

Direct Benefit Transfer Scheme in India: An Evaluation of its Efficacy Up to the COVID-19 Pandemic

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Abstract: *This paper assesses the effectiveness of India's Direct Benefit Transfer (DBT) system from its launch in January 2013 through the end of the COVID-19 pandemic (mid-2021). It examines the DBT framework, anchored in the JAM (Jan Dhan–Aadhaar–Mobile) trinity, and analyzes its impact on reducing leakages, enhancing beneficiary targeting, and enabling timely delivery of relief during emergencies. Drawing on empirical research, the paper highlights significant fiscal savings, increased coverage, and the scheme's critical role in crisis response, particularly during the pandemic. Supported by data on transaction volumes, beneficiary outreach, cost savings, and food security outcomes, the analysis shows that while DBT has emerged as a cornerstone of India's welfare delivery system, challenges in last-mile implementation persist. The paper concludes that DBT has been a transformative tool in India's welfare architecture, though implementation challenges remain at the last mile*

Index Words: Direct Benefit Transfer, JAM, digital divide, financial inclusion, financial literacy

1. INTRODUCTION

Introduced in 2013, the DBT scheme aimed to streamline the delivery of government subsidies by transferring benefits directly to beneficiaries' bank accounts, thereby reducing intermediaries and associated leakages. The Direct Benefit Transfer (DBT) system marked a paradigm shift in the country's welfare delivery mechanism. Designed to improve transparency, eliminate leakages, and ensure timely delivery of government subsidies and benefits, DBT integrates three core elements: Jan Dhan Yojana (financial inclusion), Aadhaar (biometric identification), and Mobile connectivity-collectively known as the JAM Trinity. This digital infrastructure aimed to replace inefficient and corruption-prone subsidy channels, especially in rural and low-income segments of the population. This article critically examines the performance and limitations of DBT

from its inception to the end of the COVID-19 pandemic in 2021.

1.2 Objectives of DBT

The intended objectives of DBT scheme are the following.

- 1) To transfer welfare funds directly to beneficiaries' bank accounts.
- 2) To reduce pilferage and ghost beneficiaries.
- 3) To improve targeting efficiency.
- 4) To provide a platform for scalable and real-time benefit delivery during emergencies.

2. METHODOLOGY

- Data Sources: Analysis of government reports, academic studies, and surveys conducted between 2013 and 2019.
- Analytical Framework: Qualitative and quantitative assessment of DBT's impact on subsidy delivery, beneficiary satisfaction, and administrative efficiency

3. ACHIEVEMENTS OF THE DBT SCHEME

3.1 Reduction in Leakages and Fraud

- Reduction in corruption and fund diversion: One of DBT's major achievements has been the reduction in corruption and fund diversion, especially in schemes like LPG subsidy (PAHAL), MGNREGS, and scholarships. For example, the LPG subsidy savings through DBT were estimated at ₹12,700 crore by 2017.
- Enhanced Targeting: The integration of Aadhaar with DBT has helped in accurately identifying beneficiaries, reducing the inclusion of ineligible

individuals. Aadhar authentication helped eliminate fake and duplicate beneficiaries

- Elimination of Middlemen: Direct transfers have minimized the role of intermediaries, leading to a reduction in corruption and misappropriation of funds.

3.2 Improved Delivery of Subsidies

- Timely Transfers: DBT has facilitated timely disbursement of subsidies, ensuring that benefits reach beneficiaries without significant delays.
- Coverage Expansion: The scheme has expanded the reach of welfare programs, covering a larger proportion of the population.

3.3 Administrative Efficiency

- Simplified Processes: Automation and digitization have streamlined administrative procedures, reducing paperwork and human errors.
- Cost Savings: The elimination of intermediaries has led to cost savings in the implementation of welfare programs.
- Fiscal Savings: A 2023 IMF working paper estimated that DBT and related reforms saved the government around ₹2.23 lakh crore (~1.14% of GDP) by March 2021.
- Scalability and Integration: Over 300 central and state schemes were integrated into the DBT platform by 2020, reaching millions of people directly and consistently.
- Digital Penetration and JAM Architecture: DBT helped expand digital banking, with over 400 million Jan Dhan accounts opened by 2020.

3.4 DBT During the COVID-19 Pandemic

The COVID-19 pandemic tested the robustness of India's welfare delivery system, and DBT became the core channel for emergency support under the Pradhan Mantri Garib Kalyan Yojana (PMGKY). Key initiatives included:

- ₹500 per month for three months to women Jan Dhan account holders.

- Free LPG cylinders for Ujjwala beneficiaries.
- Cash transfers to senior citizens, widows, and disabled individuals.
- In-kind transfers of food grains and pulses, alongside cash.

3.4.1 Impacts of the Scheme:

- As per IFPRI studies, over 85% of rural households received at least one benefit under PMGKY.
- DBT enabled swift disbursement of over ₹27,000 crore in the first month of lockdown (March-April 2020) alone.
- In states like Rajasthan and Uttar Pradesh, 90%+ of beneficiaries reported receiving their entitlements on time.

4. CHALLENGES AND LIMITATIONS

4.1 Technological Barriers: The main technological barriers are explained below.

- Digital Divide: Limited access to digital infrastructure in rural areas has hindered the effective implementation of DBT. The requirement of mobile phones, bank accounts, and Aadhaar left behind segments of the population, especially elderly, women, and disabled people in remote regions.
- Technical Issues: Problems such as server downtimes and software glitches have disrupted the transfer process.

4.2 Financial Inclusion

- Bank Account Accessibility: Not all beneficiaries have access to bank accounts, limiting their ability to receive direct transfers. People without Aadhaar-linked bank accounts, especially among migrant workers and remote tribal communities, were often excluded from benefits.
- Financial Literacy: A lack of awareness and understanding of banking procedures has prevented some individuals from fully benefiting from DBT. In areas with limited banking infrastructure or mobile connectivity,

beneficiaries faced delays, biometric mismatches, and access barriers

4.3 Administrative Challenges

- **Data Accuracy:** Errors in beneficiary data have led to incorrect transfers and exclusion of eligible individuals.
- **Coordination Issues:** Lack of coordination between various government departments has resulted in delays and inefficiencies.
- **Authentication:** Aadhaar authentication failures and mismatched data frequently led to transaction rejections or payment delays
- **Over-centralization:** Critics argue that DBT centralizes control, reducing states' flexibility in tailoring social protection programs to local needs.

5. CASE STUDIES OF DIFFERENT PROGRAMMES

5.1 Pradhan Mantri Jan Dhan Yojana (PMJDY): As the objective of PMJDY, i.e., to provide universal access to banking facilities, the number of bank accounts increased, facilitating the implementation of DBT.

5.2 Pradhan Mantri Ujjwala Yojana (PMUY): Under this scheme LPG connections to households below the poverty line were provided. Direct transfers for LPG subsidies have improved the efficiency of the scheme.

6. COMPARATIVE ANALYSIS

- **International Perspectives:** Comparison with similar direct transfer schemes in countries like Brazil (Bolsa Família) and Mexico (Prospera) to identify best practices and areas for improvement.
- **Lessons Learned:** Insights from international experiences can inform the refinement of India's DBT scheme.

Table 1 Pros and Cons of DBT in India (up to COVID-19) in a Nutshell

Aspect	Pros	Cons
Efficiency	Reduced delays in benefit disbursement.	Inadequate banking infrastructure in

		rural/remote areas delayed access.
Transparency & Corruption	Reduced leakages and ghost beneficiaries via Aadhaar verification.	Cases of genuine beneficiaries being excluded due to Aadhaar/bank link issues.
Cost Saving	Saved government billions by cutting intermediary costs and fraud.	Initial investment in infrastructure (Aadhaar, banking) was high.
Targeted Delivery	Allowed better targeting of subsidies (LPG, scholarships, pensions).	Exclusion errors due to lack of digital literacy or biometric failures.
COVID-19 Response	Enabled quick cash transfers during lockdown to PMJDY accounts.	Some beneficiaries couldn't access funds due to mobility restrictions or tech barriers.
Financial Inclusion	Promoted Jan Dhan-Aadhaar-Mobile (JAM) trinity and digital banking.	Women and elderly faced challenges in accessing tech-enabled banking.
Administrative Burden	Simplified monitoring and reduced manual paperwork.	Errors in data entry or mismatch caused failed transactions.
Scalability	Scalable for large welfare schemes like PM-KISAN, MGNREGA wages.	Overdependence on technology and digital infra made system vulnerable to outages.

7. CONCLUSION

The Direct Benefit Transfer system has undoubtedly transformed India's social welfare landscape. Its scalability, transparency, and efficiency have enabled rapid and substantial benefit disbursement, especially during the COVID-19 crisis. The Direct Benefit Transfer system has fundamentally altered the delivery of public welfare in India. Its capacity to reach hundreds of millions efficiently—especially during the COVID-19 crisis—demonstrates its potential as a cornerstone of digital governance. However, the system still grapples with issues of exclusion, infrastructure gaps, and technical reliability. Without these corrections, the very tool meant to empower may continue to exclude the most

vulnerable. For DBT to truly become inclusive and fool proof, policy adjustments must address last-mile challenges, ensure universal digital access, and embed flexibility for states to innovate. The DBT scheme has significantly improved the delivery of welfare benefits in India by reducing leakages, enhancing transparency, and increasing administrative efficiency. However, addressing the challenges related to technology, financial inclusion, and data management is crucial for realizing its full potential.

7.1 Suggestions

- Infrastructure Development: Enhance digital infrastructure in rural areas to ensure equitable access to DBT.
- Financial Literacy Programs: Implement training programs to educate beneficiaries about banking procedures and digital tools. Strengthen grievance redressal mechanisms to resolve payment failures promptly.
- Develop offline and hybrid DBT models to reach those without digital access.
- Data Management: Improve data collection and management practices to ensure accuracy and reliability.
- Inter-Departmental Coordination: Foster better coordination among government departments to streamline the implementation process.
- Ensure regular audits and social accountability to maintain transparency

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