

## THE MAKING OF SABKA VIKAS THROUGH DIRECT BENEFIT TRANSFER

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### ABSTRACT

Financial Inclusion through Direct Benefit Transfer is one of the innovative and effective approach which helps to reach the financial assistance, services and subsidies to the real beneficiaries. The program was aimed at transfer of subsidies and cash benefits directly to the beneficiaries through their Aadhaar seeded bank accounts with an intention that crediting subsidies directly into the bank accounts would substantially reduce the leakages, and associated delays, owing to the flow of fund in a multi hierarchy of administrative offices till it reaches the end beneficiary. An enabling policy regime, supportive regulatory administration and proactive government initiatives have allowed the private and public sector entities in the financial sector to overcome longstanding challenges of exclusion of a large part of the population. In this research paper we will discuss about Direct Benefit Transfer scheme in India and how it has transformed social welfare.

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**Keywords:** *Financial Inclusion, Direct Benefit Transfer, Subsidies, Aadhaar Seeded Bank Accounts.*

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### Introduction

Recently, the International Monetary Fund(IMF) applauded India's initiative of Direct Benefit Transfer Scheme and called it as a "logistical marvel" that has reached millions of people and specifically benefitted the elderly and farmers, women of the country. Paolo Mauro, the Deputy Director in the International Monetary Fund's Fiscal Affairs Department, praised the role of technological innovation. Earlier, David Malpass, the President of the World Bank Group, had also urged other countries to adopt India's move of targeted cash transfer instead of broad subsidies noting that "India has managed to provide food or cash support to a remarkable 85% of rural households and 69% of urban households".

DBT simply is the process of directly transferring the subsidy amount or directly making transfers into the account of beneficiaries in lieu of providing it to government offices or through any other intermediaries. Transfer here is defined as the payment that the government makes directly to the beneficiary without receiving any returns. Some of the examples of transfers in India are subsidies and scholarships.

Approximately four decades ago, the candid public admission by the government about the big leakages in India's public welfare schemes reflected a feeling of helplessness even at the highest levels in dealing with this worrying problem. Since then, India has achieved a milestone, mainly on account of the aggressive spread of the DBT programme that transfers cash benefits and subsidies directly to beneficiaries through Aadhaar linked bank accounts. This has been possible through the inclusive financial sector system where the most marginalised sections have been uniquely linked to the formal financial system of the country.

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The complex and multi-layered governance machinery - its diversity, digital divide and access barriers - can fail any novel scheme unless the building blocks are effectively addressed and managed. DBT would not have been able to address the scale and size of the problem of sub-optimal service delivery under government machinery. A holistic approach, ambitious vision, and a multi-pronged strategy enabled the DBT ecosystem to deliver impact at a phenomenal scale - the accomplishment that has been acknowledged by the IMF and World Bank.

Direct Benefit Transfer Scheme in India was introduced on 1<sup>st</sup> January 2013. The main goal was to improve the Government's delivery system and redesigning the current procedure in welfare schemes by making the flow of information and funds secure, and reduce the number of frauds. The Indian Government focuses highly on the DBT scheme as it brings about transparency, accountability, efficiency and effectiveness in the Government of India system. The DBT enablers are Jan Dhan, Aadhaar, and Mobile (JAM); Payments Bank; RBI's Business Correspondents (BC) Infrastructure; Mobile Bank etc.

#### **Objectives of Direct Benefit Transfer**

- Correct targeting of the beneficiary.
- Curbing pilferage and duplication.
- Reduced delay in payments.
- Electronic transfer of benefits, reducing levels involved in benefit flow.

#### **The Mechanism of the DBT Scheme**

- First, the beneficiaries are identified, and then the beneficiary database is digitalized.
- Beneficiaries are given bank accounts if they don't already have one.
- Beneficiaries then will enrol for Aadhaar.
- The seeding of Aadhaar with bank accounts and with the beneficiary database.
- As soon as possible putting the payment into the beneficiary's account and starting the last-mile connectivity or service delivery under the protocol.

#### **The types of schemes covered under the Direct Benefit Transfer**

The different methods of cash transfer covered under DBT are as follows:

##### **Cash Transfer**

The government directly forwards cash to each beneficiary account under the Direct Benefit Transfer cash transfer scheme. Following are the various ways that money is transferred from the government to beneficiaries:

- The beneficiary may receive the amount directly;
  - The fund is transferred from the State Treasury Account to the beneficiary;
  - Through an Implementing Agency that has been assigned by the government;
  - The beneficiary gets the fund from the State or Central Government;
- Some examples include the MGNREGA and National Social Assistance Program (NSAP).

##### **In-kind Benefit Transfers from the Government to Beneficiaries**

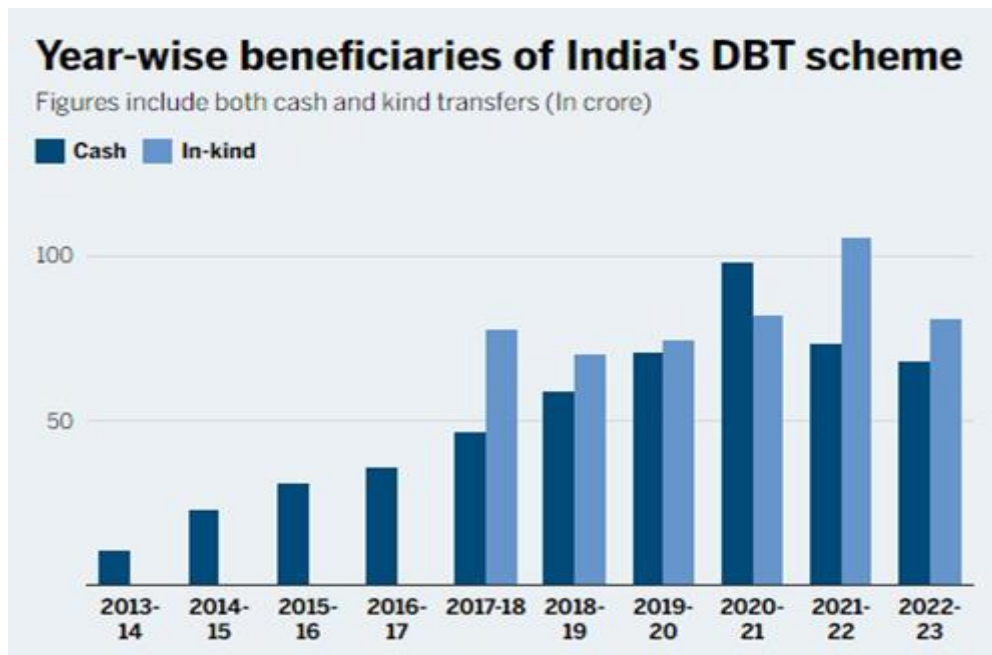
The Government pays benefits to the recipients in kind under the DBT In-Kind Benefit Transfer Scheme either directly or through government-appointed implementing entities.

The cost of purchasing the items that can be used for public distribution and transporting them to the intended beneficiaries is covered by the government. These goods or services are provided to the beneficiaries for no cost or for a very cheap cost.

##### **Other Types of Transfers**

The Direct Benefits Transfer program also distributes funding and subsidies to other non-governmental functionaries that aid to implement government objectives, in addition to cash and in-kind transfers.

This type of category of benefit transfer includes entitlements, incentives, etc. that are provided to community workers and Non-Governmental Organizations (NGOs). Due to the assistance they provide to other recipients and the community, they are provided such benefits.



#### Advantages of the Direct Benefit Transfer

- DBT reduces the possibility of fraud and also accelerate the safe delivery of information and money.
- It eliminates the need for middlemen, such as employees or government, by crediting the subsidy amount directly to the beneficiary accounts.
- More Transparent and incidences of theft are reduced.
- DBT make sure precise targeting of beneficiaries.
- By linking the fund deposits with the Aadhaar, beneficiaries will be allowed to join one bank account only to prevent the duplication of subsidies.
- It also enables the government to communicate with both the program participants and citizens at the same time.
- It helps in the distribution of grants to worthy candidates who are living in poverty. It makes it easier for the government to communicate with the larger target recipients.
- The plan prevents theft during the distribution of payments and lessens the exploitation of public resources.
- It is a potent settlement and transaction technology that collaborates with many organizations.
- DBT has proved to be a successful method of reaching out to public to disperse aid funding.

In a mission-mode approach, DBT endeavoured to open bank accounts for all the households, expanded Aadhaar to all, and augment the coverage of banking and telecom services. DBT has developed the Public Finance Management System and made the Aadhaar Payment Bridge to enable immediate money transfers to the beneficiaries' bank accounts. The Aadhaar-enabled Payment System and Unified Payment Interface promote expanded interoperability and private-sector participation. This unique approach not just allowed all the rural and urban households to be linked under varied government schemes for receiving subsidies directly into their bank accounts with ease.

By the year 2022, more than 135 crore Aadhaars have been generated, there are 47 crore beneficiaries under Pradhan Mantri Jan Dhan Yojana, 6.5 lakh Bank Mitras delivering branchless banking services and mobile subscribers number more than 120 crore. Following the path, the India's DirectBenefitTransfers programme has reached great heights and has become important for achieving the government's vision of "sabka vikas". Becoming the major part of the government's agenda of inclusive growth, it has 318 schemes of 53 central ministries spanning across sectors, welfare goals and the huge geography of the country. The DBT scheme could not have achieved the scale and size it has

without the government's financial inclusion programme, which helped plug out leakages in welfare schemes, set apart fake beneficiaries and transfer funds to genuine beneficiaries. This make sure significant savings to the exchequer and enabled efficient utilisation of government funds. In rural India, DBT has permitted the government to provide financial assistance transparently and effectively to farmers with lower transaction costs – be it for fertilisers or any of the other schemes including the PM Kisan Samman Nidhi, PM Fasal Bima Yojana, and PM Krishi Sinchayi Yojana — thus becoming the backbone for supporting the growth of the agricultural based economy. The benefits received under the MGNREGA and Public Distribution System drive the rural demand-supply chain.

In urban area, the PM Awas Yojana and LPG Pahal scheme have successfully use DBT to transfer funds to beneficiaries directly. Several scholarship schemes and the National Social Assistance Programme use the DBT architecture to provide the social security. DBT under rehabilitation programmes like the Self Employment Scheme for the Rehabilitation of Manual Scavengers open up new frontiers that ensure social mobility of all sections of society. The robustness and efficacy of the DBT network were even observed during the pandemic. DBT scheme helped the government to reach the last mile and support the most deprived in bearing the brunt of the lockdown and pandemic. From free rations to approximately 80 crore people under the Pradhan Mantri Garib Kalyan Yojana, fund transfers to all women Jan Dhan account holders and support to small vendors under PM-SVA Nidhi, DBT helped the vulnerable to withstand the shock of the pandemic covid-19.

An enabling policy regime, proactive government initiatives and supportive regulatory administration permitted both the private and public sector entities in the financial sector to overcome longstanding challenges of exclusion of a large part of the population. These are vital elements of the pioneering ecosystem created by the government for the aggressive rollout of the ambitious Direct Benefit Transfer programme, achieving impressive scale in a short span of six years. Going forward, in the coming years the Direct Benefit Transfer approach is expected to expand further in size and structure as it continues to remain the main tool of the government for a more nuanced and targeted intervention towards improving the ease of living. Though, digital and financial literacy, enhancing awareness, robust grievance redressal and an empowering innovation system are some of the aspects that would require continued focus. DBT plays a significant role for India in meeting the diverse needs of its population and ensuring equitable, balanced and inclusive growth.

### Conclusion

For a DBT implementation to succeed, there must be a focus on three critical areas:

- Proper identification of beneficiaries: Aadhaar can solve the identification problem.
- Timely transfer of money to beneficiaries: Some banking tasks could be replaced by mobile penetration. Though, physical connectivity to financial centres will be required at the final mile.
- Their ability to access these benefits with relative ease.

The Choice-based DBT system: Beneficiaries could be given the option of switching to cash transfers or remaining with subsidized food in this case. This will protect the recipients, principally the most vulnerable, against suboptimal implementation. More pilot initiatives are required, with a focus on beneficiary convenience rather than government cost savings. If beneficiaries embrace it freely, savings will occur, possibly in bigger numbers.

### References

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