

Role of Direct Benefit Transfer (DBT) in India's Financial System

Deepak Kumar¹, Bharti²

¹Assistant Professor, Department of Economics, K.R. Mangalam University, Gurugram

²Research Scholar, Department of Economics, Kumaun University, Nainital

ABSTRACT:

DBT has been created to remove middlemen from facilities like subsidies given to citizens by the government. Reforms like Direct Benefit Transfer in the financial system of the country are being promoted all over the world. Funds are directly transferred by the banks to the bank accounts of the beneficiaries through the DBT system. Through this, beneficiaries can link their existing bank accounts and open new accounts. Direct Benefit Transfer (DBT) is a social security scheme aimed at giving direct cash subsidies to people living below the poverty line. People living below the poverty line are not getting the benefit of schemes run by the government. Even today these people are struggling for their daily needs. But the main reason for this is a lack of awareness among the people. This paper examines the effects of DBT on the Indian economy and its awareness among people. Secondary sources such as Books, journals, Articles, Newspapers, Research papers, etc. have been used to obtain information.

Keywords: Accounts, Beneficiaries, Transfer, Financial system

Introduction:

DBT is an important scheme launched by the Government of India for the transfer of various welfare programs like LPG subsidy, MGNREGA payments, old age pension, scholarships etc. benefits and subsidies directly to the bank account of the beneficiary. The DBT mission was implemented with the Planning Commission on 1 January 2013. But later in September 2015, it was established with the Cabinet Secretariat. DBT allows entitlement transfers to beneficiaries' bank accounts. India has made progress in the infrastructure of direct transfers. The goal of the Government of India has been to create a digital payment relationship with every Indian household. So that every citizen can get his money directly in his account. The Government of India is using digital payment connections to convert fuel, food and other price subsidies to DBT. DBT was initially introduced in 43 districts. Later 76 more districts were added to it. The Government of India is paying more attention to the DBT scheme, which is why DBT is present in more than 300 districts. Many programs added to DBT mission. The DBT scheme has increased the number of programs.

India has the second-largest population in the world. The country has a vast market as well as suitable resources for biotechnology products and services. According to Invest India, the Indian biotechnology industry was valued at USD 51 billion in 2018, with a year-on-year growth rate of around 15 percent, and has the potential to reach USD 100 billion by 2025.

“The process of transferring the subsidy amount directly to the beneficiaries account is known as DBT. In this context, transfer can be defined as the payment that the government makes directly to the beneficiary without receiving any return. Some examples of transfers are scholarships and subsidies.” The government is encouraging other new models through policies that encourage innovation and responsible finance.

Review of literature:

Joy, J. (2018) has critically evaluated the Direct Benefit Transfer Mission in India in his paper. It was concluded that when the DBT was implemented in 2013, 5.7 million beneficiaries did not have Aadhaar. This number increased to 6.38 crore in 2017. Despite the skill of DBT, India was not ready to adopt it at that time. Therefore, serious efforts should be made by the government to provide Aadhaar payment assistance to the people.

Mahasweta M. Banerjee (2016) in her article claims that financial literacy and management skills are important for the well-being of the family. Found that significant research evidence is needed to make policy recommendations to address the FC of poor people in India. FC programs must now be reviewed to separate the effects of marital status, occupation, family size, gender, education, and health on financial inclusion and capabilities, longitudinal, randomized, mixed-methods.

Paramasivam, Arunkumar .C (2018) in his paper studied about financial inclusion in India through major social defense schemes such as PAHAL and Direct Benefit Transfer (DBT). Social defense schemes like MGNREGA, NSAP, LPG, were highlighted. It was concluded that Digital India provides easy DBT facility for financial inclusion in digital format. DBT provides an opportunity for people to use banking and financial services to empower them financially and it reduces the middleman practice.

Rajasekharam. N (2018) has suggested that Basic Savings Bank Deposit Account (BSBDA) accounts and DBT have increased significantly in the inclusion of economically excluded people. Now Aadhar card is being accepted as a legal document for opening a bank account. RBI has identified five target groups of people for financial improvement literacy levels and organized several outbound camps. No frills and Basic Service Demat Account (BDSA) were created for the poor people.

S. Aman (2018) in his study, said that by expanding the DBT schemes, the Government of India has estimated to save an amount of Rs 82,985 crore. This amount is Rs 25,956 crore by removing the fake account holder as per the latest government data. This figure represents an increase of over 45 percent over Rs. 57,029 crore as of March 2017 which was mentioned by Prime Minister Narendra Modi.

Research Methodology:

The research method is partially descriptive, searchable, and inferential. This paper describes the role that DBT plays in the Indian economy. This paper is mainly based on secondary data. All information has been collected through various research paper, books, newspapers and web papers etc.

Objective:

1. To find out the impact of DBT in Indian economy
2. To find out the importance of DBT and the awareness of people about it.

- **Objective of the DBT:**

- Maintaining transparency in fund transfer among beneficiaries
- Correctly identifying and targeting them
- Ensure ease of access to more inclusive and profitable services
- Restrict leakages in profit distribution processes
- Eliminating middlemen and agents
- To find out the effectiveness of schemes on time
- Promoting efficiency in delivery process

- **Different types of schemes included through DBT**

- Cash transfer: Under this, cash is directly transferred by the government to individual beneficiaries. Various routes for this are mentioned as follows:

The beneficiary can receive the amount directly.

One can also receive funds from an implementing agency appointed by the government.

The beneficiary can receive funds from the state or central government.

- The components of the schemes themselves are part of the in-kind benefit category from the government to the beneficiaries. These types of benefits are provided to the beneficiaries by the government through intermediate agencies. The government usually purchases goods that can be delivered to the targeted beneficiaries. So that the beneficiaries can get these services at very low prices or free of cost.
- Incentives, allowances, etc., are provided to non-governmental organizations (NGOs) as they provide services to other beneficiaries.

Payment to the agencies associated with government schemes such as: Asha and Anganwadi workers as well as school teachers and workers will also be made through DBT.

“During interactions, it was realized that the scope of the DBT can be expanded to include all welfare and subsidy schemes operated by all the ministries and departments of the Government of India directly or through implementing agencies, which involve cash or kind benefits’ transfers to individuals,” said an official missive from the DBT Mission.

- **Benefit & Progress of DBT:**

The government is proposing to include 500 central schemes under the DBT scheme during the coming years. The scope of DBT has also been expanded to include ASHA and Anganwadi workers etc. and it has been decided to bring all welfare and subsidy schemes of the government under it. The advantage of DBT is that the government provides funds directly to the beneficiary thereby avoiding leakage and the money is sent directly to the beneficiary's bank account. DBT also has the advantage that through this the government can better target the beneficiary. Aadhaar is a universal ID associated with DBT so that the government can identify the beneficiary from its Aadhaar statement.

The government has launched a web portal dbt.bharat.gov.in to get information about the welfare schemes of all the centers and states. It will also provide regular updates about the progress of the program and will also enable the beneficiaries so that available Details about subsidy can be obtained.

- Total direct transfers in 2019-20 stood at over Rs 2, 31,927 crore. In which PDS had the highest share and then PAHAL.
- In 2019-20, the total number of transactions was more than 355 crore. Most transactions were done under PDS.
- 427 schemes were launched in different departments under DBT.

Table: 1.1 DBT Beneficiaries (year wise)

Year	Beneficiaries (crore)
2013-14	10.8
2014-15	22.8
2015-16	31.2
2016-17	35.7
2017-18	46.3-77.7
2018-19	59-70.2
2019-20	71.4-73.2
2020-21	98.7-81.2
2021-22	74.8-104.1
2022-23	73.6-88.1

Source: dbtbharat.gov.in

Table 1.1 shows that DBT beneficiaries have increased year by year. In 2013-14, where there were 10.8 crore beneficiaries, this number has increased to 98.7 crore in the year 2020-21. Which has given a big boost to Digital India. Over Rs 36,659 crore was transferred to the bank accounts of 16.01 crore beneficiaries using DBT through the Public Financial Management System during the COVID 2019 lockdown by the Office of the Controller General of Accounts, Department of Expenditure, Ministry of Finance.

The Indian government has given beneficiaries through DBT a total of USD 230 billion (INR 16.8 trillion) since the program’s inception in 2013. In the previous fiscal year 2020–21, 33% of this sum was transferred through six billion transactions.

Table 1.2 DBT Payments for Top 10 Central Sector Schemes (2020)

Schemes	Amount	Beneficiaries Paid
Pradhan Mntri Kisan Samman Nidhi	17733.53	84379326
Mahatma Gandhi National Rural Gurantee Program	5406.09	15568886
Indira Gandhi National Old Age Pension Scheme	999.49	9316712
Indira Gandhi National Widow Pension Scheme	158.59	1237925
National Rural Health Mission	280.80	1098128
Pradhan Mantri Matru Vandana Yojana	209.47	758153
PRE Matric Scholarship for Minarities	159.86	572902
Food Subsidy for Decentralized Procurement of Foodgrains Scheme	19.18	291250
Indira Gandhi National	26.95	239707

Disability Pension Scheme		
National Social Assistance Programme	30.55	223987

Source: Pib.gov.in

Till 17th April 2020 during Covid 19 Lockdown; The amount of DBT payment under all Centrally Sponsored Schemes through PFMS is Rs. into the accounts of 11,42,02,592 beneficiaries through schemes like PM KISAN, Mahatma Gandhi National Employment Guarantee Scheme (MNREGS), National Social Assistance Program (NSAP), Prime Minister's Matrivandana Yojana (PMMVY), National Rural Livelihoods Mission (NRLM) 27,442.08 crore), scholarship schemes of various ministries through National Health Mission (NHM), National Scholarship Portal (NSP).

During the COVID-19 period, many state governments like UP, Bihar, MP, Tripura, Maharashtra, J&K, AP, and others have used DBT to transfer cash to their bank accounts. The State Governments have disbursed an amount of Rs. 4, 59, 03,908 to 4, 59, 03,908 beneficiaries using PFMS through 180 welfare schemes. Through 180 welfare schemes, state governments using PFMS disbursed an amount of Rs 9,217.22 crore to 4.59 crore beneficiaries in 2020. India's DBT structure was further tested as the crisis deepened. A total of 47 crore beneficiaries were provided DBT relief of Rs 1,41,714 crore in the financial year 2020-21. Haryana has the highest score of 88.8, while West Bengal has the lowest score of 13.2 in the DBT performance ranking of states (2022).

Conclusion & Suggestions:

In financial system, DBT is being adopted all over the world. Initially, the number of beneficiaries was very less, but their number has increased due to the schemes run by the government and the beneficiaries are getting direct benefits. Today the subsidy is being transferred to their accounts, which has reduced the number of middlemen significantly. With this coming into effect, savings have not only been possible in Revenue but it has also helped in curbing corruption. Today, DBT is being known as Silent Revolution all over the world. Hence public financial system is not cumbersome but it is efficient and responsive to the people. The DBT system was introduced to remove middlemen from facilities such as subsidies given to citizens by the government. DBT covers 628 schemes under the 58 Ministries. Thus, to make DBT more efficient in the public financial system, more schemes need to be implemented and programs should be made to make people aware that they can provide proper information from time to time.

Despite having a robust Direct Benefit Transfer (DBT) system, India needs to focus more on the beneficiaries. Governments should adopt “principles of digital development” and people with disabilities, and include women and other historically vulnerable groups in the design process, as a result of the need for change. To do this, officials can learn from India's G2P (government-to-person) infrastructure. Beneficiaries of G2P should have the option to choose their preferred mode of payment.

References:

1. Suryanarayana, M. H. (2013). The direct benefit transfer system: Made in India. *One Pager*, 200.
2. Gwalani, H & Parkhi, S. (2014), “Financial inclusion - Building a success model in the Indian context”, *Procedia - Social and Behavioral Sciences*, 133, 372 – 378.
3. Joy, J. (2018). A critical analysis of direct benefit transfer in India. *Indian Journal of Economics and Development*, 6(8), 1-7.

4. Banerjee, M. M. (2016). Gender differences in capabilities for work among poor: Challenges and opportunities. *Affilia*, 31(2), 243-256.
5. Paramasivan, C., & Arunkumar, G. (2018). An overview of financial inclusion through DBT in India. *SELP J of Social Sci*, 9(43), 79-85.
6. Rajasekaran, N. (2018), "Including the Excluded: The Scenario of Financial Inclusion in India" IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 20, Issue 2. Ver. VII (February. 2018), PP 64-69
7. Aman Sharma (2018), Savings from direct benefit transfer pegged at Rs 83,000 crore. The Economic Times, Edition Delhi.
8. Bharath, B., & Kumar, R. A Study on Financial Inclusion and its Effectiveness on Direct Benefit Transfer Schemes. *Journal homepage: www.ijrpr.com ISSN, 2582, 7421.*
9. <https://timesofindia.indiatimes.com>
10. <https://dbtbharat.gov.in>