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Money Matters

The saga of Direct Benefit Transfer (DBT) and Post-Pandemic Relief

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Unprecedented Crisis

It is the most severe crisis and **worst recession** since **World War II**

ILO estimates **400 mn Indians** may be pushed deeper into poverty

High rate of unemployment, especially among migrant workers

UNDP says that more than **100 mn workers** need government relief

DBT is the most important now as government can transfer cash or provide food or other subsidies directly to the most vulnerable

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Finance Minister Nirmala Sitharaman announced a **Rs 1.70 lakh crore** package as DBT for **800 million people** on March 26

Centre said **420 million** people received financial assistance of Rs **53,248 crore** under this package till the first week of June

What the government promised under cash support:

Rs 500 to 200 million women with Jan Dhan accounts

Rs 2,000 to 87 million farmers under PM-KISAN

Increased MGNREGA wages from Rs 182 to Rs 202
a day for 136 million families

The support in kind that was announced for 3 months:

Free supplies of 5 kg wheat or rice per head per month

1 kg of preferred pulses per family through PDS

One refill of LPG cylinder per month

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Currently, **420 schemes** under 56 ministries are delivered through DBT -- 357 cash and 63 in-kind

In 2011, the Planning Commission made a blueprint for cash transfer as delivering schemes were getting more expensive

On January 1, 2013, India shifted its seven centrally-sponsored schemes into DBT mode in 43 districts. It was expanded across the country in 2014

In **cash transfers**, India has disbursed over **Rs 8.22 lakh crore** till now

There is a **40 fold increase** between the amount disbursed in 2013 and 2019-20

DBT has made delivery efficient and reduced pilferages

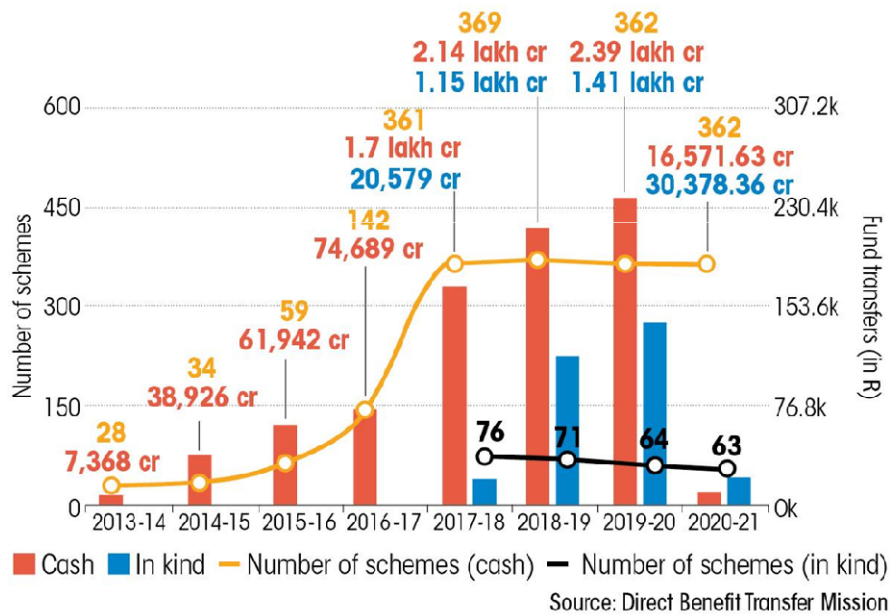
Estimated savings amount to Rs 1.70 lakh crore

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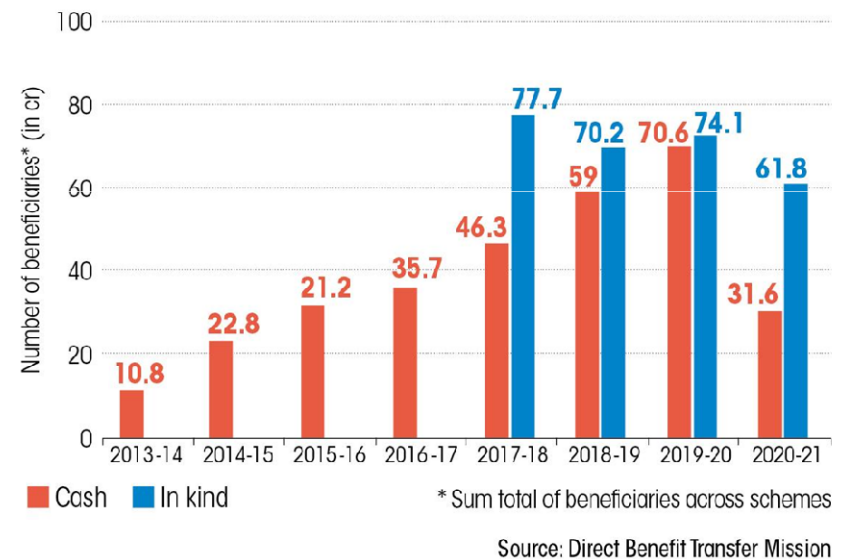
Preferred mode

Year-wise fund transfers show how the government increasingly relies on providing benefits directly to people



Target beneficiaries

Number of people getting assistance through the direct benefit transfer mode has increased almost 15 times between 2013 and 2020



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How the world is doing it

97 targeted cash transfer schemes have been launched worldwide

50 are new initiatives introduced as COVID-19 response in **Ecuador, Peru, Iran, Italy**

84 countries have introduced or adapted social protection and jobs programmes in response to COVID-19

Within social assistance, cash transfer programs constitute **65 per cent** of total schemes

A total of **58 countries** have those programmes in place, with 35 of them representing new initiatives introduced specifically as response to the pandemic

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Challenges in DBT

Gaps in JAM trinity --Jan Dhan bank account, Aadhaar, and Mobile on which DBT model depends

Linking bank accounts with Aadhaar remains incomplete in many cases

23 per cent of the poorest 40 per cent in India do not have an account with any financial institution, as per RBI data. This comes out to be **111 million** people. Most of them are likely to be migrant workers.

45 per cent are inactive accounts (**168 mn**)

Banking infrastructure is inadequate to deal with such large scale transfer at one go

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Lack of digital infrastructure in rural areas. Out of over 2 lakh ATMs in the country, **only 19 per cent** were in rural areas

Branch density in rural areas remains low

Banking correspondents have come to the rescue this time

Identification of beneficiaries remains a huge challenge as there are many exclusions

Inadequate database and no uniformity in lists for DBT which leaves a great scope for exclusions

There is also a serious question of unregistered migrant workers

In the current crisis, the package was not sufficient and targeting only women Jan Dhan bank account holders was not enough for delivering relief money

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Thank You