

# **Challenges In Direct Benefit Transfer Implementation And The Way Forward**

---

## **Table Of Contents**

<b>Abstract</b>	<b>2</b>
<b>Overview of DBT</b>	<b>4</b>
<b>Literature Review</b>	<b>7</b>
<b>Challenges in DBT Implementation</b>	<b>9</b>
<b>Policy Recommendations for Improving Direct Benefit Transfer (DBT) Implementation</b>	<b>15</b>
<b>Conclusion</b>	<b>21</b>
<b>References</b>	<b>21</b>

## Abstract

The implementation of Direct Benefit Transfer (DBT) in India has transformed welfare delivery systems, receiving international recognition as a logistical marvel. This research paper explores the nuances of DBT, examining its vast scope and impact on socio-economic development. It delves into the challenges faced during DBT implementation and proposes innovative solutions. DBT is shown to revolutionize welfare delivery, fostering transparency, equity, and efficiency. A comprehensive literature review highlights the multifaceted impact of DBT on financial inclusion and social sector schemes, emphasizing its transformative potential. The paper concludes by offering policy recommendations to improve DBT implementation, focusing on enrolment, cash-out, information dissemination, beneficiary records, accountability, grievance redress mechanisms, infrastructure, transparency, and capacity building.

## Introduction

The Direct Benefit Transfer (DBT) initiative in India stands as a testament to the power of innovation in transforming welfare delivery systems. Acknowledged by the International Monetary Fund (IMF) as a "logistical marvel," this monumental program has been commended for its efficacy, especially given the immense scale and diversity of India. To ensure the success of Direct Benefit Transfer (DBT) in India, key enablers include leveraging the JAM Trinity (Jan Dhan, Aadhaar, and Mobiles) for secure and targeted benefit delivery, utilizing Business Correspondents (BCs) to provide last-mile connectivity, establishing Payments Banks to expand financial services in remote areas, and promoting mobile money for convenient cashless transactions, using Aadhaar as identification. It reflects the government's commitment to reforming delivery processes, leveraging Information & Communication Technology (ICT) to ensure the efficient and timely provision of benefits.

## THE ECONOMIC TIMES | News

English Edition | 11 September, 2023, 07:33 PM IST | Today's Paper

### India's direct benefit transfer scheme is a logistical marvel: IMF Paola Mauro

OUR BUREAU Last Updated: Oct 14, 2022, 12:55 AM IST

#### Synopsis

India's case is "quite impressive" given the "sheer size" of the country, said Paola Mauro, deputy director of the fiscal affairs department, responding to a question on its successful implementation by the government.



2022 annual meeting of the IMF and the World Bank Group.

A senior official of the [International Monetary Fund \(IMF\)](#) has applauded [India](#) for its seamless direct benefit transfer programme.

India's case is "quite impressive" given the "sheer size" of the country, said [Paolo Mauro](#), deputy director of the [fiscal affairs department](#), responding to a question on its successful implementation by the government.

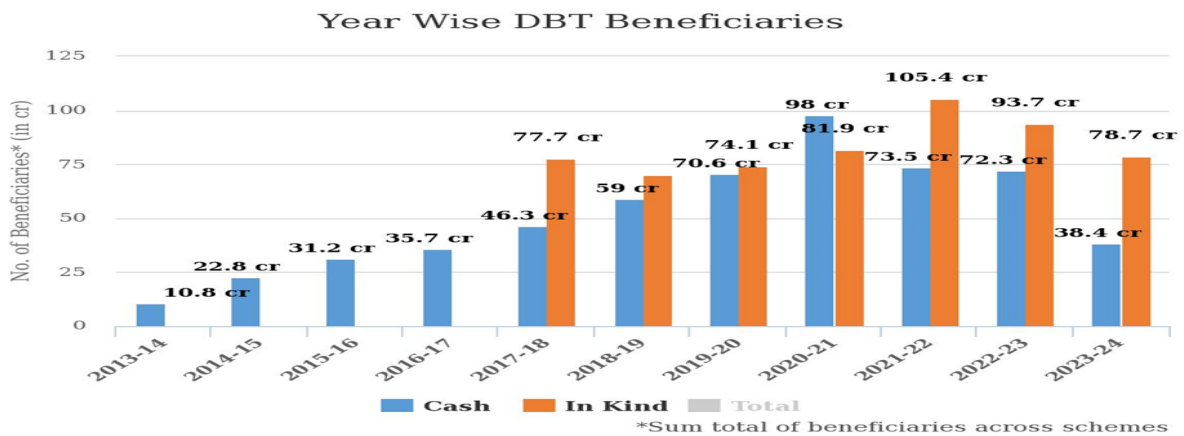
Mauro was addressing a news conference during the 2022 annual meeting of the IMF and the [World Bank Group](#) in Washington.

DBT encompasses an extensive array of schemes, ranging from cash transfers to in-kind benefits and subsidies, with a focus on targeted and accurate beneficiary identification. Cash transfers, for instance, involve the direct transfer of monetary benefits to individuals, facilitated by various means, including direct transfers by the Union Government, transfers through State Treasury Accounts, or cash transfers by government implementing agencies. Notable examples include the PAHAL initiative for LPG subsidy under the Ministry of Petroleum & Natural Gas and MGNREGA payments administered by the Ministry of Rural Development.

In parallel, DBT extends its reach through in-kind benefit transfers, where the government procures goods and disburses them to beneficiaries either directly or through implementing agencies. This process ensures that essential goods are provided to the intended recipients at subsidized or no cost, exemplified by initiatives like the Public Distribution System and the Mid-Day Meals Scheme.

Beyond these, DBT plays a crucial role in enabling non-governmental functionaries to participate in the last-mile implementation of government policies and schemes. These individuals, such as ASHA workers, Anganwadi workers, teachers in aided schools, and sanitation staff in Urban Local Bodies (ULBs), receive training, wages, and incentives to serve their communities, further strengthening the welfare ecosystem.

Since its inception on January 1, 2013, the DBT mission has evolved significantly, transitioning from the Planning Commission to the Department of Expenditure, and currently finding its place in the Cabinet Secretariat. As of the present, DBT has been implemented across 310 schemes spanning an impressive 53 ministries and departments, facilitating a total Direct Benefit Transfer of 3.34 Lakh crore in the fiscal year 2022-23.

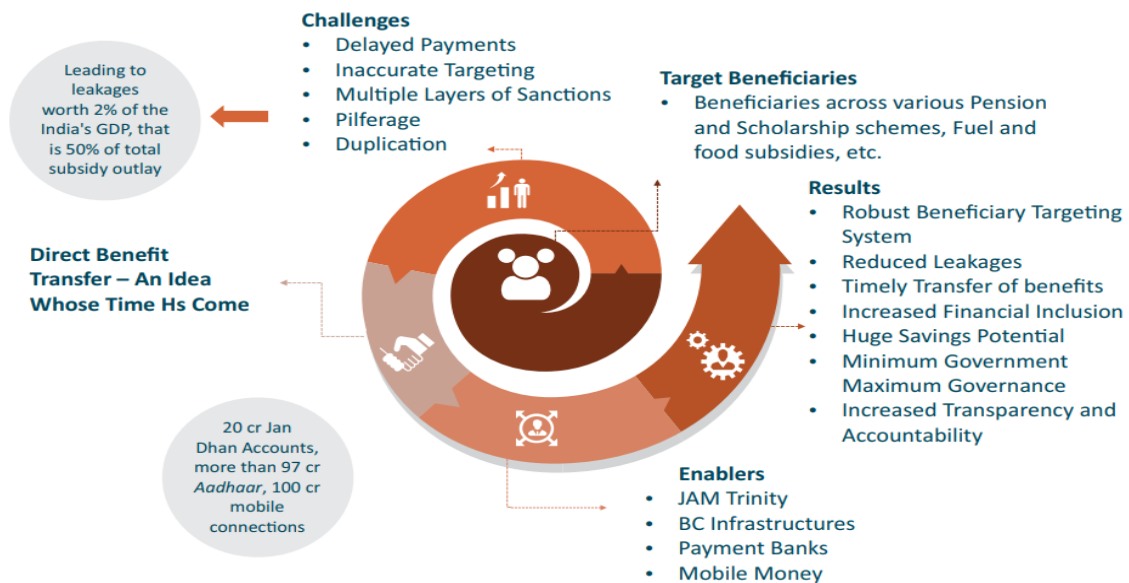


**Figure: Yearwise DBT Beneficiaries from 2013 to 2023.**

This research paper delves into the nuances of DBT, exploring the challenges encountered during its implementation and proposing innovative solutions. It aims to shed light on how DBT has revolutionized welfare delivery and its potential for driving efficient, transparent, and equitable benefit distribution in India and beyond.

Direct Benefit Transfer (DBT) has emerged as a transformative mechanism for delivering government subsidies and welfare benefits directly to the bank accounts of beneficiaries. In recent years, DBT has played a pivotal role in reshaping the landscape of financial inclusion in India. This article provides a comprehensive literature review, drawing from various studies and research findings, to elucidate the multifaceted impact of DBT on financial inclusion and social sector schemes in the country.

## Overview of DBT



**Figure: Overview of Direct Benefit Transfer**

Direct Benefit Transfer (DBT) represents a modern paradigm shift in the delivery of social welfare benefits and subsidies. At its core, DBT leverages technology to streamline and enhance the process of providing financial assistance to eligible beneficiaries. This approach centers on the electronic transfer of funds directly into individuals' bank accounts, circumventing intermediaries and aiming to mitigate inefficiencies, leakages, and corruption. The primary objectives of DBT encompass a

broad spectrum of socio-economic challenges that have long hindered traditional benefit distribution mechanisms.

One of the primary objectives of the Direct Benefit Transfer (DBT) program is to address the widespread issue of leakages in welfare schemes. Over time, we've witnessed various forms of misallocation, including middlemen taking a cut and outright fraudulent activities, which have denied rightful beneficiaries their entitled support. DBT aims to mitigate these problems by creating a direct channel for the transfer of funds. This means that financial assistance is directly sent to the intended recipients, greatly reducing the chances of diversion and ensuring that the aid reaches its intended destination. In his Independence Day address, Prime Minister Narendra Modi mentioned that the government has saved a substantial amount of Rs 2 lakh crore over the past eight years by leveraging modern systems like Aadhar and mobile technology through the Direct Benefit Transfer program, preventing these funds from ending up in the wrong hands.

Transparency plays a pivotal role in building trust between governments and citizens. DBT leverages technology to create a transparent and traceable trail of financial transactions. This transparency not only empowers beneficiaries to monitor their benefits but also holds authorities accountable for the efficient disbursement of funds, reducing room for discretionary decision-making.

Financial inclusion is a critical aspect of DBT's impact. In many developing nations, a significant portion of the population lacks access to formal banking systems. DBT serves as a catalyst for financial inclusion by encouraging beneficiaries to establish bank accounts to receive direct transfers. A recent report from the Reserve Bank of India titled "Deposits with Scheduled Commercial Banks – March 2023" confirms that women in India are exhibiting greater savings behavior. The report highlights that the proportion of bank accounts owned by women has risen from 19.8 percent in the previous year to 20.5 percent in 2023. Furthermore, nearly 55 percent of the accounts within the Pradhan Mantri Jan-Dhan Yojana (PMJDY) are held by women, contributing significantly to narrowing the gender gap in access to banking services. This increase in women's savings can be attributed, in part, to the positive impact of the Direct Benefit Transfer (DBT) program, which has been expanded since the onset of the pandemic and now encompasses nearly all welfare schemes in India.

Accuracy in targeting beneficiaries is another key aspiration of DBT. Traditional welfare programs often struggle with inclusion and exclusion errors, leading to resources being misallocated. DBT adopts rigorous identification mechanisms, such as biometric Aadhaar IDs, to precisely direct

benefits to those who qualify. This enhanced targeting ensures that assistance reaches those most in need, optimizing the allocation of resources.

Efficiency is another hallmark of DBT. By reducing paperwork, administrative burdens, and the time taken for funds to reach beneficiaries, DBT optimizes the distribution process. This efficiency is particularly crucial in emergency situations or when swift responses are required to address socio-economic challenges. India has realized substantial savings of over USD 27 billion in key central government schemes by implementing Direct Benefit Transfer (DBT), which is lauded for its swiftness and ability to combat corruption, according to Ajay Seth, Secretary of the Department of Economic Affairs. Pankaj Chaudhary, Union Minister of State for the Ministry of Finance, highlighted in response to a Lok Sabha query the significant cost savings achieved through DBT and governance reforms in major central sector and centrally sponsored schemes. The savings figures for different fiscal years demonstrate this success: ₹32,983.41 crore in 2017-18, ₹52,157.19 crore in 2018-19, ₹36,226.74 crore in 2019-20, ₹44,571.78 crore in 2020-21, and an impressive ₹50,125.37 crore in 2021-22. These numbers reflect the progressive enhancement in the efficiency and effectiveness of DBT in curbing financial misappropriation.

In the March 2022 DBT report, several ministries and departments highlighted the success of governance reforms aimed at removing duplicate and fake beneficiaries while plugging leakages. These measures have allowed the government to effectively target deserving beneficiaries. Notable achievements include a reduction of 158.06 Lakh Metric Tonnes of fertilizer sales to retailers by the Department of Fertilizers, estimated 10% savings on wages through the deletion of duplicate, fake, and ineligible beneficiaries in the Department of Rural Development, and the removal of 98.8 lakh duplicate and fake/non-existent beneficiaries by the Ministry of Women and Child Development. The Department of Social Justice and Empowerment eliminated 1.98 lakh such beneficiaries, while the Department of Food and Public Distribution deleted 4.2 crore duplicate and fake/non-existent Ration Cards between 2013 and 2021. The Ministry of Petroleum and Natural Gas successfully eliminated 4.11 crore duplicate, fake, and inactive LPG connections and identified 1.79 crore non-subsidized LPG consumers, including 1.08 crore 'Give It Up' consumers. These efforts reflect a significant stride toward efficient and targeted benefit delivery in India.

Perhaps most importantly, DBT empowers beneficiaries. It places financial control in the hands of those receiving assistance, enabling them to make informed decisions based on their unique circumstances. This empowerment is a catalyst for poverty reduction and social development, fostering self-reliance and dignity among recipients.

In summation, DBT represents a transformative approach to the delivery of social welfare benefits, underpinned by technology and an array of strategic goals. By reducing leakages, enhancing transparency, promoting financial inclusion, improving targeting accuracy, enhancing efficiency, and empowering beneficiaries, DBT contributes to more equitable, accountable, and effective welfare programs, ultimately striving to uplift marginalized communities and foster inclusive socio-economic growth.

## **Literature Review**

The nexus between financial inclusion and Direct Benefit Transfer (DBT) has been a subject of considerable scholarly exploration. Singh & Nisha (2014) illuminated a compelling correlation between human development and financial inclusion. They underscored the pivotal roles played by physical infrastructure and government policies in fortifying financial inclusion. In this context, DBT emerges as a linchpin, leveraging the existing banking infrastructure to advance financial inclusion. Abhijit Vinayak Banerjee and Esther Duflo, Abdul Latif Jameel Professors of Poverty Alleviation and Development Economics (2010), conducted a study on "Improving Immunization Coverage in Rural India." Their research revealed that enhancing the reliability of healthcare services contributes to increased immunization rates, albeit with relatively modest effects. Interestingly, the study found that offering small incentives in resource-poor areas had a significantly positive impact on the utilization of immunization services. Importantly, these incentives were more cost-effective than solely focusing on improving the supply side of healthcare services.

Paramasivan C and Ganeshkumar V (2013) contributed to this discourse by emphasizing the potential of microfinance institutions, business facilitators, and business correspondents in extending financial services, with a particular focus on rural areas. Their research underscored the instrumental role of post offices as ideal channels for agency banking, further broadening access to financial services.

Government initiatives have been pivotal in propelling financial inclusion, as highlighted by Santosh, Subrahmanyam, and Narayana Reddy (2016). They accentuated that financial inclusion is an ongoing process that demands collective endeavors from diverse stakeholders. Notably, they pointed to two prominent government initiatives—the Self Help Group (SHG) Bank Linkage Programme and Pradhan Mantri Jan Dhan Yojana (PMJDY)—as pivotal contributors to financial inclusion. These programs are designed to furnish essential financial services to segments of society previously excluded from such opportunities.

Nonetheless, challenges persist, as elucidated by Kumar Bijoy (2018). He emphasized the imperative of job creation and the strengthening of the financial infrastructure as indispensable components for effective financial inclusion. It was underscored that merely opening bank accounts for the economically disadvantaged is insufficient without addressing income disparities. Neha Sharma (2017) acknowledged the pro-poor nature of DBT while concurrently highlighting areas in which its implementation and financial awareness could be improved. Assocham (2017) brought attention to the successful integration of biometric cards, which have significantly reduced leakages in DBT schemes, resulting in substantial savings. They also anticipated an upsurge in cash subsidy payments through DBT.

The realm of innovations and progress within DBT was not left unexplored. Rajasekaram N (2018) accentuated the pivotal role of Basic Savings Bank Deposit Accounts (BSBDA) and the utilization of Aadhaar as a legal document in amplifying financial inclusion. Aman Sharma (2018) showcased significant cost savings realized through DBT by eliminating fake accounts. Meanwhile, Sakthivel N and Mayilsamy R (2018) proffered recommendations, advocating for increased subsidy amounts and a heightened focus on the payment processes of gas agencies to enhance the delivery of benefits.

However, challenges in the implementation of DBT have been a recurrent theme, as noted by Korde (2015). Hindrances such as the low penetration of Aadhaar-enabled accounts, limited banking accessibility, and a dearth of awareness among rural populations need to be effectively addressed to ensure the secure and successful execution of transactions.

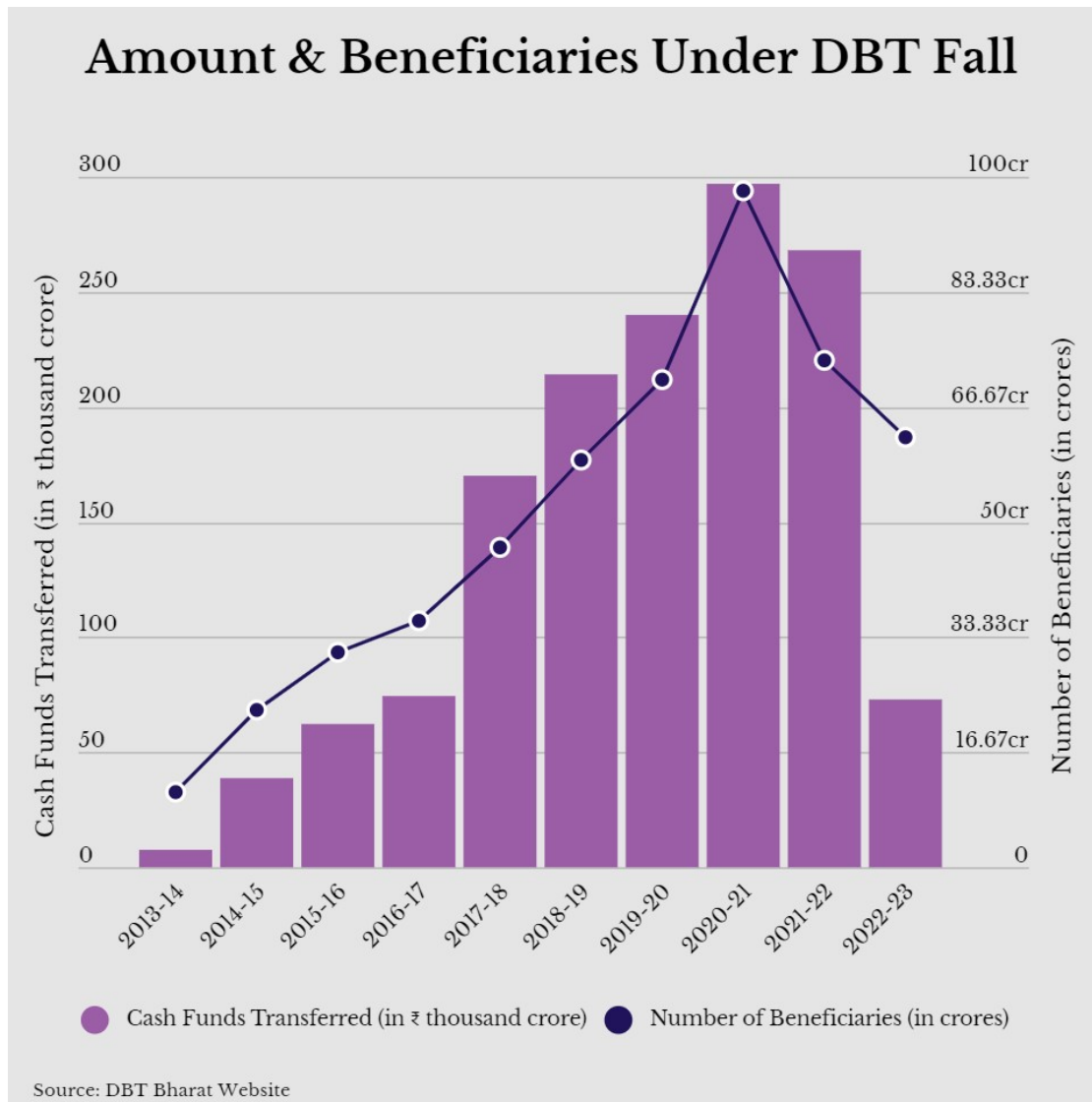
The significance of financial literacy was a resounding theme in this discourse. Mani Goswami (2016) underscored the importance of financial literacy in tandem with financial inclusion, emphasizing that stakeholders must grasp both the benefits and risks associated with these initiatives. Selvam V and Velmurugan G (2015) reinforced the need for well-structured awareness programs at the grassroots level to dispel misconceptions about DBT.

In conclusion, the extensive body of literature surrounding Direct Benefit Transfer in India highlights its profound impact on promoting financial inclusion and enhancing the efficiency of social sector schemes. While remarkable strides have been made, persistent challenges related to implementation, awareness, income disparities, and the imperative for financial literacy remain. It is evident that ongoing efforts and innovations are indispensable to fully harness the benefits of DBT, ultimately improving the lives of marginalized communities and fostering inclusive economic growth throughout India.



## Challenges in DBT Implementation

In the realm of Direct Benefit Transfers (DBT), a multitude of challenges have been identified, creating a complex landscape of obstacles. The DBT scheme, covering 314 schemes across 53 ministries, has disbursed Rs 24.3 lakh crore digitally. However, recent years have seen a decline in beneficiaries and amounts transferred. Researchers point to exclusion factors preventing some from accessing scheme benefits.



Aarushi Gupta's research, titled 'Proposing a Framework to Document Exclusion in Direct Benefit Transfers' (Dvara Research, February 2021), categorizes these challenges into four layers of exclusion, providing valuable insights into the hurdles faced during DBT implementation.

**First Layer of Exclusion:** The initial layer spotlights concerns regarding the reliability of data sources, specifically the Below Poverty Line (BPL) and Socio-Economic Caste Census (SECC) lists. This layer underscores issues tied to Proxy Means Testing (PMT), data accuracy, and the outdated nature of SECC data, shedding light on the foundational challenges of DBT.

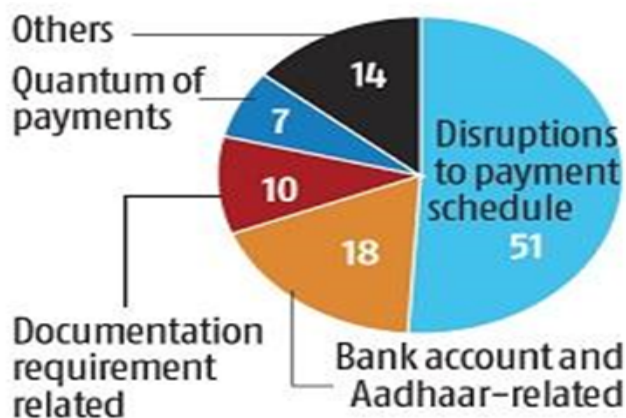
**Second Layer of Exclusion:** Progressing to the second layer, we delve into the challenges encountered during the enrolment process. This phase highlights the stringent eligibility checks and extensive documentation requirements, emphasizing the bureaucratic complexities that beneficiaries must navigate. Additionally, it draws attention to the financial costs incurred by beneficiaries, including the loss of wages and the need for multiple visits due to enrolment complexities and errors in the digitized system.

**Third Layer of Exclusion:** The third layer directs our focus to the back-end processing and the critical step of transferring funds to beneficiary accounts. Challenges in this stage include transaction failures stemming from improper Aadhaar seeding, invalid account statuses, and pending Know Your Customer (KYC) requirements, which can disrupt the timely delivery of benefits.

**Fourth Layer of Exclusion:** Finally, the fourth layer addresses the challenges faced by beneficiaries when attempting to access and withdraw their entitled benefits. This stage encompasses issues such as the unavailability of cash-out points, network failures, biometric authentication difficulties, overcharging, and potential fraud, all of which hinder the effective utilization of DBT benefits.

## Cash-out issues persist

(as % of respondents who faced issues related to DBT back-end)



Study conducted during January–July 2020  
Dvara–Haqdarshak study

Furthermore, a study on DBT implementation challenges for tuberculosis patients reveals additional barriers. Among these are patient-related obstacles, such as the absence of bank accounts, particularly prevalent among migrant laborers. Additionally, complications arise due to the mandatory Aadhaar card requirement, and some financially stable patients decline DBT benefits due to perceptions of insufficient amounts. A lack of awareness among certain individuals further complicates the distribution process.

The challenges within the health system emerge as substantial barriers to DBT effectiveness, encompassing difficulties arising from unclear operational guidelines and delayed training. The inherent complexity and time-consuming nature of DBT processes pose significant hurdles, further exacerbated by staffing issues, particularly the absence of dedicated data entry operators.

On the technological front, DBT grapples with issues related to system interfaces, connectivity problems, and slow internet speeds, hampering the seamless flow of benefits. Challenges during system updates transition phases create additional points of friction, while monthly batch processing often results in errors and delays.

The diverse performance of states in DBT implementation underscores disparities rooted in administrative capacity, urban versus rural dynamics, technology adoption, and variations in policy and governance structures.

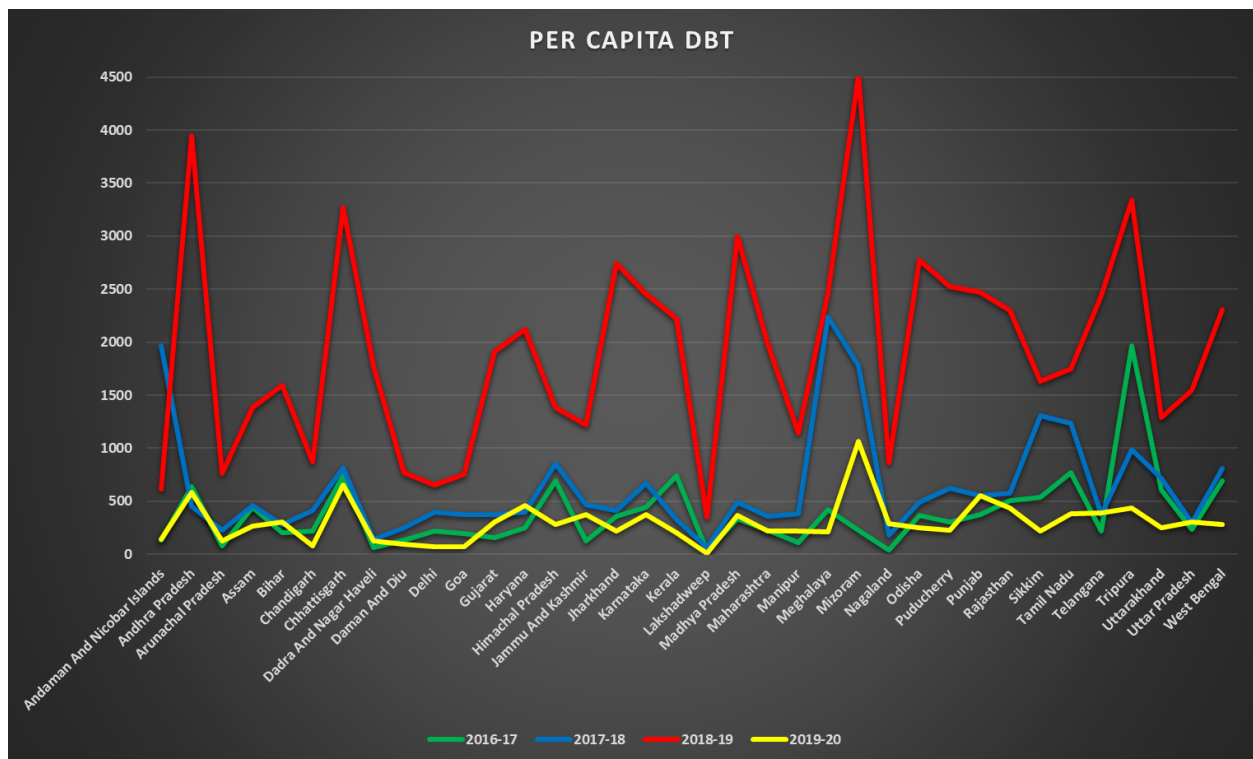


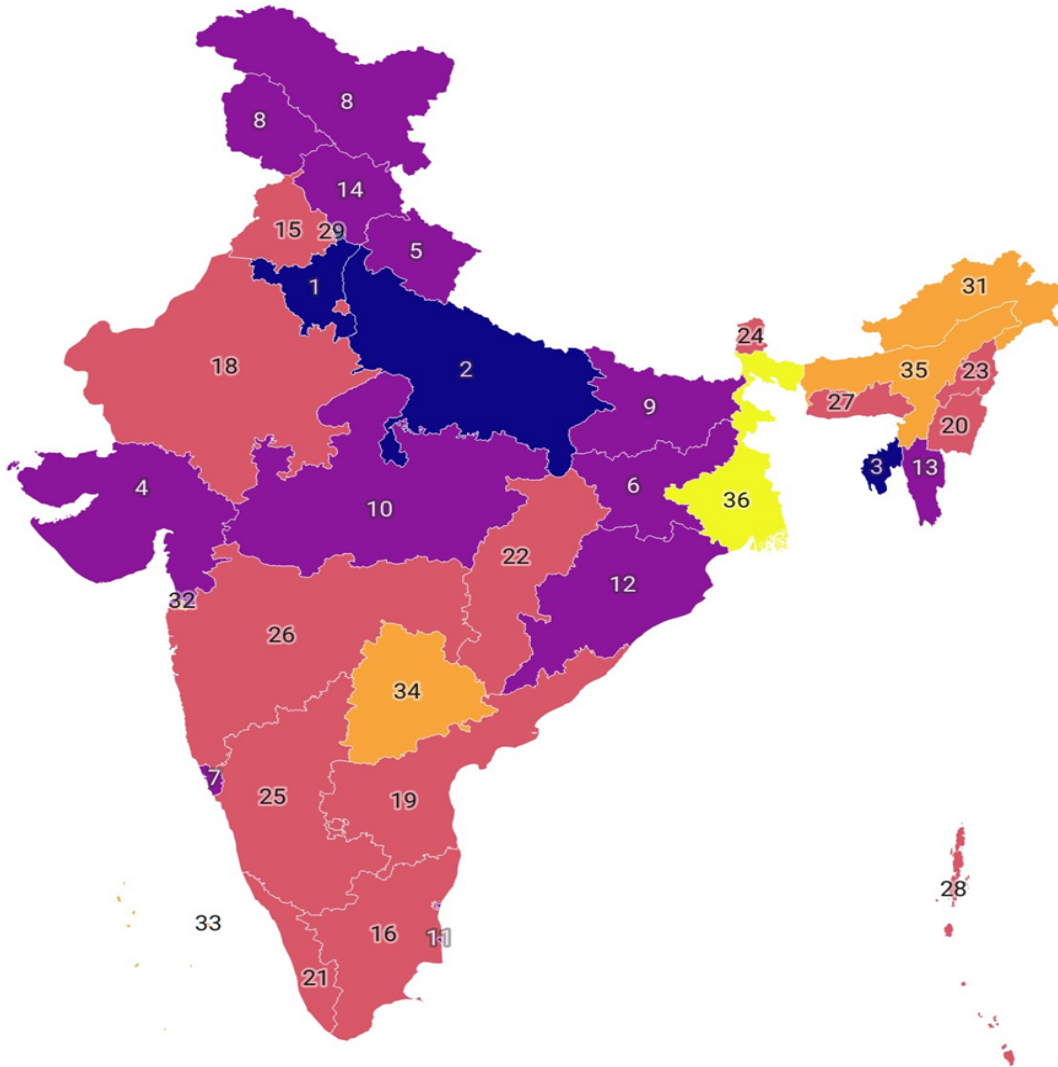
Figure: Per Capita DBT transfer of State/UTs

The Direct Benefit Transfer (DBT) scheme has become a potent political tool, influencing election outcomes in states like Uttar Pradesh and Odisha. In UP, DBT transfers in 2021-22 reached Rs 91,510 crores, positioning the state at number two in the DBT index. Odisha received substantial DBT transfers too, with central transfers amounting to Rs 21,769 crores. This highlights the role of DBT in shaping election dynamics and underscores significant financial transfers involved in these political maneuvers.

### DBT Performance Rankings of States / UTs

Score

< 20   20-40   40-60   60-80   ≥ 80



**Figure: DBT performance ranking of Indian states.**

In the recent ranking of states and Union Territories based on the performance of the Direct Benefit Transfer (DBT) scheme, Haryana emerged as the top-performer, securing the 1st rank. This achievement highlights Haryana's exceptional efforts in efficiently implementing the DBT scheme, ensuring the seamless transfer of subsidies and benefits to the intended recipients.

Uttar Pradesh (UP) secured the 2nd rank, signifying significant progress in the implementation of the DBT scheme and effective delivery of welfare benefits. Gujarat followed closely, achieving the 3rd rank, and demonstrating commendable performance in fund transfers.

Punjab, while not among the top performers, secured the 15th rank, indicating some progress in DBT scheme implementation. Delhi obtained the 17th rank, signifying moderate progress in fund transfers. Assam, at the 35th rank, showcased efforts to implement the DBT scheme and enhance subsidy delivery. However, West Bengal faced challenges, ranking 36th, suggesting difficulties in implementing the scheme and ensuring efficient fund transfers.

Moreover, the Comptroller and Auditor General (CAG) report on DBT irregularities identifies specific issues such as multiple applications linked to a single mobile number, the submission of fake caste certificates, and scholarships disbursed to ineligible students. To address these concerns, a recommendation is made for the implementation of a biometric attendance system.

In rural and tribal areas, DBT implementation challenges include a lack of awareness among tribal communities, infrastructure deficiencies, limited banking facilities, digital advancement barriers, language differences, and the imperative need for stakeholder participation and effective grievance redress mechanisms.

Notably, only 3% of the Indian population currently pays income taxes, presenting a challenge in accurately assessing the income levels of the remaining citizens. This complicates the determination of eligibility for various government benefits and raises concerns about potential misuse of funds, diverting them from their intended purposes.

Furthermore, the skewed allocation of funds, often directed towards non-essential expenditures rather than critical needs like food subsidies, poses a gender-related challenge. With a significant proportion of beneficiary households headed by men, there's a risk that funds may not be allocated equitably, further exacerbating gender disparities in resource access.

The "Rethink Aadhaar" campaign's report (2021) raises significant privacy concerns regarding the Aadhaar system. It highlights how the Aadhaar Payments Bridge System (APBS) in Direct Benefit Transfers (DBTs) lacks transparency and accountability checks. Unlike the old system with the Reserve Bank of India as the sole intermediary, APBS involves a private entity, the National Payments Corporation of India (NPCI), as a clearinghouse. This shift also replaces bank accounts with Aadhaar numbers as beneficiaries' "financial addresses" without their consent. This lack of transparency leaves beneficiaries unaware of linked accounts, and only NPCI has access to this information, raising privacy and tracking concerns.

DBT implementation faces challenges due to data breaches, notably in India. According to the WEF's Global Risks Report 2019, India had a massive data breach involving Aadhaar, the government ID database. Criminals sold access for Rs500 for 10 minutes, potentially compromising records of all 1.1 billion citizens. A state-owned utility company leak in March allowed public access to names and ID numbers.

		How Many People Affected	Disclosed
1	Aadhaar Breach	1,000,000,000	January 2018
2	Starwood-Marriot Breach	500,000,000	September 2018
3	Exactis Breach	340,000,000	June 2018
4	Under Armour-MyFitnessPal Breach	150,000,000	February 2018
5	Quora Breach	100,000,000	December 2018
6	MyHeritage Breach	92,000,000	June 2018
7	Facebook Breach	87,000,000	September 2018
8	Elasticsearch Breach	82,000,000	November 2018
9	Newegg Breach	50,000,000	September 2018
10	Panera Breach	37,000,000	April 2018

Figure: Top 10 Biggest data breach in 2018(WEF Report)

Finally, the DBT model's transition to a more transactional approach raises several overarching challenges. Cash transfers may not effectively shield vulnerable populations from inflation, posing risks to the real value of benefits over time. The shift towards private benefits over public goods, like education and healthcare, raises concerns about societal development. The absence of a rights-based approach may foster dependency on the state, while shifting accountability from the government to citizens can create barriers to accessing assistance. Additionally, closely tying welfare benefits to party leadership raises questions about democratic processes and power consolidation.

In conclusion, addressing these multifaceted challenges is imperative for the successful implementation of DBT programs and ensuring equitable access to benefits for all citizens while safeguarding the principles of good governance and democracy.

## **Policy Recommendations for Improving Direct Benefit Transfer (DBT) Implementation**

To comprehensively address the challenges elucidated in the aforementioned Direct Benefit Transfer (DBT) implementation issues, we can proffer policy recommendations that span both high-level strategic measures and grassroots-level interventions to ensure their effective resolution, as elucidated by multiple studies and reports.

### **Enrolment:**

- A. Accelerate Accessibility of Enrolment Points:** "Enrolment points are designated locations or centers, including Common Service Centers (CSCs), banks, and post offices, where individuals can enroll or register for various government schemes or programs under the Digital India initiative. To comprehensively address the challenges in DBT implementation, there is an urgent need to enhance the accessibility of these enrolment points, particularly in rural and peri-urban areas. This entails expediting the implementation of the objectives laid out in the Memorandum of Understanding between the Ministry of Panchayati Raj and CSC e-governance Services India Limited. To facilitate swift progress, it is crucial to establish legally binding terms within this agreement."
- B. Alignment of Incentives:** Encourage the establishment of additional enrolment points operated by non-state actors by aligning incentives. Address financial viability issues that deter potential Village Level Entrepreneurs (VLEs) from setting up and maintaining these points.
- C. Expand Functional Capacity:** Enhance the functional capacity of enrolment points such as Common Service Centers (CSCs) and local government functionaries. Enable them to perform functions beyond application collection and submission, including tracking applications and handling complaints.

### **Cash-Out:**

- A. Increase Cash-Out Points:** "Cash-out points encompass physical locations or outlets where individuals can withdraw cash from their bank accounts or access various cash-related services. These points often include Business Correspondent (BC) Kiosks, Common Service Centers (CSCs), and select retail outlets. To address the financial accessibility challenges faced by underbanked villages, it is imperative to expedite the establishment of additional cash-out points within these communities. Furthermore, to enhance transparency and facilitate real-time updates and verification of cash-out point information, there is a critical need to make data on the 'Find My Bank' portal accessible to both private and public service providers, including banks and BC Kiosks/CSCs."
- B. Incentive Structure Revision:** Revise incentive structures for individual banking agents operating in underbanked areas. The Reserve Bank of India (RBI) should create additional incentives to encourage agents to provide services in these areas, where a higher concentration of social protection entitlement recipients exists.

#### **Information Dissemination:**

- A. Enhance Government-to-Government (G2G) Communication:** Improve communication between different administrative tiers, particularly between top-level tiers and local functionaries. Periodically disseminate information on the status of applications, Fund Transfer Orders, and data correction requests to local functionaries, who are often citizens' primary points of contact.
- B. Citizen Awareness Campaigns:** Launch concerted efforts to raise awareness among citizens about welfare benefits and the methods to access them. Tailor these awareness campaigns to regional variations in enrolment procedures. However, recognize that awareness campaigns alone cannot solve last-mile issues without accompanying architectural changes in DBT delivery.

#### **Application Tracking and Communication:**

- A. Live Tracking and Online Records:** Implement live tracking of applications and provide specific reasons for pendency or rejection in beneficiaries' online records across schemes. Display the cumulative number of days since application submission and include guidance for resolving flagged issues.
- B. SMS and IVR Notifications:** Make SMS notifications and Interactive Voice Response (IVR) calls by the relevant Ministry a crucial part of the DBT delivery process. In case of



rejection, relay rejection notifications in the local language via SMS or IVR calls, along with information on the next steps, to minimize applicant costs.

- C. **Scheme-Specific Helpline Numbers:** Establish scheme-specific helpline numbers to assist citizens, especially those unable to navigate digitized portals, in real-time application tracking. Ensure that each applicant receives a receipt displaying the application number for future reference.

## **Beneficiary Records and Accountability:**

- A. Publication of Beneficiary Lists:** The relevant government department should periodically release lists of successfully registered beneficiaries and failed registrations at the Panchayat level. Publish reasons for failures and involve Panchayat officials in proactively assisting with resolution.
- B. Reasons for Credit Failure:** "Incorporate specific explanations for credit failures into the online records of DBT beneficiaries, and supplement this with information regarding the necessary steps for resolution. For instance, if a payment rejection occurs due to Aadhaar-related issues, provide clear guidance in the local language. To ensure effective communication of this information, it is recommended to convey it through Interactive Voice Response (IVR) messages, SMS notifications, and follow-up phone calls. Beneficiaries encountering issues can seek resolution assistance at nearby Common Service Centres (CSCs), which serve as accessible points of support and guidance."
- C. Communication of Credit Failure Reasons:** Communicate the same reasons for credit failures and resolution steps, especially for those unable to access online portals, through SMS notifications or IVR calls by designated governmental entities within the DBT architecture. Establish clear responsibility for Government-to-Citizen Services (G2C) communication.
- D. Periodic Disclosure of Transaction Failures:** Recommend periodic disclosure of all Aadhaar-enabled Payment System (AePS) transaction failures and their underlying reasons by the National Payments Corporation of India (NPCI).
- E. Auditing of DBT Transactions:** State Level Bankers' Committee (SLBC) Convenor Banks and Lead Banks should conduct periodic audits of DBT transactions across schemes at all banking points within their jurisdiction.
- F. Clear Accountability Rules:** Establish clear accountability rules in cases of embezzlement of welfare transfers or improper activities by banking intermediaries, including Customer Service Points (CSPs). These rules should ensure compensation for beneficiaries by the liable entity.

## **Recommendations for Establishing Robust Grievance Redress Mechanisms in DBT Implementation:**

- A. Common Grievance Redress Cell:** "Establish a centralized Grievance Redress Cell that operates seamlessly across different administrative tiers, including State, District, and Block levels. Each tier should be tasked with the responsibility of aggregating and continuously monitoring complaints originating from their respective sub-tiers. This Grievance Redress Cell should prioritize the prompt resolution of grievances, deploying a ticket-based system akin to the practices employed by platforms like Google Pay and PhonePe. Under this system, each complaint generates a unique reference ticket, obligating resolution within a specified timeframe, ideally ranging from 24 to 72 hours. To ensure comprehensive representation and collaboration, the state-level Grievance Redress Cell should ideally comprise appointees from all pertinent agencies participating in the DBT system. This includes relevant Ministries/Departments, the Ministry of Finance, the National Payment Corporation of India (NPCI), the Unique Identification Authority of India (UIDAI), as well as State Level Banker's Committee (SLBC) Convenor Banks and Lead Banks. Such an inclusive approach enhances the efficiency and effectiveness of addressing beneficiaries' concerns and complaints."
- B. Monthly Panchayat Sessions:** Mandate the monthly assembly of Panchayat sessions, specifically dedicated to facilitating grievance redress for DBT schemes, at the village level. While certain schemes like MGNREGA have provisions for organizing Employment Guarantee Days (with varying enforcement), no such mechanism currently exists for non-legislated DBT schemes. These sessions can be overseen by block-level officials responsible for scheme execution and should officially register citizen grievances online in a proposed public repository.
- C. Expanded Social Auditing:** Expand the scope of social auditing to include the auditing of grievance redress procedures. This should encompass audits for every gram panchayat, tracking the number of complaints raised, the number of complaints resolved, and the time taken for resolution. To support this recommendation, establish a public repository for complaints. It is crucial that all data in this repository is anonymized before sharing in the public domain.

#### **Complaints Management System:**

- A. Backend Integration:** The backend of this proposed system must be seamlessly integrated into the IT systems of departments responsible for administering DBT schemes, as well as other stakeholders such as banks and NPCI. This integration should go beyond being a mere routing system and should facilitate the tracking of complaints until their final closure.
- B. Aggregate Statistics:** Provide aggregate statistics on the type of grievances and root causes of failures, along with data on the number of beneficiaries and details of benefits transferred.

Make these statistics available through dashboards in the public domain. It is essential that all data shared publicly is anonymized.

- C. **Financial awareness For Privacy Concern:** To ensure robust privacy protections and data security in India, it is essential to draw inspiration from global models like the European Union's General Data Protection Regulation (GDPR) and Canada's Personal Information Protection and Electronic Documents Act (PIPEDA). Such as Consent transparency, ongoing consent, and Mandatory Data Breach Reporting. Financial awareness also plays a crucial role in empowering individuals to protect their privacy, especially concerning their Aadhaar biometric information. Raising awareness about the importance of safeguarding sensitive data like biometrics can help users understand the need for measures such as locking or securing their Aadhaar information.
- D. **State Disparities:** To bridge disparities in Direct Benefit Transfer (DBT) implementation among states, several key steps are essential. Firstly, states with lower administrative capacity should receive technical assistance and capacity-building support. Secondly, strategies for DBT should be adapted to suit the specific needs of urban and rural areas. Thirdly, states should be encouraged and incentivized to upgrade their digital infrastructure to enhance DBT efficiency. Lastly, alignment with national DBT guidelines in terms of policy and governance is crucial for standardization and improved implementation.
- E. **Transition Challenges:** To address transition challenges in Direct Benefit Transfer (DBT) programs, it's vital to index benefits to inflation, balance cash transfers with investments in public goods, embrace a rights-based approach emphasizing citizens' entitlement to support, establish robust accountability mechanisms, and maintain a clear separation between welfare benefits and political leadership to uphold democracy and prevent power consolidation.

In conclusion, a policy of employing Direct Benefit Transfer (DBT) with specific coupons for vital needs like health and education, combined with comprehensive financial education, offers a strategic path towards empowering individuals. By enabling people to make informed financial choices, this approach not only addresses immediate necessities but also fosters long-term skill development. It mitigates the risk of funds being transient and ensures that resources contribute to asset creation, supporting future growth and financial security. Ultimately, DBT implemented through targeted coupons serves as a catalyst for sustainable development, aligning immediate relief with a broader vision of economic stability and prosperity for individuals and communities alike.

## Conclusion

Direct Benefit Transfer (DBT) has emerged as a groundbreaking approach to welfare delivery in India, leveraging technology to ensure targeted and efficient benefits distribution. This paper has examined the multifaceted impact of DBT on financial inclusion, social sector schemes, and its potential to drive economic growth. It has also addressed the challenges encountered during its implementation and offered a comprehensive set of policy recommendations.

DBT's effectiveness in reducing leakages, enhancing transparency, promoting financial inclusion, improving targeting accuracy, increasing efficiency, and empowering beneficiaries is evident. However, persistent challenges related to enrolment, cash-out, information dissemination, beneficiary records, accountability, and grievance redress mechanisms remain. Addressing these challenges is crucial to ensuring equitable access to benefits for all citizens while upholding the principles of good governance and democracy.

The proposed policy recommendations encompass crucial aspects of DBT implementation, such as accessibility, incentives, functional capacity, cash-out points, information dissemination, awareness campaigns, live tracking, helplines, beneficiary lists, credit failure reasons, auditing, and accountability. These recommendations aim to create a robust and responsive DBT ecosystem that not only delivers benefits efficiently but also empowers individuals and communities to make informed financial choices.

In conclusion, DBT represents a significant stride towards transforming welfare delivery in India, aligning with the nation's commitment to efficient governance and poverty reduction. Implementing the proposed policy recommendations will be vital in harnessing the full potential of DBT, fostering inclusive growth, and improving the lives of marginalized populations throughout the country.

## References

1. Banerjee, Abhijit Vinayak, Esther Duflo, Rachel Glennerster, and Dhruva Kothari. "Improving Immunisation Coverage in Rural India: Clustered Randomised Controlled Evaluation of Immunisation Campaigns with and Without Incentives." *BMJ Research*. 2010.

2. "Budget 2016: PAHAL May Be a Success but Not All DBTs Are; FM Should Mind the Gaps." CBGA India. Last modified August 5, 2020. <https://www.cbgaindia.org/opinion/budget-2016-pahal-may-be-a-success-but-not-all-dbts-are-fm-should-mind-the-gaps/>.
3. "Cash Transfers: Empowerment or Dependence." CBGA India. Last modified July 27, 2020. <https://www.cbgaindia.org/blog/cash-transfers-empowerment-dependence/>.
4. "Citizen Vs Labharthi? Interrogating the Welfare State." CPR. Last modified August 16, 2023. <https://cprindia.org/journalarticles/citizen-vs-labharthi-interrogating-the-welfare-state/>.
5. "Column: DBT Stuck in Implementation." Business News: Business News India, Business News Today, Latest Finance News, Business News Live | The Financial Express. Last modified March 16, 2015. <https://www.financialexpress.com/opinion/column-dbt-stuck-in-implementation/53971/>.
6. Director, DBT M. DBT | Direct Benefit Transfer. Accessed September 13, 2023. <https://dbtbharat.gov.in/>.
7. "Direct Benefit Transfer Led to 52% Rise in Revenue Savings in 4 Years: Govt in Lok Sabha." Daijiworld - A News Portal Linking West Coast of India and the World. Accessed September 12, 2023. <https://www.daijiworld.com/news/newsDisplay?newsID=1103129>.
8. "Discoms in Uttar Pradesh Mull DBT Mechanism." Hindustan Times. Last modified May 30, 2023. <https://www.google.com/amp/s/www.hindustantimes.com/cities/lucknow-news/up-discoms-working-on-direct-power-subsidy-transfer-in-lucknow-may-submit-action-plan-in-november-for-pilot-project-101685461851122-amp.html>.
9. "How Direct Benefit Transfer Scheme Has Transformed Social Welfare in India." The Indian Express. Last modified October 19, 2022. <https://www.google.com/amp/s/indianexpress.com/article/opinion/columns/how-direct-benefit-transfer-scheme-has-transformed-social-welfare-in-india-8217140/lite/>.
10. "India's Direct Benefit Transfer get global laurels; IMF calls it 'logistical marvel', reveals striking factor." Google. Accessed September 12, 2023. <https://www.google.com/amp/s/www.financialexpress.com/economy/indias-direct-benefit-transfer-get-global-laurels-imf-calls-it-logistical-marvel-reveals-striking-factor/2709056/lite/>.

11. "One Mobile Number Linked to 5,019 Applications, Finds CAG Audit of DBT Schemes." Hindustan Times. Last modified August 5, 2023. <https://www.google.com/amp/s/www.hindustantimes.com/cities/mumbai-news/one-mobile-number-linked-to-5-019-applications-finds-cag-audit-of-dbt-schemes-101691175720181-amp.html>.
12. Paramasivan1, C. Direct Benefit Transfer- An Innovative approach to Financial Inclusion in India 5, no. 12 (December 2018).
13. "Proposing a Framework to Document Exclusion in Direct Benefit Transfers." Dvara Research Blog. Last modified February 11, 2021. <https://www.dvara.com/research/blog/2021/02/11/proposing-a-framework-to-document-exclusion-in-direct-benefit-transfers/>.
14. Rao, V. V. "Studies Show Leakages from Aadhaar-linked Direct Benefit Transfer (DBT)." National Herald. Last modified January 6, 2021. <https://www.nationalheraldindia.com/india/studies-show-leakages-from-aadhaar-linked-direct-benefit-transfer-dbt>.
15. Roy, Justin. "A critical analysis of direct benefit transfer in India." ResearchGate | Find and Share Research. Accessed September 12, 2023. [https://www.researchgate.net/publication/331861666\\_A\\_critical\\_analysis\\_of\\_direct\\_benefit\\_transfer\\_in\\_India?enrichId=rgreq-359ffc3dce8f278a93c1fbd2be726966-XX&enrichSource=Y292ZXJQYWdlOzMzMjg2MTY2NjtBUzoxMDQ5NDc4Njg5NzQyODQ4QDE2MjcyMjY2MjY1Mzc%3D&el=1\\_x\\_2&\\_esc=publicationCoverPdf](https://www.researchgate.net/publication/331861666_A_critical_analysis_of_direct_benefit_transfer_in_India?enrichId=rgreq-359ffc3dce8f278a93c1fbd2be726966-XX&enrichSource=Y292ZXJQYWdlOzMzMjg2MTY2NjtBUzoxMDQ5NDc4Njg5NzQyODQ4QDE2MjcyMjY2MjY1Mzc%3D&el=1_x_2&_esc=publicationCoverPdf).
16. "Rs27 trillion saved via direct benefit transfer since fy15 fm nirmala sitharaman." Google. Accessed September 12, 2023. <https://www.google.com/amp/s/www.financialexpress.com/economy/rs-2-7-trillion-saved-via-direct-benefit-transfer-since-fy15-fm-nirmala-sitharaman/3206926/lite/>.
17. Staff Writer. "Direct Benefit Transfer, Governance Reforms Led to Removal of Duplicate Beneficiaries." Mint. Last modified July 24, 2023. <https://www.google.com/amp/s/www.livemint.com/news/india/direct-benefit-transfer-governance-reforms-led-to-removal-of-duplicate-beneficiaries/amp-11690201259327.html>.
18. Swaroop, Anil. "Nexus of Good: Revolutionary disbursement" <https://www.millenniumpost.in/opinion/nexus-of-good-revolutionary-disbursement-531079>. Google. Accessed September 12, 2023. <https://www.google.com/amp/s/www.millenniumpost.in/amp/opinion/nexus-of-good-revolutionary-disbursement-531079>.

19. "The Thorny Road to Evaluating Direct Benefit Transfers for Agricultural Households : Insights from KALIA in Odisha." *Economic and Political Weekly*. Last modified July 7, 2023. <https://www.epw.in/journal/2023/25-26/special-articles/thorny-road-evaluating-direct-benefit-transfers.html>.
20. "भारत सरकार की इस योजना का IMF भी हुआ मुरीद, कहा- दुनिया के लिए मिसाल है स्कीम, करोड़ों लोगों को हुआ फायदा." *Zee Business*. Last modified October 13, 2022. <https://www.google.com/amp/s/www.zeebiz.com/hindi/economy/imf-praises-indian-direct-benefit-transfer-scheme-called-a-logistic-marvel-finance-minister-nirmala-sitharaman-99878/amp>
21. Singh, Ravindra, and Nisha. "Financial Inclusion and Economic Growth in India – A Theoretical Framework." *\*International Research Journal of Management Sociology and Humanity (IRJMSH)\**, Volume 5, Issue 5, online ISSN 2277-9809 (2014): 131-138.
22. Paramasivan C and Ganeshkumar V. "Overview of Financial Inclusion in India." *\*International Journal of Management and Development Studies\**, Volume No. 2 (2013), Issue No. 3 (March), ISSN (Online): 2320-0685 (2013).
23. Santosh K, Subrahmanyam SVE, Narayana Reddy T. "Major Milestones of Financial Inclusion in India-An Analytical Study." *\*International Journal of Advanced Scientific Research & Development\**, e-ISSN: 2395-6089, p-ISSN: 2394-8906 (2016): 3(3), 24-34.
24. Kumar Bijoy. "Financial Inclusion in India and PMJDY: A Critical Review." *\*International Conference on Information Technology and Knowledge Management\**, pp. 39–46 (2018), DOI: 10.15439/2018KM32, ISSN 2300-5963 ACSIS, Vol. 14.
25. Neha Sharma. "Impact Of Direct Cash Transfer In Lieu Of Public Distribution System: A Policy Review Of Chandigarh, India." *\*International Journal of Scientific & Engineering Research\**, Volume 8, Issue 6, June-2017 (2017): 1189, ISSN 2229-5518.
26. Assocham. "Economy Aadhaar helped disburse Rs 83,000 crore via Direct Benefit Transfer." *\*Financialexpress\**, Edition Delhi, Published: August 27, 2017 (2017).
27. Rajasekaran N. "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): 64-69.
28. Aman Sharma. "Savings from direct benefit transfer pegged at Rs 83,000 crore." *\*The Economic Times\**, Edition Delhi (2018).
29. Sakthivel N and Mayilsamy R. "Direct benefits transfer schemes with special reference to LPG (PAHAL) scheme in Coimbatore district." *\*International Journal of*



Commerce and Management Research\*, ISSN: 2455-1627, Impact Factor: RJIF 5.22, Volume 4, Issue 1, January 2018: 44-47 (2018).

30. Korde, Pandurang. "Direct Benefit Transfer Scheme: Issues and Challenges." \*Journal of Research in Management and Technology\*, Volume 4, Issue 1 (January, 2015).
31. Kumar. "Customer satisfaction from PAHAL scheme among LPG customer." \*Worldwide Journal of Multidisciplinary Research and Development\* (2015).
32. Mani Goswami. "A study of financial inclusion initiatives in India." \*XVII Annual International Seminar Proceedings\*, January 2016 (2016).
33. Selvam V and Velmurugan G. "An Empirical Study on DBT Awareness." \*Mediterranean Journal of Social Sciences\*, ISSN 2039-2117 (online), ISSN 2039-9340 (print), MCSER Publishing, Rome-Italy, Vol 6 No 5, September 2015.