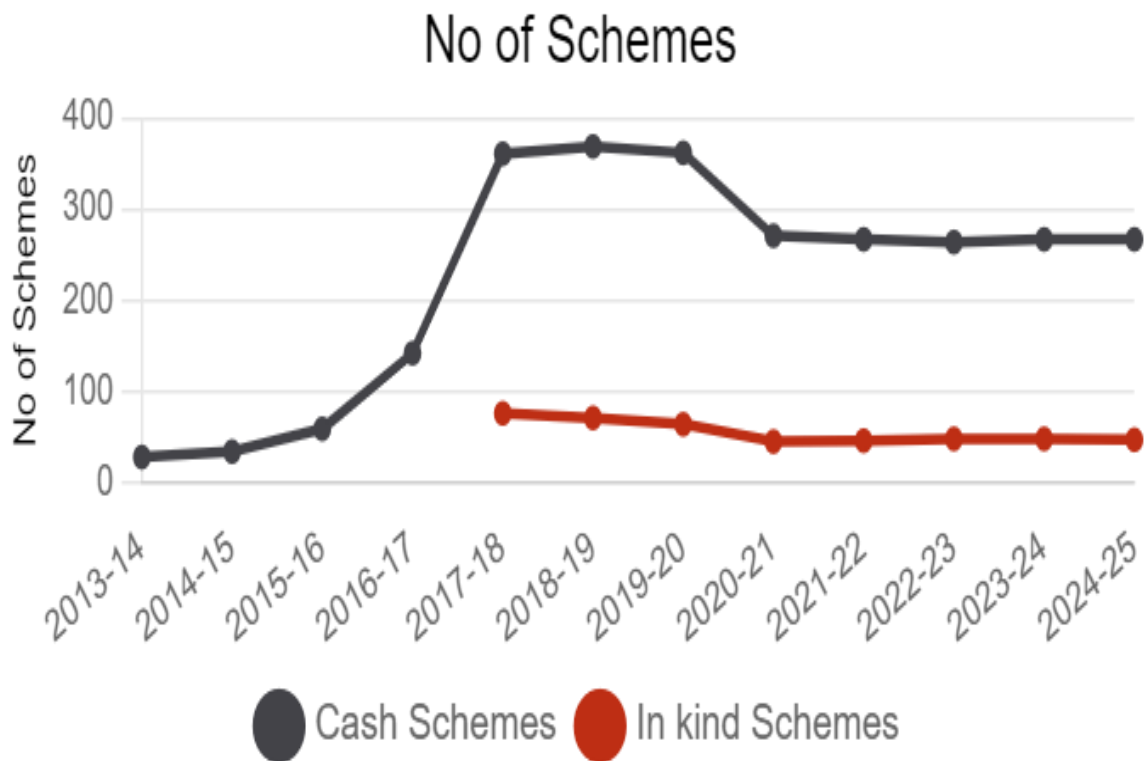
Second, besides the savings which has been accrued by reducing corruption, there seems to have been an inherent ability to transfer these direct transfers to beneficiaries into consumption-driven benefits. Given the vast UPI ecosystem which has been developed, the transfer rate from the benefits accrued to consumption levels at the lower percentile levels seems intuitively significant. A direct comparison of the lower tractile levels in both the NSSO 2022-2023 and NSSO 2011-2022 data without the micro-data available for the former would be an incomplete assessment.

The figure given below shows the remarkable increase in DBT transfers at the Central Government level over the last ten years. Over time, professionals from a

variety of fields have acknowledged that DBT in India has brought about overall inclusivity and efficiency. Countries must support DBT-styled public interventions into action plans for disaster resilience, according to the World Bank's 2022 assessment. The benefits of DBT on women's economic and social status both inside and outside of their homes in India.

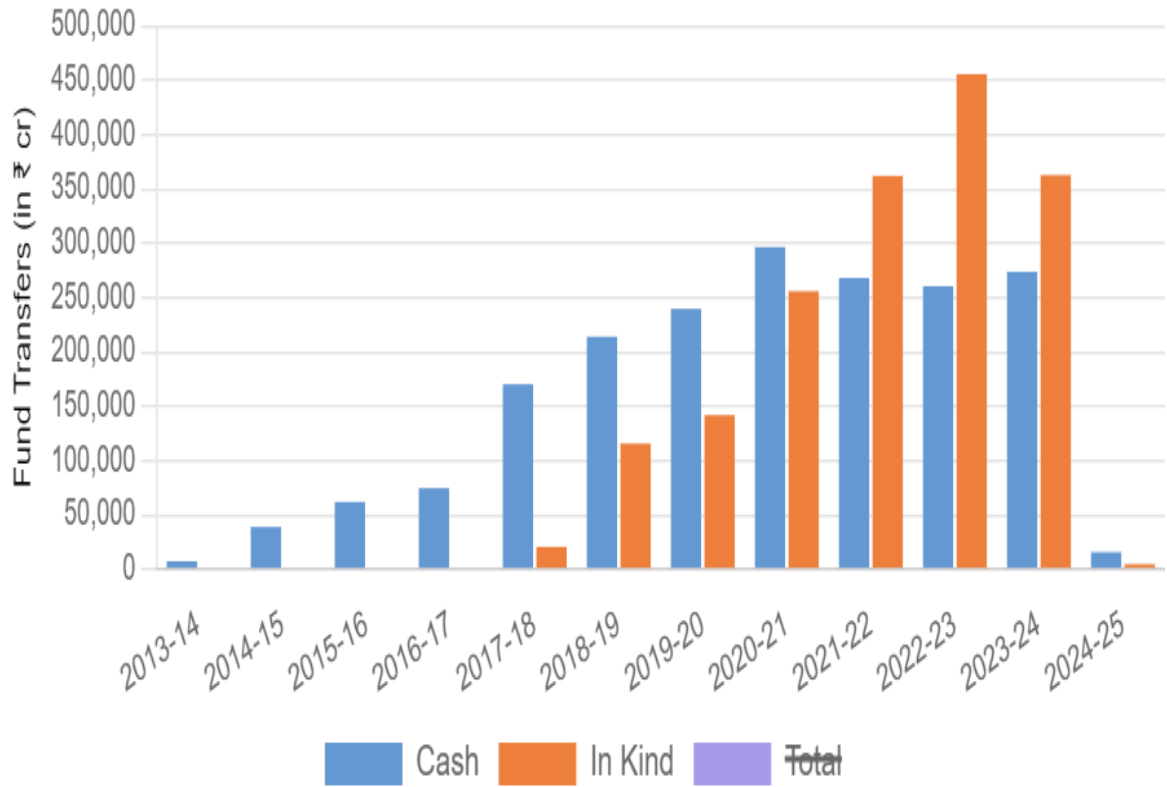


Source: DBT website



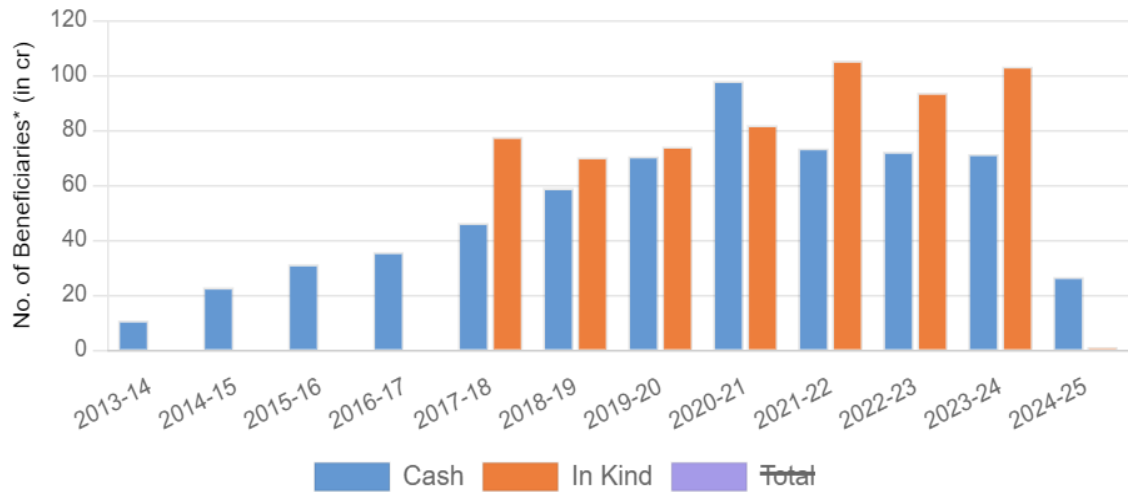
Source: DBT website

### Year Wise Fund Transfer



Source: DBT website

### Year Wise DBT Beneficiaries (Non-Unique)



\*Sum total of beneficiaries across schemes

Source: DBT website

In retrospect, the entire DBT ecosystem needs to be far more appreciated than what it is given for. For the real poor and the disenfranchised, its transformational at various levels and is the fulcrum of welfarism in the modern Bharat. The ‘opportunity cost’ of DBT is high given the level of savings that it has accrued, its possible integration with UPI and its possible impact on consumption levels and its ability to empower women and the poor has been unprecedented to say the least.

At the ground level, the expansion of DBT and the integration with UPI, has ensured that rural women are empowered significantly. For example, in the erstwhile system, much of the PDS benefits would be siphoned off from rural women by drunkard men for their purposes. Due to the evolution of the DBT, not only are the women empowered by having the benefits in the bank account, it also seems to have ensured that they spend independently and wisely reflecting higher consumption standards at the lower decile levels as well. This liberates them and allows them to make sensible and prudent consumption choices unlike before. Equally importantly, this also empowers the poor irrespective of gender at various levels. It provides the poor a greater variety of choices and a wider price point for many products which they have access to unlike before.

#### **DBT Performance Ranking of States / UTs**



S. No	State/UTs	State Aadhaar Act	Aadhaar Saturation	CSS identification	Portal compliance	Data reporting	Savings Reporting compliance	Savings Expenditure Ratio	DBT Per Capita	Overall State Score	Overall State Rank
		Normalised Scores	Normalised Scores	Normalised Scores	Normalised Scores	Normalised Scores	Normalised Scores	Normalised Scores	Normalised Scores	Normalised Scores	Actual
		1	2	3	4	5	6	7	8	9	10
1	Haryana	100.00	88.40	78.20	100.00	100.00	100.00	100.00	55.10	88.80	I
2	Uttar Pradesh	100.00	74.20	84.90	100.00	100.00	100.00	74.40	63.00	85.20	II
3	Tripura	100.00	76.00	99.90	100.00	100.00	100.00	0.10	85.50	80.20	III
4	Gujrat	100.00	81.50	91.50	100.00	100.00	100.00	7.40	64.40	77.80	IV
5	uttarakhand	100.00	84.60	95.90	100.00	100.00	0	0	39.20	74.30	V
6	Jharkhand	100.00	77.70	84.70	100.00	100.00	100.00	15.9	33.20	73.10	VI
7	Goa	100.00	86.20	79.30	100.00	100.00	100.00	9.50	11.00	69.40	VII
8	J&k	100.00	65.90	86.70	100.00	100.00	0	0	25.40	68.30	VIII
9	Bihar	100.00	71.40	59.70	100.00	100.00	100.00	3.30	39.00	67.60	IX
10	Madhya Pradesh	100.00	75.80	47.90	100.00	100.00	0	0	44.90	66.90	X
11	puducherry	0	78.80	83.50	100.00	100.00	0	0	94.90	65.30	XI
12	Odisha	100.00	79.40	27.40	100.00	100.00	0	0	36.50	63.30	XII
13	Mizoram	0	75.80	93.90	100.00	100.00	100.00	11.30	52.80	62.00	XIII
14	Himachal Pradesh	0	87.10	89.80	100.00	100.00	100.00	0	47.80	60.70	XIV

15	Punjab	0	86.40	67.10	100.00	100.00	0	0	65.40	59.90	XV
16	Tamil Nadu	0	79.70	87.70	100.00	100.00	100.00	16.00	31.90	59.30	XVI
17	Delhi	0	100.00	50.70	100.00	100.00	100.00	0.80	58.20	58.50	XVII
18	Rajasthan	100.00	73.70	79.10	50.00	0	0	0	100.00	57.50	XVIII
19	Andhara Pradesh	0	78.10	93.20	100.00	0	100.00	75.90	36.70	54.90	XIX
20	Manipur	100.00	70.10	96.90	100.00	0	0	0	16.50	54.80	XX
21	Kerala	0	87.40	62.20	100.00	100.00	0	0	27.00	53.80	XXI
22	Chhhatigarh	100.00	84.60	100.00	50.00	0	0	0	35.90	52.90	XXII
23	Nagaland	100.00	48.60	85.90	100.00	0	0	0	23.10	51.10	XXIII
24	Sikkim	100.00	72.60	63.70	100.00	0	0	0	17.20	50.50	XXIV
25	Karnatka	100.00	79.40	82.40	50.00	0	0	0	31.70	49.10	XXV
26	Maharashtra	100.00	79.60	59.70	50.00	0	100.00	25.10	24.50	48.40	XXVI
27	Meghalya	0	25.00	69.00	100.00	100.00	0	0	32.40	46.60	XXVII
28	Andaman&Nicobar	0	80.50	71.40	50.00	50.00	100.00	16.30	48.60	45.30	XXVIII
29	Chandigarh	0	84.50	54.70	100.00	50.00	100.00	0.20	20.30	44.30	XXIX
30	Dadra & Nagar Haveli	0	82.70	26.10	100.00	50.00	100.00	0.10	47.00	43.70	XXX
31	Arunachal Pradesh	0	67.70	99.90	100.00	0	0	0	11.30	39.90	XXXI
32	Daman & Diu	0	80.30	13.80	100.00	50.00	0	0	28.00	38.90	XXXII
33	lakshadweep	0	82.90	11.30	100.00	50.00	0	0	22.70	38.10	XXXIII
34	Telangana	0	86.30	40.00	50.00	0	0	0	31.30	29.60	XXXIV
35	Assam	0	15.70	100.00	50.00	0	0	0	19.10	26.40	XXXV
36	West Bengal	0	79.20	0	0	0	0	0	13.00	13.20	XXXVI

Source-Information as on 31st December 2021-22. As reported by States/UTs to DBT Mission.

Besides providing them a bank account and financial access, it also ensures that the poor are far more well informed than before in making wise consumer choices.

## **DBT And India Stack**

The term "India Stack" refers to a collection of publicly available digital goods and open APIs that seek to unlock the fundamental economic components of identity, data, and payments at the population scale. The DBT is a system for controlling and aggregating data on direct benefit transfers from various sources, it is not a social assistance program in and of itself. When it comes to cash schemes, the DBT uses the beneficiaries' bank account number or Aadhaar-linked account to transfer social benefits directly to them. Consequently, using Aadhaar serves as both a financial address and a unique identifier. An individual can use their biometric credentials to conduct banking transactions in Aadhaar-linked bank accounts under the Aadhaar enabled payment system. The Aadhaar number is mapped against a specific savings bank account, and transfers to such accounts can be made using the Aadhaar Number as the address. In sum up, DBT leverages two elements of India Stack-identity and payments – building on and contributing to online, paperless, cashless, and privacy respecting access to a variety of public and private services.

## **G20 Agenda and DBT**

It is intended that India's current G20 Presidency will be inclusive, aspirational, proactive, and decisive. It has also been stressed that since 'India is a microcosm of the world, the initiatives that we take for leveraging technology for citizen welfare will catalyze a fundamental mindset shift, to benefit humanity as a whole. The DBT is a shining instance of Indian innovation that fits seamlessly into this farsighted vision. India is endeavouring to use the G20 platforms for introducing the home-grown DPI-based DBT paragon to the world, particularly the Global South. DBT also fits into the bigger picture of India's co-chairmanship of the Global Partnership for Financial inclusion, a forum where India seeks to promote the development of an open, inclusive, and responsible digital financial

ecosystem based on the presence of a sound and effective digital public infrastructure (DPI) for the advancement of financial inclusion, a vision reiterated in 2023. For its impact on promoting transparency, DBT was also showcased in the G20 Anti-Corruption Working Group Meeting. India's DBT is praised globally.

In addition to assisting in reducing leakages and curbing corruption, India's Direct Benefit Transfer has been a force multiplier in facilitating the direct transfer of social safety net payments from the government to beneficiaries' bank accounts and offering a means of effectively reaching more households to increase coverage. Helped by digital cash transfers, India managed to provide food or cash support to a remarkable 85 percent of rural households and 69 percent of urban households. The World Bank also praised the scale at which DBT impacts people's lives. The IMF has hailed DBT for being a logistical marvel that these programs that seek to help people who are at low Income levels reach literally hundreds of millions of people. Simultaneously, it is estimated that DBT and related governance reforms will save the Indian government, up until March 2021, a total of Rs. 2 point23 lakh crore, or nearly 1.1 percent of GDP. This amount has since increased to Rs. 2.73 lakhs crore as of March 2022, according to information found on the government website.

### **Future prospective of DBT.**

The Digital Bridge Treaty (DBT) is merely a minor step in a much longer journey for a nation with strong ties to civilization and a policy framework aimed at shaping history. The next big-bang reforms, DBT 2.0 and DBT 3.0, are already on track to be implemented.

The DBT 2.0 emphasizes a digital process for checking if someone is eligible online, in short, the programs usually need people to provide proof of their eligibility, which can be in the form of documents or certificates from various government bodies and departments. Subsequently, the scheme implementing agency has to spend time and incur expenditure for verifying authenticity of such documents. The digitisation and Aadhaar seeding of such documents ensure citizen friendly, real time, and cost-effective verification or authentication. The Digi Locker and API Setu offer convenient digital platforms to issue and access eligibility certificates in electronic and machine-readable format. In his address on the occasion of the Civil Services Day, the Prime

Minister alluded to this approach. The policy-framework has been laid down; the technical platforms have been readied, and many states and Ministries/Departments of the Central Govt. have already been onboarded on the platforms.

DBT 3.0 aims to bring about a revolutionary change in how benefits are provided to the public. As things stand, citizens have to discover the Government schemes for which they would be eligible and apply to the concerned scheme implementing agency for availing the benefits. However, by pooling in data residing in various government databases, the State can suo motu reach out to eligible citizens and start delivering the envisaged benefits to them by obtaining their consent and willingness thereof. Several States have put in place such “Social Registries” of varying levels of maturity and richness of data fields – such as Kutumba in Karnataka, Parivaar Pehchaan Patra in Haryana, Samagra in Madhya Pradesh, Jan Aadhaar in Rajasthan, Social Protection Delivery Platform in Odisha. The need now is to establish a national level social registry that builds on the states’ best practices and places governance in India on a peerless pedestal.

## **Conclusion**

At the ground level, the expansion of DBT and the integration with UPI, has ensured that rural women are empowered significantly. Due to the evolution of the DBT, not only are the women empowered by having the benefits in the bank account, it also seems to have ensured that they spend independently and wisely reflecting higher consumption standards at the lower decile levels as well. This liberates them and allows them to make sensible and prudent consumption choices unlike before. Equally importantly, this also empowers the poor irrespective of gender at various levels. It provides the poor a greater variety of choices and a wider price point for many products which they have access to unlike before. Besides providing them a bank account and financial access, it also ensures that the poor are far more well informed than before in making wise consumer choices.

In retrospect, the entire DBT ecosystem needs to be far more appreciated than what it is given for. For the real poor and the disenfranchised, its transformational at various levels and is the fulcrum of welfarism in the modern Bharat. The opportunity cost of DBT is high given the level of savings that it has accrued, its possible integration with

UPI and its possible impact on consumption levels and its ability to empower women and the poor has been unprecedented to say the least. For the far-reaching contemporary impacts of, and the possibility of futuristic reforms in India's DBT paradigm, it is one of India's most remarkable contributions to the discourse in ongoing discussions. It clearly has the potential to promote harmony within our One Family and our One Future.

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