Q8

Reforming the government delivery system through the Direct Benefit Transfer Scheme is a progressive step, but it has its limitations too. Comment.

UPSC Civil Services Mains 2022 · GS II · 10 marks · Governance and Policy

Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

Core demand of the question

- Whether Direct Benefit Transfer is a panacea for Indian development is a question of debate. DBT is progressive but has limitations. Comment
- Refer to JAM, Aadhaar, exclusion errors and last-mile delivery

Revision summary

DBT uses Jan Dhan, Aadhaar and mobile to pay subsidies into named accounts.

It is progressive in cutting ghost beneficiaries and some dealer leakage.

Exclusion from biometric failure, seeding errors and weak connectivity is the main rights risk.

Last-mile banking correspondents still decide whether a credit becomes cash or grain.

Aadhaar for subsidies survived Puttaswamy with limits; it is not a licence to deny without alternatives.

DBT is a delivery tool, not the whole development strategy.

Introduction

Direct Benefit Transfer uses the Jan Dhan-Aadhaar-Mobile (JAM) architecture to put subsidies and welfare into named accounts. It is progressive against ghost beneficiaries and leaky ration dealers; it is not a panacea, because exclusion, authentication failure, and last-mile cash-out still decide whether the poor are paid.

Body

Why DBT is progressive

- Crediting a verified account cuts layers of patronage between the treasury and the intended household, which is why LPG's PAHAL and many scholarships and pensions moved to DBT.
- Aadhaar seeding and bank accounts under the Jan Dhan programme reduced duplicate and deceased names on some subsidy rolls, which is a real fiscal and fairness gain.
- Electronic trails make audits and social audits easier than cash handled only by a village intermediary.
- **For the Union, DBT is also a cooperative-federal tool:** scheme money can be seen leaving the Consolidated Fund toward a beneficiary, not disappearing in a State department's float.

Structural limitations

- **Exclusion error is the first limit:** a genuine household without a working fingerprint, without connectivity at the PoS, or with a wrong seed, is denied grain or wages even when the statute intended inclusion.
- Justice K.S. Puttaswamy (Aadhaar) accepted Aadhaar for targeted subsidies with a proportionality overlay; it did not license authentication as a condition that may starve a rights-holder without an alternative.
- Last-mile cash-out still depends on banking correspondents, business correspondents' liquidity, and distance to a bank; a credit on the core-banking server is not food on the day of need.
- Mobile and electricity gaps, especially for women who do not control the listed handset, reproduce intra-household inequality that JAM does not automatically correct.
- DBT of cash cannot replace public goods - schools, primary health, and roads - whose "beneficiaries" are not a closed list of account-holders.

Comment on the debate

- The statement is right to call DBT progressive and limited; the error is to treat it as the whole of Indian development.
- A fair design keeps in-kind PDS where markets are thin, keeps an override when biometrics fail, and publishes exclusion and delay data by State.
- JAM is infrastructure for targeting; development still needs inflation control, jobs, and capable local government, which no transfer engine supplies by itself.

Flow diagram

JAM Jan Dhan Aadhaar Mobile -> Direct Benefit Transfer

Direct Benefit Transfer -> Less leakage

Direct Benefit Transfer -> Exclusion and auth failure

Direct Benefit Transfer -> Last-mile cash-out

Exclusion and auth failure -> Not a panacea

Last-mile cash-out -> Not a panacea

Conclusion

DBT is a progressive correction of leakage and ghost names, built on JAM and Aadhaar. It fails as a panacea wherever authentication excludes the genuine poor, cash-out is far, or public goods are mistaken for personal subsidies.

Facts & figures

JAM
Jan Dhan bank accounts, Aadhaar, and mobile connectivity used as the architecture for Direct Benefit Transfer.

PAHAL
DBT scheme for LPG subsidy, an early large-scale illustration of transferring subsidy to consumer accounts.

Aadhaar Act, 2016

Provides for targeted delivery of subsidies, benefits and services using Aadhaar, subject to the Supreme Court's later limits.

Justice K.S. Puttaswamy (Aadhaar)

Upheld Aadhaar for welfare subsidies with restrictions; struck or limited some wider uses and stressed dignity and alternatives against exclusion.

MGNREGA wage DBT

Rural employment wages are widely credited electronically; delays and authentication problems have been a documented last-mile issue.

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