



## DIRECT BENEFIT TRANSFER (DBT) - GS III MAINS

**Q.** DBT scheme marks a paradigm shift in the process of delivering government benefits with efficiency, effectiveness, transparency and accountability in the governance. Elucidate (15 marks, 250 words)

**News:** *How (and why) DBT works*

### What's in the news?

- The direct benefit transfer (DBT) in schemes pertaining to social security pension and scholarship in Jharkhand are riddled with leakages, duplicity and several irregularities, finds an audit report by the Comptroller and Auditor General of India (CAG).

### Significance of DBT:

#### 1. Efficiency:

- DBT eliminates intermediaries, ensuring that funds directly reach the intended beneficiaries, making the process faster and more efficient.

#### 2. Transparency:

- Since the transfer of benefits is done electronically, it reduces the chances of funds being misused, creating a transparent system of fund allocation.

#### 3. Reduction in corruption:

- DBT helps curb corruption by cutting out intermediaries and reducing opportunities for funds to be siphoned off.

#### 4. Reduced leakages:

- The program minimizes the leakage of funds that typically occurs in traditional welfare schemes where resources are diverted away from the intended beneficiaries.

#### 5. Identity verification:

- Using Aadhaar for beneficiary identification aids in ensuring that the benefits reach the correct individuals.

#### 6. Reduced expenditure for government:

- By eliminating wastage, DBT helps the government save significant resources that can then be deployed for other welfare schemes.

#### 7. Financial inclusion:

- DBT encourages people, especially from rural and underprivileged backgrounds, to open bank accounts, thus promoting financial inclusion.

#### 8. Real-time tracking:

- DBT allows for real-time tracking of fund disbursement, helping identify bottlenecks and areas of improvement.



## 9. Empowerment:

- Direct cash transfers enable beneficiaries to have greater control over their funds, enhancing their decision-making power and overall empowerment.

## Concerns of DBT:

### 1. Exclusion errors:

- Cumbersome documentation requirements and opaque/delayed application processing often result in exclusion of eligible beneficiaries.

### 2. Payment failures:

- Spelling errors in Aadhaar details, incorrect seeding of citizen's Aadhaar and bank account, pending KYC and frozen/blocked bank accounts, network failures, biometric authentication failures, point-of-sale (PoS) device malfunctioning are some of the most prominent reasons for payment failures in DBT.

### 3. Misuse of money:

- Provision of cash might result in its misuse by the beneficiaries and may not serve the intended purpose.

### 4. Market vulnerabilities:

- Replacement of welfare subsidies by DBT cash payments might subject the beneficiary to market vulnerabilities. E.g., DBT of LPG subsidy under PAHAL is not compensating the increase in gas prices in the market.

### 5. Transaction costs:

- DBT can involve transaction costs, such as the cost of opening and maintaining bank accounts and the cost of digital payment processing.

### 6. Technical challenges:

- DBT requires a reliable and robust electronic payment infrastructure. In some cases, this infrastructure may not be available in rural areas or among marginalized populations.

### 7. Data security and privacy concerns:

- DBT involves the collection and storage of sensitive personal data. This data needs to be protected from unauthorized access and misuse.

### 8. Challenges in reaching the last mile:

- DBT can be challenging to implement in remote areas where there is no access to banking or digital payment infrastructure.

## WAY FORWARD:

- India has created a strong Direct Benefit Transfer (DBT) system, but there is a need to focus more on user-centricity. The Government should include women, persons with disabilities and other traditionally excluded/vulnerable groups in the design process (following the 'Principles of Digital Development').
- Governments should adopt a strategic approach to Awareness, Communication, and Outreach (ACO) for G2P (Government to Person) programs. The Government should have dedicated campaigns keeping in mind low level of literacy among beneficiaries.



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- To make this more efficient, a dynamic database (updated on real-time basis) of social safety programmes that are categorised according to families and segments, such as occupation, gender, condition, and income level should be maintained.
- Governments should create an enabling environment and promote the use of the digital payments.
- Government should design a robust beneficiary-centric grievance resolution mechanism.

DBT scheme marks a paradigm shift in the process of delivering government benefits to the people which are bringing efficiency, effectiveness, transparency and accountability in the Government system and infusing confidence of citizens in the governance. It is aimed to realize the dream of 'Minimum Government, Maximum Governance'.

