

DIRECT BENEFITS TRANSFER (DBT) IN INDIA: AN INITIATIVE FOR INCLUSIVENESS

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Abstract— Direct Benefits Transfer (DBT), as a new public policy, has been acknowledged by various segments of the society as an initiative for inclusiveness. It is a mechanism through which the target beneficiaries will get the subsidy amount in cash that shall be credited directly to their accounts by linking all the transactions to Aadhaar. DBT envisages a switch from the present subsidy scheme to transfer of benefits directly to Aadhaar seeded bank accounts of the beneficiaries. It is an earnest endeavour to streamline the subsidy mechanism in India. The scheme has potential to control much rooted corruption in public distribution system, by reducing the intermediate cost, by improving the efficiency of the delivery system and by getting rid of the misuse of funds. Its success, in fact depends upon institutional and infrastructural development in the rural and urban as well through which the scheme can be better implemented. DBT should be leak proof and free from other malpractices and irregularities and needs to be implemented effectively and should concede all kind of policy reforms in the decision making process. As a comprehensive socio-economic protection package, DBT will certainly fulfill the living expectation of the government and people specially the deprived and hapless through ‘Aap Ka Paisa Aap Ke Haath’.

Index Terms— benefits transfer, public policy, subsidy, mechanism and malpractices

I. INTRODUCTION

Public policy and its implications have a tremendous impact on our economic growth, and social developments world over. However, these policies need to be refurbished and customized to meet the current and evolving needs of the people. Thus, in the rapidly changing environment, understanding and evaluating public policies and other developmental issues; are cardinal and crucial for an inspiring and fulfilling public life. The onus of evolving meaningful public policies lies with the government, but judging their effectiveness and utility lies in the realm of researchers.

The policy debate is not about the choice between good or bad policy but is rather regarding the assessment of their positivity and effectiveness over one another. This will persist, especially when the new policy overtakes the old and hence debate and discussion will continue to incite the matter unless implemented and evaluated in the context of set goals and welfare objectives. Policy matrix which is the corner stone of policy decision making process, must delve exclusively into the issues, consequences of the policy outcomes. The direct

benefits transfer as a substitute to the traditional subsidy scheme and as a policy alternative, always has effect on the masses especially on the deprived and marginalized.

II. OVERVIEW OF DIRECT BENEFITS TRANSFER (DBT) IN INDIA

The praxis of policy should be designed after understanding the needs and aspirations of the economy, in context of socio-economic environment and public welfare. Direct Benefits Transfer, as a new policy framework, has been acknowledged from various corners as the demand of the day. It is a process through which the target beneficiaries will get the subsidy amount in cash that shall be directly credited to their accounts by linking transactions to Aadhaar. Cash amount is calculated by finding the difference between the market price and subsidized price in proportion to the quantity purchased from the market. It is an earnest endeavour to streamline the subsidy mechanism in India.

The scheme has potential to control much rooted corruption in public distribution system, by reducing the intermediate cost, improving the efficiency in delivery system and by eliminating the misuse of funds and reduce the role of petty politician and other intermediaries. This will definitely reduce the delivery cost and subsidy bills by better targeting and putting off various malpractices and irregularities. The scheme may not fully eliminate the bottlenecks and constraints in the process but will certainly bring paramount changes in the delivery system. It will prevent growth of black marketing as well as growth of secondary market.

DBT as a concept has been borrowed from Latin America and translated according to the need and context of socio-economic environment of India. This policy has been time tested and a few countries have already adopted DBT apart from Latin America, and have experienced a mix bag of effects on their people and economy. The scheme has to be framed and implemented with a few institutional and infrastructural amendments and moreover firm improvement is required to make it more effective and efficient. Even then, coming out with such a contemplative programme, Government of India intends to nullify the challenges that are inherent in the previous policy and is trying to enhance the benefits directly to the people by implementing DBT.

Box-1: Direct Benefits Transfer-Objectives & Pre-requisites
<p>What are the Objectives of Direct Benefits Transfer? DBT envisages a switch from the present electronic transfer of benefits to bank accounts of the beneficiary to transfer of benefits directly to Aadhaar seeded bank accounts of the beneficiaries. DBT proposes to ensure:</p> <ol style="list-style-type: none"> 1. Accurate targeting 2. De-duplication. 3. Reduction of fraud and corruption. 4. Process re-engineering of schemes for simpler flow of information and funds. 5. Greater accountability. 6. Elimination of wastes in subsidy transfer. <p>DBT, once implemented will provide the following advantages in the long run:</p> <ul style="list-style-type: none"> • Consolidate Cash Transfers to Households which are getting benefits from multiple sources and multiple forms. • Improve efficiency of Social safety net, consolidated income support programme for the poor and eliminate multiple sources of subsidy. • Positive Institutional Externalities. • Adoption of cutting edge technical system. • Free administrative system from exercise of control to focus on development • Maximize benefits from expenditure of welfare schemes which leads to overall human development. <p>What are the Pre-requisites for execution of Direct Benefits Transfer?</p> <ul style="list-style-type: none"> ▪ Digitization of database of beneficiary with Aadhaar number. ▪ Opening of bank accounts of beneficiaries ▪ Enrolment of beneficiaries for generation of Aadhaar numbers. ▪ Digitized database to be seeded with Aadhaar number. ▪ Bank Accounts to be seeded with Aadhaar number.
<p>Source: Excerpt from Hand Book on Direct Benefits Transfer, Planning Commission, Government of India, 2013</p>

Box-2: Direct Benefits Transfer – Scope & Plan of Action
<p>Scope and Coverage of DBT Government transfers cash benefits like scholarships, pensions, NREGA wages, etc. directly to the Bank or Post Office Accounts of identified beneficiaries under the Direct Benefits Transfer (DBT) programme. The shift to this will be done in a phased, time-bound manner after ensuring that the necessary systems are in place for Direct Benefits Transfer. Direct Benefits Transfer is not a substitute for delivery of public services which would continue to take place as per the normal delivery channels. Direct Benefits Transfer is not replacing food with cash under the Public Distribution System. The Government is committed to legislate the National Food Security Act.</p> <p>DBT-Plan of Action The Direct Benefits Transfer (DBT) programme envisages a switch from the present electronic transfer to bank accounts of the beneficiary to transfer of benefits directly to Aadhaar seeded bank accounts of the beneficiaries for the identified 34 Schemes in 43 districts of 16 States/UT.</p> <ol style="list-style-type: none"> 1. As a first step you will need to ensure that all the intended beneficiaries have or get an Aadhaar number before commencement of the DBT. The level of Aadhaar enrollment as well as number of bank accounts for beneficiaries of these programmes varies from districts to district. 2. A Plan of Action to commence the rollout of the DBT scheme has to be finalized by the District Collector. The following actions need to be completed before commencing DBT rollouts: <ol style="list-style-type: none"> a) Beneficiary data base has to be digitized. b) Aadhaar has to be "seeded" with beneficiary database. For this, adequate technology support is needed from NIC unit. c) Wherever beneficiaries do not have Aadhaar number, they will have to be enrolled for Aadhaar by the UIDAI Registrar. d) Wherever beneficiaries have bank accounts, it will need to be linked with Aadhaar number. e) Wherever beneficiaries do not have bank accounts, they will have to be opened, for which Aadhaar may be used as KYC, by the Lead Bank/Bank Branch. The new bank account will then be seeded with Aadhaar. f) An IEC campaign to be initiated to inform the beneficiaries of the programme and to encourage enrolment in Aadhaar and opening bank account. g) Robust but easy to access grievance redressal systems to be put in place to mitigate unforeseen hardships, system failures etc. and to ensure there is no denial of service to beneficiaries without Aadhaar or bank accounts.
<p>Source: Excerpt from Information and Guidance, Direct Benefits Transfer (DBT), Planning Commission, GoI</p>

DBT will go a long way to help the deprived, marginalized and other beneficiaries with least intermediate cost. Its success, in fact depends upon institutional and infrastructural development in the rural sector through which the scheme can be better implemented. DBT should be leak proof and free from other malpractices and irregularities and needs to be implemented effectively and should concede all kind of policy reforms in the decision making process. This shall be helpful so that the perceived benefits of the scheme are rightly catered to the millions of masses. The success of the scheme certainly depends upon ongoing debates and discussions. These debates open up the way for refinement of the policies due to excessive public participation and involvement of political parties and interest group and media interference. Thus, it will help in spreading awareness about the schemes among the masses.

At the initial stage of all kind of policy formulation, new policy faces criticism from various sectors and groups which in turn, refine and rejuvenate the policy for a better public acceptance. The same format of DBT has been implemented in selected districts of few states as pilot project and subsequently got the feedback for necessary improvement in the operational and institutional mechanism that is essential for successful delivery of services at minimum leakages.

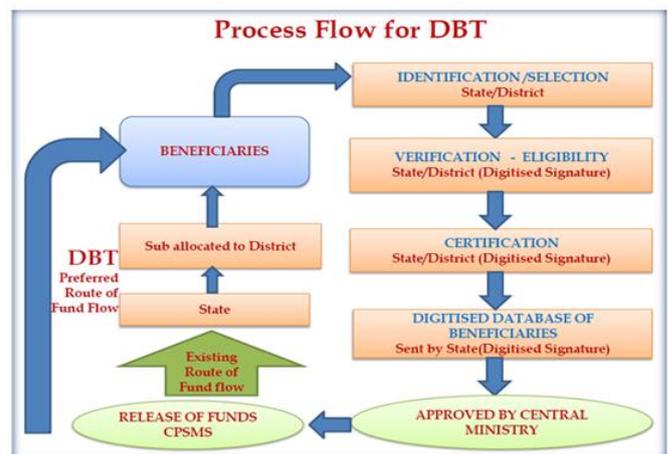


Figure 1: Process Flow for DBT

Source: PPT, Direct Benefits Transfer (System, Key Steps, Operation, Schemes), Planning Commission, GoI

III. DIRECT BENEFITS TRANSFER (DBT): A BUNCH OF BENEFITS

Any paradigms shift in policy that has benefited the masses socially and economically, has always got the top priority in the developmental agenda of a country. The three 'f' i.e. funds, functions, and functionaries are not optimally operated during the traditional subsidy scheme through PDS; which leads to leakage of benefits that is unable to percolate among the masses. To overcome such constraints and challenges in the process, DBT has been acknowledged as an upgraded scheme than the before.

1. Benefits transfer is the part of the iceberg but its positive effects can be understood in a better manner only when the spending pattern and socio-economic behavior of the beneficiaries will be tested from time to time.
2. This scheme definitely gives an impetus to much talked error-free inclusive development especially in the context of development of poor and unprivileged sections. It will definitely bring down the corruption and improve the new public distribution system by eliminating the intermediaries and limiting the political interference.
3. This can be successfully implemented because it is globally tested in the line of developing nations. Also, it will be more effective as this scheme has been already been evaluated and verified through various pilot projects.
4. It will certainly inject money and the purchasing power in rural sector in particular. This will raise the standard of living of rural people and will help in controlling outward migration at a large. This scheme will no doubt enhance the purchasing power of the beneficiaries and augmenting in developing a positive approach in their spending habits.
5. Injection of purchasing power may result in multiplier effects through which more income and employment can be generated by boosting indigenous demand in the rural sector.
6. Recent media hype and socio-political policy debate brought an unprecedented awareness among the public and will definitely disseminate information among the beneficiaries and will spread public awareness to a great extent.
7. Various flaws like duplication of work and poor delivery system of the existing scenario of subsidization can cause a threat to PDS, but proposed plan of DBT will reduce the gap and flaw in delivery system through improved delivery mechanism with the help of UIDAI. Implementation of UIDAI card has brought unprecedented transparency in the administrative and delivery system.

IV. DIRECT BENEFITS TRANSFER (DBT): CORE CONCERNS AND CHALLENGES

Although the scheme comes with best of intentions, there is a spring of "impractical idealism" in the way proposal has been drafted and no fool proof measures have been taken to cater the benefits as desired and perceived.

- a) The population of various states, those are staying in remote villages, mainly consists of farmers, labourers and tribal people. They may refrain from gaining the benefits from DBT as desired because they lack modern day facilities like banking, electricity and proper connectivity. This may pose a threat in implementation of the schemes in these areas.
- b) Studies conducted by various NGOs and research organizations reveals that people of states like Bihar, Odisha and Madhya Pradesh prefer food to cash. Besides this, the research revealed that it was mostly female who preferred food to cash than their male counterpart.
- c) Bulk purchase from the native farmers and vendors which was in earlier provision of PDS has supported the fact with perennial demand and desired price. But the scenario is changing because Direct Benefits Transfer is acting as a substitute of food to cash. It has pushed the same farmers to sell the produce in the market at a competitive price which may had fetched him less for the same in the market because previously government directly procured from farmers which assured a sale of the farmer's produce. But after the implementation of National Food Security Act, there has been a possibility of selling their produce, at a desired price.
- d) The scheme much talks about the operational efficiency and implementation than the public needs and the wellbeing of the people. Besides, this scheme may not necessarily bring benefits to all the segments as desired due to multiplicity of culture, tradition, location and literacy rate of various states.
- e) The economic effects of the scheme may prompt and motivate unnecessary consumption and may encourage people to refrain from work and prefer leisure to work and may disrupt productive activities.
- f) Lack of awareness and information among the beneficiaries may pose threat to the success of this scheme. Lack of understanding about the programme among rural masses and other beneficiaries may lead to financial malpractices and irregularities at the point of delivery of services at the grass root level.
- g) The scheme is implemented through an UID card; hence its success depends upon how effectively

the government addresses the issue of UID cards. Studies conducted so far on UID card reveals that there is a delay in delivering the cards to their owners. Many of the entitled beneficiaries have not received the card till date which is causing serious implementation challenge for the scheme.

- h) Error of inclusion and error of exclusion in the process of identifying poor is the serious concern for the policy makers which cause serious leakages and infiltrations in various schemes. Furthermore, various committee reports and planning commission reports on defining poverty and poverty line is also cause policy debate and create serious threat in implementing the program.
- i) Identification of target demography is the biggest challenge in our country, hence precautionary step has to be taken by administrative machinery of each state while issuing the UID card, or otherwise DBT scheme will become futile.
- j) Although constructive criticism is going on, still this endeavor of the government and its resultant benefits can only be better harvested only when all the state governments and other stakeholders will show their contribution and commitment in the scheme.

V. SIGNIFICANT SUGGESTIONS

1. There is a need to promote financial literacy among the rural poor and inculcate banking habits among them for the success of this scheme.
2. The entire process of fund transfer should be automatic and error-free; otherwise rent seeking behavior of the delivery agents or officials may crop up in the name of facilitating services to the ultimate beneficiaries.
3. There is a need to evaluate the trade off benefits between existing subsidy schemes and DBT in a scientific manner, so as to assess the degree of success and to measure the effectiveness of the program.
4. There should not be any unnecessary delay and harassment at the time of cash withdrawal by the beneficiaries, otherwise dishonesty will emerge and the system will become auto-defective.
5. Need of political consensus among various political parties and a touch of expertise in shaping the policy, to make it a socially viable option.
6. Any decision taken at macro level must act rationally and should exercise various test on available alternatives to cater the need of the nation.
7. Only the involvement of civil society and NGO's in the scheme can make DBT an effective scheme.
8. Each state has its own functionaries and implementing channels; hence DBT and the

benefits involved in it, depends upon how the state government will address and acknowledge the scheme.

9. A special cell should be setup to communicate the instances of misuse of funds and irregularities and corruption which must be further forwarded to the respective authority for the necessary corrective action.

VI. CONCLUDING REMARKS

As a comprehensive socio-economic protection package, DBT will certainly fulfill the living expectation of the government and people specially the deprived and hapless through 'Aap Ka Paisa Aap Ke Haath'. We hope more schemes shall be covered under DBT and the whole country and its people will get the benefits directly without any delay or deficiencies. However, just creation of system, structure and institutions for better economic development by providing autonomy through decentralization and participatory management of various schemes is not enough rather to create a sustainable people-centered environment in which the various segments of the society can exercise their voice and choice and will get the benefits from the schemes. The beneficiaries should understand and enjoy their rights and can get involved in the decision making process for better inclusiveness. In fact, democracy loses its shine if the poorer and the deprived masses of a country are not able to share the progress and prosperity generated by that country, which is visible in various sectors. Hence; deliberate effort has to be made by the government in various quarters of planning for the betterment of deprived and hapless segments of the society. In this regards, DBT is a welcome step in creating enabling environment where people would enjoy long, healthy and creative lives.

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