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## AN OVERVIEW OF FINANCIAL INCLUSION THROUGH DBT IN INDIA

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### Abstract

*Financial Inclusion is one of the effective and innovative approach which helps to reach the financial services, assistance and subsidies to the real beneficiaries. Government of India introduced the Scheme on financial inclusion to provide financial services to the unreached people at an affordable or free of cost. RBI instructed to all the commercial banks to open No frills accounts to all the people those who are don't have bank account. To speedy and digitalised financial inclusion in the country, Government implemented a new scheme in the name of Pradhan Mantri Jan Dhan Yojana in August, 2014. With this effects total number of beneficiaries amounted to 320215027 with the deposits of Rs. 793711.06 Lakhs. And 240921418 Rupay cards have been issued to beneficiaries as on up to April 2018. The present paper discusses about the financial inclusion through Direct Benefit Transfer in India with respect to the major social defence schemes such as PratyakshaHastaantaritLaabh (PAHAL) or Direct Benefit Transfer for LPG, Mahatma Gandhi National Rural Employment Guarantee Act, National Social Assistance Programme, Scholarship scheme, Public Distribution System and others. The major social defence schemes are highlighted such as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), The National Social Assistance Programme (NSAP) and PratyakshaHastaantaritLaabh (PAHAL) or Direct Benefit Transfer for LPG (DBTL).*

**Keywords:** Direct benefit transfer, Financial inclusion, Digital transaction.

### Introduction

Direct Benefit Transfer is one of the new approaches where the Government funds reach the beneficiaries bank account directly and systematically. The Direct Cash / Benefit Transfer scheme provides for direct transfer of money into the bank accounts of eligible persons for pension, scholarship, payments

under the Employment Guarantee Scheme and benefits/subsidies under other Government welfare programs. This can facilitate the beneficiaries to use this money to buy goods and services in quantity and of quality from the market at competitive prices. Under the scheme the difference between the market price and subsidized price is directly

transferred to the beneficiary in cash in proportion to the quantity uplifted from the market. The scheme depends upon basic two requirements viz. Aadhaar, the Unique Identification (UID) Number and Bank Account. Aadhaar is a 12-digit individual identification number issued by the Unique Identification Authority of India [UDAI] to serve as proof of identity and address. The cash transfer will be enabled through 'Aadhaar,' a numerical biometric identification that is currently being given to all citizens of the country. The bank account is the most important criterion for the scheme.

Direct Benefit Transfer Mission was created in the Planning Commission to act as the nodal point for the implementation of the DBT programmes. The Mission was transferred to the Department of Expenditure in July, 2013 and continued to function till 14.9.2015. To give more impetus, DBT Mission and matters related thereto has been placed in Cabinet Secretariat under Secretary w.e.f. 14.9.2015. First phase of DBT was initiated in 43 districts and later on 78 more districts were added in 27 schemes pertaining to scholarships, women, child and labour welfare. DBT was further expanded across the country on 12.12.2014. 7 new scholarship schemes and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was brought under DBT in 300 identified districts with higher Aadhaar enrolment.

Electronic Payment Framework was laid down vide O.M. dated 13.2.2015 and 19.2.2015. This Framework is to be followed by all Ministries/ Departments and their attached Institutions/PSUs and is applicable on all Central Sector (CS)/ Centrally Sponsored Schemes (CSS) and for all schemes where a component of cash is transferred to individual beneficiaries. Aadhaar is not mandatory in DBT schemes. Since Aadhaar provides unique identity and is useful in targeting the intended beneficiaries, Aadhaar is preferred and beneficiaries are encouraged to have Aadhaar. JAM i.e. Jan Dhan, Aadhaar and Mobile are DBT enablers. These provide a unique opportunity to implement DBT in all welfare schemes across country including States & UTs.

#### **Schemes covered under DBT**

The scope of DBT include all welfare/subsidy schemes operated by all the Ministries/ Departments of Government of

India directly or through implementing agencies, which involve cash / kind benefits' transfers to individuals. Accordingly, the scope of DBT covers the following categories of schemes.

#### **Cash Transfer**

This category includes schemes or components of schemes wherein cash benefits are transferred by Government to individual beneficiaries. Example PAHAL, MGNREGA, NSAP etc. This transfer of cash benefits from Ministry/Department to beneficiaries happens through different routes, as given below:

Directly to beneficiaries

Through State Treasury Account to beneficiaries

Through any Implementing Agency as appointed

Centre/State Governments to beneficiaries

#### **In-kind**

This category includes schemes or components of schemes wherein kind benefits are given by the Government to individuals through an intermediate agency. Typically, Government or its agent incurs expenditure internally to procure goods for public distribution and make services available for targeted beneficiaries. Individual beneficiaries receive these goods or services for free or at subsidised rates.

#### **REVIEW OF LITERATURE**

Some of the review of literature have been undertaken to understand the financial inclusion DBT and social defence schemes. The following review has been categories into financial inclusion, DBT etc.

**Sarah, F., Pearce, D., & Sebnem, S. (2015)**, Financial inclusion strategies are the roadmaps of actions, decided and defined at national or sub national level which stakeholder follows to achieve financial inclusion objectives. More than 50 countries across the globe has made commitments towards the financial inclusion and many of them including India has already developed the National Financial Inclusion Strategies (NFIS) and remaining nations are developing the same to accelerate the level of financial inclusion in that specific nation.

**Rajasekaram N (2018)**, In his article he has concluded and suggested that The Reserve Bank of India and Government of India has taken many initiatives to include the people those who financially excluded. This paper outlines the various barriers that impede

financial inclusion in India. The government of India has overcome the barrier of “Lack of legal documents” by issuing Aadhaar number to everyone. Now the banks are accepting the Aadhaar card as a legal document for opening bank account. RBI has identified five target groups of people for improving the financial literacy level and conducted many outbound camps. No Frill and Basic Services Demat Account (BSDA) were created for serving the poor people.

**Gwalani and Parkhi (2014)**, have studied the financial inclusion in the Indian context. They pointed out that poverty, unavailability of banking services, complex procedures, financial illiteracy, traditional cultural values and lack of faith in the banking system are the reasons for financial exclusion. They discussed the different models such as lead bank system, correspondent banking, mobile banking, microfinance model to include the financially excluded people.

**Jisha Joseph and Titto Varghese (2014)**, have studied the role of financial inclusion in the development of Indian economy. They made this study based on secondary data from RBI, GOI and another review of the literature. They pointed out that the RBI and Government of India (GOI) have taken many initiatives to include the financially excluded people such as Branch expansion, business correspondent, business facilitator model, Relaxed KYC norms, acceptance of Aadhaar card for opening a bank account, opening no-frill accounts, General Purpose Credit Card (GCC) and Kisan Credit Card (KCC) and direct benefit transfer etc.

**Mahasweta M. Banerjee (2016)**, has indicated that the opportunity to earn, save, borrow, and invest money as well as the ability to understand and manage one’s finance skill fully are critically important for family well-being. Policy recommendations to address the FC of poor people in India require significant research evidence. Longitudinal, randomized, mixed-methods research should examine existing FC programs and disentangle the effects of occupation, gender, marital status, family size, family type, education, and health in both financial inclusion and abilities.

**Kumar Bijoy (2018)**, has recommended to policy makers to concentrate on the creation of job opportunities for all through financial inclusion in India. There is a need to strengthen the financial infrastructure

for delivery of financial services at the doorstep of all. However, the study finds through primary survey that the low income groups are even not able to utilize the existing financial structure due to lack of sufficient sustainable income. Government efforts can put efforts to only open bank accounts for the poor in an active way through Fund Transfer.

**Grakolet Arnold Zamereith Gour`ene and Pierre Mendy(2017)**, In their articles would stimulate the economic growth by increasing savings and therefore investments. At the same time, they should strengthen and liberalize the investment regulatory framework and create an environment conducive to exports by facilitating administrative procedures and fighting against corruption. All of this will promote the economic growth which in turn will increase the supply of available financial services. Policymakers and financial authorities should promote the financial inclusion, simulate macroeconomic growth, giving its strong positive impact on financial inclusion.

**Onaolapo (2015)**, studied the effects of Financial Inclusion on the economic growth of Nigeria. He found a significant positive relationship between financial inclusion and economic growth. The author also showed that Financial Inclusion greatly influenced poverty reduction and financial intermediation through positively impacted Bank Branch Networks, Loans to Rural Areas and small enterprises.

**Das and Bhattacharjee (2016)**, revealed that DBT is to bring transparency and terminated pilferage from distribution of funds sponsored by Central Government. DBT in Food Grains is an essential commodity. It helps the 60 percent households of the country to provide necessary food. But still there are some problems and challenges like subsidy transfer, information gap and financial inclusion.

**Sakthivel Nand Mailsamy R, (2018)**, have revealed about LPG PAHAL scheme is a result of an intensive Information Education Campaign comprising advertising through various means, direct reaching out to consumers, and dealer level campaigns. The Ministry of Petroleum and Natural Gas has undertaken several innovative measures such as guardian officers for each district, deployment of technology by use of SMS, and a single window portal to enable consumers to

join the scheme. This portal is an important step in bringing transparency and gives details of who is benefiting from subsidy.

**Neha Sharma (2017)**, has concluded that at an implementation level, there still exists scope for improvement. Also, improvement in financial awareness can indirectly help in successful implementation of this scheme. DBT Policy is pro-poor policy which can surely accomplish the anticipation of the stake holders (Both the people and the government). The scheme may not fully eliminate the all anomalies but will surely bring some principal changes in the delivery of benefits. It will surely eliminate the growth of black marketing. Also, it will enhance the standard of living of people or provide some

really deprived ones the basics of the life by providing them access to cash.

**Amiya (2015)**, stressed the Direct Benefit Transfer as an initiative for inclusive growth and suggested its merits and future probability of the schemes. The researcher says that the schemes have potential to control much rooted corruption in public distribution system its success in fact depends upon institutional and infrastructural development in the rural and urban areas. Although the scheme comes with best of intentions, there is a spring of impractical idealism in the way proposed has been drafted and no fool proof measures have been taken to cater the benefits as desired and perceived.

#### Combined Progress Report of Key Programme under DBT

Name of the Scheme	Total number of Beneficiaries*	Total number of Beneficiaries data seeded with Aadhaar	Percentage of Beneficiaries seeded with Aadhaar (%)	Fund Transferred		
				Using Aadhaar Bridge Payment	Electronic Fund Transfer W/o Aadhaar Bridge Payment	Total
MGNREGS	11.15	9.11	81.75%	13,354.11	69,829.68	83,183.79
NSAP	2.76	1.44	52%	2,963.09	17,767.15	20,730.24
PAHAL (DBTL)	18.73	15.32	81.79%	35,546.30	16,530.54	52,076.85
All Scholarship Schemes	2.27	1.18	52%	873.73	21,022.86	21,896.59
Other Schemes	0.81	0.3	37%	263.79	4,520.12	4,783.91
<b>Grand Total</b>	<b>35.71</b>	<b>27.35</b>	<b>76.60%</b>	<b>53,001.01</b>	<b>129,670.35</b>	<b>182,671.36</b>

Source: DBT Progress Report, March 2018, Cabinet Secretariat, Government of India, New Delhi.

Total number of beneficiaries amounted to 35.71 crore, of which 27.35 crore of beneficiaries data seeded with Aadhaar which constitutes 76.60 percentage. Total fund

transfer amount through using Aadhaar Bridge payment and electronic fund transfer amount to Rs. 182671.36 crore from 01.01.2013 to 31.03.2017.

#### Total funds disbursed and fund disbursed through Aadhaar Payment Bridge from 01.01.2013 to 31.03.2017.

No. of Scheme	Total Fund Transfer	Fund Transfer Through Aadhaar	% of Fund Transfer Through Aadhaar
MGNREGS	83183.79	13354.11	16.05%
NSAP	20730.24	2963.09	14%
PAHAL (DBTL)	52076.85	35546.3	68.26%
All Scholarship Schemes	21896.59	873.73	4%
Other Schemes	4783.91	263.79	6%
<b>Total</b>	<b>182671.36</b>	<b>53001.01</b>	<b>29.01%</b>

Source: Direct Benefit Transfer, Government of India.

Nate: The figures are indicating the percentages of total fund transfer through Aadhaar  
 Total funds transferred amounted to Rs. 182671.36 crore of which MGNREGS, amounted to Rs. 83183.79 crore, NSAP amounted to Rs. 20730.24 crore, PAHAL amounted to Rs. 52076.85 crore, All Scholarship Schemes amounted to Rs. 21896.59 crore and others amounted to Rs. 4783.91 crore.

Fund transfer through Aadhaar amounted to Rs. 53001.01 of which MGNREGS, amounted to Rs. 13354.11 crore, NSAP amounted to Rs. 2963.09 crore, PAHAL amounted to Rs. 35546.30 crore, All Scholarship Schemes amounted to Rs. 873.73 crore and others amounted to Rs. 263.79 crore.

**Total funds disbursed and funds disbursed through Aadhaar payment Bridge from 01.01.2013 to 31.03.2017**

Sl. No	No. of Scheme	Total Fund Transfer	% In Share of Major Schemes
1	MGNREGS	83183.79	46
2	NSAP	20730.24	11
3	PAHAL (DBTL)	52076.85	28
4	All Scholarship Schemes	21896.59	12
5	Other Schemes	4783.91	3
	<b>Total</b>	<b>182671.36</b>	<b>100</b>

Source: Direct Benefit Transfer, Government of India.

Nate: The figures are indicating the percentages in share of major schemes  
 MGNREGS constitutes 46 percent of the total fund to the major schemes followed by PAHAL (28 %), all Scholarship schemes (12 %), NSAP (11 %) and other schemes (3 %).

**Total beneficiaries & Beneficiaries with Aadhaar seeding from 01.01.2013 to 31.03.2017**

Sl. No	No. of Scheme	Total No. of Beneficiaries in Cr	% In Share of Major Schemes
1	MGNREGS	11.15	31
2	NSAP	2.76	8
3	PAHAL (DBTL)	18.73	53
4	All Scholarship Schemes	2.27	6
5	Other Schemes	0.81	2
	<b>Total</b>	<b>35.71</b>	<b>100</b>

Source: Direct Benefit Transfer, Government of India.

Nate: The figures are indicating the percentages in share of major schemes  
 PAHAL constitutes 53 percent of the total fund to the major schemes followed by MGNREGS (31%), NSAL (8%), all scholarship schemes (6 %) and other schemes (2 %).

**Total beneficiaries & Beneficiaries with Aadhaar seeding as of 31.03.2017**

Sl. No	No. of Scheme	Total Beneficiaries	No. of Beneficiaries data Seeding with Aadhaar	Aadhaar seeding %
1	MGNREGS	11.15	9.11	81.75%
2	NSAP	2.76	1.44	52%
3	PAHAL (DBTL)	18.73	15.32	81.79%
4	All Scholarship Schemes	2.27	1.18	52%
5	Other Schemes	0.81	0.3	37%
	<b>Total</b>	<b>35.71</b>	<b>27.35</b>	<b>76.60%</b>

Source: Direct Benefit Transfer, Government of India.

Nate: The figures are indicating the percentages in Aadhaar Seeding Beneficiaries  
 Total beneficiaries of PAHAL amounted to 18.73 crore of which 15.32 crore



(81.79 %) beneficiaries data seeding Aadhaar followed by total beneficiaries of MGNREGS amounted to 11.15 of which 9.11 crore (81.75 %), total beneficiaries of NSAP amounted to 2.76 of which 1.44 crore (52 %), total beneficiaries of all scholarship schemes amounted to 2.27 of which 1.18 crore (52 %) and total beneficiaries of other schemes amounted to 0.81 % of which 0.3 crore (37 %).

**Direct Benefit Transfer and total number of transaction as on 2018-19**

Schemes	Total DBT in Cr	Total No. of Transaction in Cr
PAHAL	95372.87	387.89
MGNREGS	92795.16	73.32
NSAP	14338.61	17.73
Scholarship Schemes	11274.37	0.40
PDS	73788.19	127.49
Others	152634.35	21.45
<b>Total</b>	<b>440203.54</b>	<b>628</b>

Source: Direct Benefit Transfer, Government of India.

Note: The figures are indicating the Total No. Transaction, 2018-19 is not considered as it is not completed

DBT amounted to Rs. 95372.87 crore with 387.89 crore of transaction under PAHAL schemes, PDS amounted to Rs. 73788.19 crore with 127.49 crore transaction, MGNREGS amounted to 92795.16 with 73.32 crore transaction, other schemes amounted to Rs. 152634.35 crore with 21.45 crore transaction, NSAP amounted to Rs. 14338.61 crore with 17.73 crore transaction and Scholarship schemes amounted to Rs. 11274.37 with .40 crore transaction. On the whole, total DBT amounted to Rs. 440203.54 crore with 628 crore transaction during the year 2018-19.

**MAJOR FINDINGS AND SUGGESTIONS**

Financial inclusion is one of the sustainable inclusive scheme which helps to eradicate the financial untouchability among the people in the country. With this aspects Financial Inclusion schemes was initiated in the year 2006 and it extended as PMJDY on 2014. As on 31.03.2018, there are 236784654 bank accounts opened under PMJDY in India.

Public sector banks play a major role in opening of bank accounts under the PMJDY. As the end of April, 2018, total

number of beneficiaries amounted to 314521825 with the deposit of 8054569.93.

Total number of beneficiaries under DBT from 01.01.2013 to 31.03.2017 amounted to 35.71 crore the fund transfer of Rs. 182671.36 crore, which resulted that, beneficiaries are able to avail their financial subsidies through DBT.

Total funds transferred amounted to Rs.182671.3.6 crore of which Rs.53001.01 crore fund transferred through Aadhaar (29.01%).

46 percent of the total funds transferred to the MGNREGS followed by PAHAL (28 %) and scholarship scheme (12%).

PAHAL constitutes 53 percent of the total fund to the major schemes followed by MGNREGS (31%), NSAL (8%), all scholarship schemes (6%) and other schemes (2%).

Total number of beneficiaries amounted to 35.71 crore, of which 27.35 crore of beneficiaries data seeded with Aadhaar which constitutes 76.60 percentage.

DBT amounted to Rs. 95372.87 crore with 387.89 crore of transaction under PAHAL schemes, PDS amounted to Rs. 73788.19 crore with 127.49 crore transaction, MGNREGS amounted to 92795.16 with 73.32 crore transaction, other schemes amounted to Rs. 152634.35 crore with 21.45 crore transaction, NSAP amounted to Rs. 14338.61 crore with 17.73 crore transaction and Scholarship schemes amounted to Rs. 11274.37 with .40 crore transaction.

**CONCLUSION**

Direct benefit transfer is a scheme which enable with the help of digitalisation of the financial transaction with a common and the accessible network. Digital India facilitates the DBT made easy to perform financial inclusion in a digital format. More than 80 percent of the population in the country have bank account with Aadhaar seeding to avail incentives, subsidies and benefits through DBT. DBT provide an opportunity to utilise banking and financial services to empower the people economically and also it reduces corruption and commission by middleman. It ensures beneficiaries directly enjoy the schemes of the Government with this aspects, it is conducted that DBT is one of innovate player is the field of financial inclusion with the help of information and communication

technology.

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