DBT Scheme & Social Welfare

What is the issue?

India's Direct Benefit Transfer (DBT) Scheme is being recognized by many international institutions around the world.

> *India's DBT is a method through which a subsidy will be directly transferred to the Aadhaar-linked bank accounts of consumers.*

What recognition did the scheme achieve?

- The International Monetary Fund (IMF) lauded India's DBT Scheme as a logistical marvel that has reached millions of people and specifically benefitted women, the elderly and farmers.
- Earlier, President of the World Bank Group had urged other nations to adopt India's move of targeted cash transfer instead of broad subsidies.
- He also noted that, through DBT, India has managed to provide food or cash support to 85% of rural and 69% of urban households.
- An ambitious vision, holistic approach and a multi-pronged strategy enabled the DBT ecosystem to deliver impact at a phenomenal scale.

How the field was set up for DBT?

- In 2014, the Government of India embarked on an ambitious and well-structured **financial inclusion programme** with the aim to include all households within the fold of the formal financial network.
- In a mission-mode approach, it endeavoured to open bank accounts for all households, expanded Aadhaar to all, and scaled up the coverage of banking and telecom services.
- It evolved the Public Finance Management System and created the **Aadhaar Payment Bridge** to enable instant money transfers from the government to people's bank accounts.
- The Aadhaar-enabled Payment System and UPI further expanded interoperability and private-sector participation.
- This approach allowed all rural and urban households to be uniquely linked under varied government schemes for receiving subsidies directly into their bank accounts and transferred money with ease.
- Riding on this network, the DBT programme has reached commanding heights towards achieving the government's vision of "sabka vikas".
- The DBT scheme that began as a pilot in 2013-14 has achieved the size and scale it has today with the financial inclusion programme of the government.
- This financial inclusion programme helped plug leakages in welfare schemes, weed out

fake or ghost beneficiaries and transfer funds to genuine beneficiaries.
- This ensured significant savings to the exchequer and enabled efficient utilisation of government funds.

How did the DBT impact the rural India?

- In rural Bharat, DBT has allowed the government to provide financial assistance effectively and transparently to farmers with lower transaction costs - be it for fertilisers or any of the other schemes.
- Thus, it became the backbone for supporting the growth of the agricultural economy.
- The benefits received under the Mahatma Gandhi National Rural Employment Guarantee Act and Public Distribution System drive the rural demand-supply chain.

How did the DBT impact the urban India?

- In urban India, the PM Awas Yojana and LPG Pahal scheme use DBT to transfer funds to eligible beneficiaries.
- Various scholarship schemes and the National Social Assistance Programme use the DBT architecture to provide social security.
- DBT under rehabilitation programmes such as the Self Employment Scheme for Rehabilitation of Manual Scavengers opens new frontiers that enable social mobility of all sections of society.

What is the overall significance of the DBT?

- The efficacy and robustness of the DBT network were witnessed during the pandemic.
- It aided the government to reach the last mile and support the most deprived in bearing the brunt of the lockdown.
- DBT helped the vulnerable to withstand the shock of the pandemic
    1. Free rations to nearly 80 crore people under the Pradhan Mantri Garib Kalyan Yojana,
    2. Fund transfers to all women Jan Dhan account holders and
    3. Support to small vendors under PM-SVANidhi,
- The following factors allowed the private and public sector entities in the financial sector to overcome longstanding challenges of exclusion of a large part of the population,
    1. An enabling policy regime,
    2. A proactive government initiatives and
    3. A supportive regulatory administration.

What is next?

- The DBT approach is expected to expand further in size and structure as it continues to be the major tool of the government for a more targeted intervention towards improving the ease of living.
- However, digital and financial literacy, robust grievance redressal, enhancing awareness and an empowering innovation system are some of the aspects that would require continued focus.

- This would play a vital role for India in meeting the diverse needs of its population and ensuring balanced, equitable and inclusive growth.

Reference

1. The Hindu | DBT Scheme

