

**Financial Inclusion: A Gateway to Reduce Corruption through Direct Benefit Transfer (DBT)**

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**Abstract**

Financial inclusion is the key driver of India's vision to achieve faster, sustainable and more Inclusive growth (Twelfth five year plan). Hence financial inclusion is one of the policy priorities of the Government of India. The Government and Reserve Bank of India (RBI) has taken many initiatives towards achieving financial inclusion but the major breakthrough was achieved by implementing world largest financial inclusion drive Pradhan Mantri Jan DhanYojana (PMJDY). The success in recent financial inclusion drive is helping Government to implement many programmes like Direct Benefit Transfer, Digital India project and Cashless India Project has helped to reduce corruption. The purpose of this paper is to analyze the Progress of Financial inclusion in India and to assess the impact of financial inclusion on corruption through Direct Benefit Transfer. The total numbers of beneficiaries under DBT scheme was 63.22 crore during 2017-18. Till 2016-17 Government saved Rs. 57,029 Crore through Direct Benefit Transfer by increasing transparency, efficiency, reducing middlemen and transaction cost. Lack of Financial literacy, strict and fast punishment for corruption and inadequate infrastructure for safe electronic payment is the important challenge before Government. Minimization of corruption, tax evasion, black money is only possible through financial inclusion when people do less cash transaction and start using their bank account for all their financial transaction.

**Key words:** Financial Inclusion, Direct Benefit Transfer, PMJDY, Corruption, PAHAL

**Introduction**

*"When fully rolled out, I believe it (financial Inclusion) will give the poor the choice and respect as well as the services they had to beg for in the past. It can break a link between poor public service, patronage, and corruption that is growing more worrisome over time"*

-RaghuramRajan (2014)at the Twentieth LalitDoshi Memorial Lecture on August 11, 2014 at Mumbai

Financial inclusion is the key driver of India's vision to achieve faster, sustainable and more Inclusive growth (Twelfth five year plan document). Hence financial inclusion is one of the policy priorities of the Government of India. The Government and Reserve Bank of India (RBI) has taken many initiatives towards achieving financial inclusion but the major breakthrough was achieved by implementing world largest financial inclusion drive Pradhan Mantri Jan DhanYojana (PMJDY). Prime Minister Narendra Modi announced Pradhan Mantri Jan DhanYojan (PMJDY) in his Independence Day address to the nation on 15<sup>th</sup>August 2014 and the scheme was launched on 28 August 2014 throughout the country. Under PMJDY 30, 79, 51,262 accounts have been opened between 31.12.2014 to 27.12.2017. The success of financial inclusion drive will help Government to implement Direct Benefit Transfer scheme (DBT), Digital India project, AADHAR seeding to Bank accounts and Cashless India Project which will collectively help to reduce corruption to a greater extent.

**Definition of Financial Inclusion, Poverty, Corruption and DBT**

Financial inclusion is used to refer to sections of society excluded from the financial system. Planning Commission, Government of India (2009) committee on "Financial sector reform" broadly defined financial inclusion "as universal access to a wide range of financial

services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products". Financial Inclusion include universal access to financial products and services like bank accounts, checking account, immediate credit, savings products, remittances and payment services, insurance, healthcare, mortgage, financial advisory services, entrepreneurial credit etc.

The World Bank defines poverty in absolute terms. The bank defines extreme poverty as living on less than US\$1.90 per day (PPP), and moderate poverty as less than \$3.10 a day.

In India both consumption expenditure and calories are used to determine the people living below poverty line. An adult is termed as poor if one consumes less than 2100 calories in urban areas and 2400 calories in rural areas. As per Tendulkar committee (2009) the individuals whose percapita expenditure is less than Rs. 27 in rural areas and Rs. 33 in urban areas are termed as poor and concluded that 22% of the population below poverty line..The Rangarajan committee (2014) raised these limits to Rs.32 and Rs.47, respectively, and worked out poverty line at close to 30%.

Direct Benefit Transfer (DBT): Direct benefit transfer means "Direct transfer of government subsidies and other benefits to the entitled people usually provided by the government". The objective of Direct Benefits Transfer is to make sure that benefits go to individuals' bank accounts electronically, minimizing tiers involved in fund flow thereby reducing delay in payment, ensuring accurate targeting of the beneficiary and curbing pilferage and duplication.

At present Direct Benefit Transfer (DBT) Applicable to 489 Schemes & Services which belongs to 65 Ministries. Important schemes under DBT are LPG subsidy Scheme PAHAL, MGNAREGA, Scholarship scheme, National Social Assistant Programme (NSAP) etc.

Corruption is the abuse of entrusted power for private gain. It can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs. India has been ranked 79th out of 176 countries in the recently released Corruption Perception Index (CPI) for the year 2016 by the Berlin-based corruption watchdog Transparency International (TI).

Will financial inclusion and DBT assist reduction in poverty and corruption in the economy is most debated issue. In case if it had to be effective should we lay the conditionalities for the usage of the money transferred as DBT. Further will the DBT will become addictive and create more adversaries? When can be DBT be more effective? Queen Maxima, UN Secretary opines that "Financial inclusion makes corruption more difficult". The interesting dimension is provided by RaghuramRajan (2014) who states "undoubtedly, cash transfers will not resolve every problem, nor are they uncontroversial. A constant refrain from paternalistic social workers is that the poor will simply drink away any transfers. In fact, studies by NGOs like SEWA indicate this is not true. Moreover, one could experiment with sending transfers to women, who may be better spenders. Some argue that attaching conditions to cash transfers – for example, they will be made provided the recipient's children attend school regularly – may improve the usage of the cash. The danger of attaching conditionality is that if the monitor is corrupt or inefficient, the whole process of direct benefits transfers can be vitiated. Nevertheless, it will be useful to monitor usage carefully where automation is possible, and automatically attach further benefits to responsible usage.

A related concern is whether cash transfers will become addictive – whether they become millstones keeping the poor in poverty rather than stepping stones out of it. This is an important concern. Cash transfers work best when they build capabilities through education and healthcare, thus expanding opportunity, rather than when they are used solely for inessential consumption. The vast majority amongst the poor will seize opportunities, especially for their children, with both hands. Nevertheless, if there is evidence that cash transfers are being misspent – and we should let data rather than pre-conceived notions drive policy -- some portion could be given in the form of electronic coupons that can be spent by the specified recipient only on food, education or healthcare"

Direct Benefit Transfer scheme (DBT); DBT was implemented on 1<sup>st</sup> January 2013, with the objective of bringing reforms in Government delivery system to avoid de- fraud, duplication, delay etc.

**Objectives of the Study**

1. To analyze the Progress of Financial inclusion in India.
2. To assess the impact of financial inclusion on corruption through Direct Benefit Transfer.

**Methodology**

The present study is based on secondary source of data consisting of Government publications, namely Economic Survey, RBI reports, official website of Ministry of finance, Ministry of Electronics and Information Technology, Direct Benefit Transfer Mission, GOI and reports of Transparency International.

**Analysis of Progress of Financial Inclusion Initiatives:**

Table -1 Progress of Banking Outlets in Villages in All SCBs including RRBs

Particulars	Mar-10	Mar-17	Progress Mar-10 to Mar-17
Banking Outlets in Villages-Branches	33,378	50,860	17,482
Banking Outlets in Rural Location-Branchless Mode	34,316	5,47,233	512,917
Banking Outlets in Villages - Total	67,694	5,98,093	530,399

Source: Compiled from RBI Report on Trend and Progress of Banking in India 2016-17

The table gives the picture of growth of Banking Outlets in villages from March 2010 to March 2017. There are 67,694 total banking outlets in villages till March 2010 which increased to 5,98,093 in March 2017. There was an addition of 5, 30,399 banking outlets between March 2010 to March 2017. In this period the contribution of rural branchless banking outlets/Business Correspondent was significant. There is an addition of 5, 12,917 branchless banking outlets in rural location.

Table- Progress of Basic Bank Deposit Account in All SCBs including RRBs

Particulars	Mar-10	Mar-17	Progress Mar-10 to Mar-17
Basic Savings Bank Deposit Account - Through Branches(No. in million)	60	254	194
BSBDA-Through Branches (Amt. in Rs. billion)	44	691	647
BSBDA-Through Business Correspondents (No. in million)	13	280	267
BSBDA-Through BCs (Amt. in Rs. billion)	11	285	274
BSBDA-Total (No. in million)	73	533	460
BSBDA-Total (Amt. in Rs. billion)	55	977	922

Source: Compiled from RBI Report on Trend and Progress of Banking in India 2016-17

There is a significant improvement in number of Basic Savings Bank Deposit Account during 2010 to 2017. Number of BSBDA was increased from 73 million to 533 million from 2010 to 2017. It had registered a 630.13 percent growth rate. Total amount in this Basic

savings Bank Deposit Accounts was increased from 55 billion to 977 billion between these periods.

Table-3 Progress of OD, KCC, GCC, Debit Cards, ATMs and ICT A/Cs-BC

(All SCBs including RRBs)

Particulars	Mar-10	Mar-17	Mar-10 to Mar-17
OD Facility Availed in BSBDAAs (No. in million)	0.2	9	8.8
OD Facility Availed in BSBDAAs (Amt. in Rs. billion)	0.1	17	16.9
Kisan Credit Cards-Total (No. in million)	24	46	22
Kisan Credit Cards-Total (Amt. in Rs. billion)	1,240	5,805	4,565
General Credit Card-Total (No. in million)	1	13	12
GCC-Total (Amt. in Rs. billion)	35	2,117	2,082
ICT A/Cs-BC – Total Transactions (No. in million)	27	1,159	1,132
Total number of debit cards (in million)	331	772	441
Number of ATMs	114014	208354	94340

Source: Compiled from RBI Report on Trend and Progress of Banking in India 2016-17

From the above table it is evident that Reserve Bank of India policy of Business Correspondent Model and ICT based technological initiatives were successful in field. The total transaction made by ICT A/Cs- Business Correspondents drastically increased from 27 million to 1,159 million in the period. There was an addition of 1,132 million transactions by these ICT A/Cs- BC accounts. The growth rate in number of ATM established was 82.74 percent (94340 ATMs) in this period. In this period Growth rate of debit card, Kisan Credit Card and General Credit Card is 133.23%, 91.66% and 1200% respectively.

The Over Draft facility availed in BSBDAAs is not satisfactory. Only 9 million out of 533 million (1.68%) BSBDAAs got Over Draft facility. This shows that financial inclusion in India refers to having Basic saving account only. Steps should be taken to give minimum amount of Over Draft facility to all eligible poor.

**Progress of Financial Inclusion through PMJDY:** PMJDY is a National Mission on financial inclusion. This Mission would enable all households to gain easy and universal access to financial services. In this Mission, households will not only have bank accounts with indigenous RuPay debit cards but will also gain access to credit, insurance and pension services for their social security.

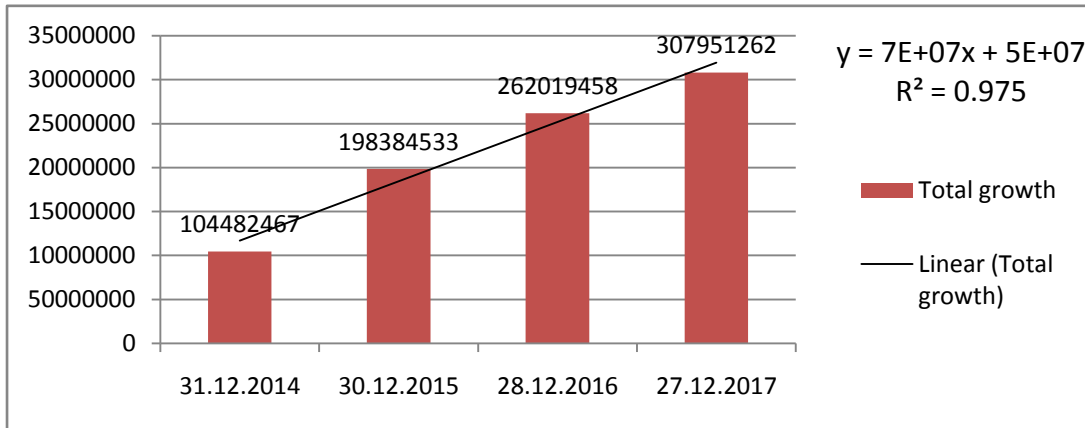
Table-4 No. of Account opened through PMJDY- Rural and Urban classification

As on	Rural/semi-urban	%	Urban metro	%	Total
31.12.2014	62348872	59.67	42133595	40.33	104482467
30.12.2015	121039913	61.01	77344620	38.99	198384533
28.12.2016	159609882	60.92	102409576	39.08	262019458
08.11.2017	182290665	59.64	123340319	40.35	305630984

Source: www.pmjdy.gov.in

The numbers of accounts opened in both rural and urban areas were 30, 79, 51,262 from 31.12.2014 to 27.12.2017 in which 18, 11, 56,759 (58.82%) accounts were opened in rural/semi-urban area and 12, 67, 94,503 (41.17%) accounts were opened in urban metro area. Growth in Accounts shows that PMJDY successfully reached many unreached persons in rural area.

Table No. 05 PMJDY accounts growth rate



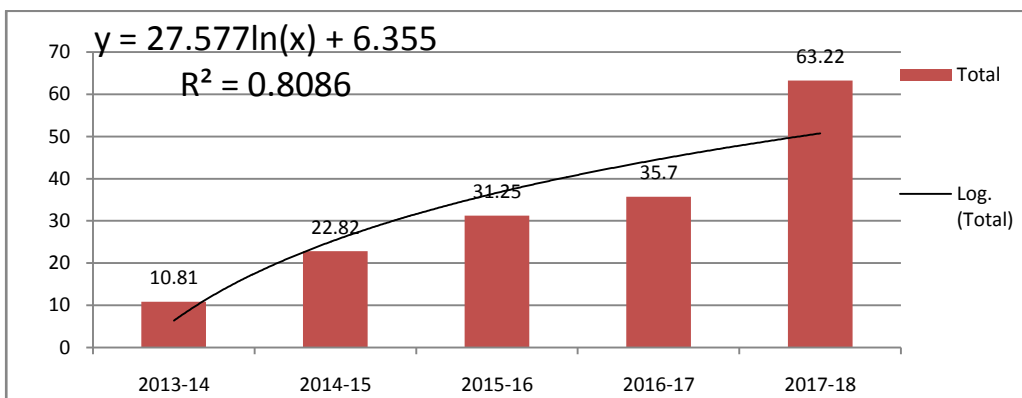
Source: [www.pmjdy.gov.in](http://www.pmjdy.gov.in)

The total number of accounts opened under PMJDY is increased over the years. Number of accounts opened during 2014 was 10, 44, 82,467, which increased to 30, 79, 51,262 in 2017 and registered an overall growth rate of 194.73%. There is no significant difference between the growth rates of rural and urban metro accounts during the period.

**Impact of Financial inclusion on corruption through Direct Benefit Transfer (DBT)**

Former Prime Minister Rajiv Gandhi during 1996 said that “only 15 paise of a rupee that is allocated for the rural areas reaches the true beneficiary”. It is true of today’s India also though the magnitude may have changed. By the time the money reaches beneficiaries it would become a very negligible amount. As DBT would reach the beneficiaries directly eliminating the middle man, the corruption would be minimized to a greater extent, if not completely eliminated.

Table-6 Year wise Beneficiaries of DBT (in crore)



Source: <http://dbtbharat.gov.in>

The total number of beneficiaries under Direct Benefit Transfer scheme were 10.81 crore in 2013-14 which increased to 63.22 crore by 2017-18 registering growth rate of 484.82 percent. Under DBT LPG subsidy scheme PAHAL having highest beneficiaries to the tune of 24.54 crore beneficiaries by 31.12.2017. MGNAREGA is having 11.21 crore beneficiaries till



31/12/2017. This shows that through DBT scheme Government has successfully reached beneficiaries eliminating middlemen results in less corruption.

Table -7 Year wise fund transferred under Direct Benefit Transfer (in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18 (31.12.2018)
PAHAL	5394.9	9384.41	21421	15876	20674.23
MGNAREGA	0	20010.1	25861.76	37311.92	28710.92
NSAP	906.2	6049.38	8364.66	5409.99	5831.19
Scholarship scheme	0	0	5119.05	12859.6	10042.46
Others	1066.6	3482.26	1175.96	3249	35169.87
Total	7367.7	38926.15	61942.43	74706.51	100428.7

Source: <http://dbtbharat.gov.in/>

The above table shows the year wise fund transferred under Direct Benefit Transfer scheme. In 2013-14 Rs. 7367.7 crore rupees were transferred to beneficiaries under DBT. It was drastically increased to Rs. 100428.7 crore in 2017-18. In 2016-17 Under MGNAREGA Rs.37311.92 crore was directly transferred to beneficiaries. In the initial stages of MGNAREGA there was a huge corruption due to middlemen, which was drastically reduced by direct benefit transfer scheme. Under LPG PAHAL scheme Rs. 15876 crore has been transferred. PAHAL also improved the LPG subsidy scheme by reducing duplication of LPG connection. Scholarship schemes are also taken under DBT in 2015-16 and able to save 12879.6 crore in the year 2016-17 which helps the students to get their scholarship quickly, transparently without paying any money to middlemen.

Table-8 Savings Reported due to Direct Benefit Transfer

Ministry/Department	Scheme	Reported Savings (In Rs Cr)	
		2016-17	Upto 2016-17
Petroleum & Natural Gas	PAHAL	8,185	29,769
Food & Public Distribution	PDS	3,809	14,000
Rural Development	MGNREGS	8,741	11,741
	NSAP	150	399
Others	Others	1,120	1,120
Total		20,885	57,029

Government has stated that it had saved Rs.57,029 Crore up to 2016-17 due to DBT. The biggest saving of Rs. 29,769 crore is cited in the LPG PAHAL scheme. It is possible because of eliminating multiple LPG connections, reducing transaction cost and improving efficiency. DBT also bring reforms in MGNAREGA scheme by eliminating inactive job cards and able to save Rs.11,741 Cr under this scheme. In public Distribution scheme by deleting 2.33 Crore ghost cards Government has saved Rs.14,000 Cr. In 2016-17 alone Government has saved Rs. 20,885 crore through DBT successfully improving the effectiveness of Government welfare scheme.

Poverty Reduction: if the programme reaches the intended beneficiaries the poverty will automatically reduce and it does not require any empirical evidence to state that. But the one who are rich because of poor will also strive their level best to search for loopholes in the existing fabric and maximize their gains at the cost of poor. Hence proper steps should be

taken from time to time to eliminate corruption and strengthen the financial inclusion and DBT channels

### **Challenges & Conclusion**

Lack of Financial literacy, lack of strict and fast punishment for corruption, Supreme Court judgment on Aadhaar, inadequate infrastructure for electronic payment are the important challenges before Government. Minimization of corruption, tax evasion and eradication of black money is only possible through financial inclusion when people use less cash and start using their bank account for all their financial transaction. Along with this Government should also give importance to digital financial inclusion, financial literacy and Safe and secure Electronic payment infrastructure.

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