



## Direct Benefit Transfer (DBT) Scheme – Pros and Cons

### Description

#### Background :-

- Direct Benefit Transfer (DBT) Scheme™s aim is to transfer subsidies, scholarships and other welfare benefits directly to the bank accounts of beneficiaries.
- It was launched on 1st January 2013.
- Aadhar cards – a unique identification cards based on biometric identification will be linked to bank accounts of beneficiaries.
- Pradhan Mantri Jan Dhan Yojana™ was launched on 28th August 2014 with the aim of universal access to banking facilities. Under this scheme beneficiaries can open bank accounts with zero balance, which helps in financial inclusion. And this program is a big success.

#### Pros :-

- Middlemen will be eliminated. Hence leakages will be reduced.
- As Aadhar card is based on biometric identification, fake & duplicate beneficiaries will be eliminated.
- DBT scheme allows time-bound transfers hence avoids delays in transferring money, which is one of the biggest problems beneficiaries are facing.
- This scheme eliminates intermediaries and rents for fair price shops™ because subsidies and benefits of welfare schemes are transferred directly. This will help Indian economy in the long run as the structural expenditure will be reduced.
- Transparency in the distribution of benefits.
- As everyone can purchase goods at market price, there will be healthy competition between the sellers in the market. The problem of middlemen diverting subsidized grains to markets will be eliminated.
- It encourages people to have bank account.
- The problem of food grains storage and spoilage in the process can be eliminated.
- Circulation of money will be increased, which can lead to a significant increase in the GDP.
- It will help India to transform itself into cashless economy.

**Cons :-**

- Still there are many rural & tribal areas, which don't have banking facility and road connectivity.
- As of now, only 3% Indians pay income tax. So, determining the income of the rest of the citizens is still a challenge hence making it difficult to identify the deserving beneficiaries.
- Most of the banks appoints Business Correspondents to enroll beneficiaries in rural areas. They may open more than one account for each beneficiary for incentive. And there are many complaints that they are not giving passbooks to the beneficiaries making them unaware of the scheme. Illiterate beneficiaries are more vulnerable in this case.
- Direct cash may not be used for intended purpose and can be used in unhealthy ways. For example, the cash instead of food subsidy may be spent on drinking and smoking as most of beneficiaries's families' heads are men.
- Micro ATMs, which were set up to deliver cash benefits at door step are not present in many areas hence many beneficiaries have to travel long to withdraw money.
- Most of the beneficiaries's families' heads are men This will be a disadvantage to women as there is no guarantee that they will get their share of the cash.

**Interesting facts :-**

- China implemented Conditional Cash Transfer to ensure that the money is spent on the intended purpose like on nutrition, education etc.
- Brazil implemented Bolsia Familia scheme " Direct Cash Transfer. The Cash is given preferentially to a female head of household.

**Conclusion :-**

Though there are some loopholes involved in Direct Benefit Transfer scheme, this program is an excellent way to ensure that every paisa reach the deserving beneficiaries, if carefully implemented.

**Afterwords :-** What are your thoughts on this topic? Feel free to express your opinion in the comment section below.

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