

ROLE OF DIRECT BENEFIT TRANSFER SCHEMES IN PROMOTING FINANCIAL INCLUSIVENESS AMONG RURAL BENEFICIARIES- AN ASSESSMENT STUDY

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Abstract:

The Direct Benefit Transfer (DBT) system serves as a transformative approach for delivering government welfare benefits directly to citizens. By transferring funds straight into beneficiaries' bank accounts, it ensures that the intended recipients actually receive the disbursement, thereby eliminating intermediaries and reducing leakage. Aadhaar-based withdrawal—guarantees that only intended beneficiaries access the funds, enhancing both security and accountability. The present study is carried out with the main purpose of evaluating the perception of beneficiaries about DBT schemes and its impact on financial inclusiveness among rural beneficiaries. The data is collected from 112 household beneficiaries of DBT schemes of GOI using Non-Probability Convenience sampling technique. one- way ANOVA is used to test the difference in perception of DBT benefits among the DBT household beneficiaries' and Chi- Square test is adopted to test the impact of Beneficiary perception of DBT benefits on financial inclusiveness of household beneficiaries in rural areas. It was concluded that a nationwide, integrated digital and financial literacy program specifically targeted at DBT beneficiaries, particularly in rural and marginalized communities is essential.

Key Words: Direct Benefit transfers, Financial inclusion, financial literacy, transparency and efficiency, Unbanked, digital literacy.

INTRODUCTION:

Financial inclusion is a powerful catalyst for economic growth and poverty reduction in developing countries. By integrating underserved individuals and small businesses into formal financial systems, access to savings, credit, insurance, and payment services becomes possible—facilitating risk management, investment, and entrepreneurship. For India and similar economies, inclusive financial markets are essential to empower economically weaker sections and support inclusive development at scale. Financial inclusion is the effective way which helps to bring the unbanked people under purview of banking system. It is the way towards

equitable and sustainable economic growth of community especially rural citizens. Through financial inclusion initiatives marginalized individuals in rural areas get access to a range of financial services—such as banking, credit, insurance, and savings. For a country like India with diverse social, economic background, bridging the financial divide has long been a developmental priority. At the global level, financial inclusion has been recognized as a key tool for poverty eradication, women empowerment, and economic growth. Till date, several barriers to finance simultaneously exist, excluding rural communities from financial services. Among these barriers are mobility restrictions, the inability to provide identification, illiteracy, and the residual effects of social norms that tend to sideline the rural communities and women in financial matters.

The government of India launched various types of welfare schemes and programmes for its people under whom they are provided subsidies, scholarships to students, benefits to illiterate women and micro credit to poor women section. In this benefit constitute about 4 percent of India's GDP. Until 2012 these welfare benefits were transferred through various channels leading to leakages and delays. On the other hand, the welfare schemes were failure to achieve the intended purposes like socio-economic empowerment, financial inclusion etc. with a view to resolve the issue, GOI has launched the Direct benefit transfer schemes in 2013 to improve government efficiency, effectiveness, transparency, and accountability of welfare schemes.

India's Direct Benefit Transfer (DBT) has truly transformed the welfare landscape by channeling subsidies, pensions, scholarships, and other financial support directly into beneficiaries' bank accounts—cutting out intermediaries and slashing leakages. the JAM Trinity—Jan Dhan bank accounts, Aadhaar, and mobile numbers—which together establish a secure, efficient channel for delivering funds to true beneficiaries. Since its launch in 2013, DBT has been scaled up across 320 welfare schemes, disbursing over ₹40 lakh crore and saving around ₹3.5 lakh crore to the Government approximately—by excluding ghost beneficiaries and curbing subsidy misuse in areas like food distribution, LPG, MGNREGA wages, fertilizer assistance, and PM-Kisan payments.

The Direct Benefit Transfer (DBT) system has considerably altered the landscape of public service delivery and citizen empowerment in India, having a far-reaching impact on financial inclusion. DBT has established an entry point into the financial system for millions who were previously excluded by directly linking financial benefits to formal bank accounts. By addressing both access and utilization gaps in financial services, the system has contributed to the development of a more inclusive economy.

Mission of DBT:

Mission of DBT Scheme is to facilitate a paradigm shift in the process of delivering entitlements to all those who are eligible through:

- Precise beneficiary targeting:
- Streamlining processes to make information-sharing and fund transfers more efficient.
- Promotion of Financial Inclusion

- Setting up of digital platforms that are accessible, scalable and reliable, providing user-friendly interfaces between the Government and the beneficiaries

Vision of DBT:

To establish a governance framework that delivers entitlements directly to eligible individuals and households via a simple, transparent, efficient, and trustworthy Government-to-People (G2P) interface.

Key Welfare Schemes Implemented through DBT

Over the years, several flagship welfare schemes have been integrated with the DBT system by the GOI. These include:

- Public Distribution System (PDS):
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
- Pension Schemes
- Scholarships and Subsidies
- PM-KISAN Scheme

REVIEW OF LITERATURE:

Financial inclusion empowers underserved individuals and communities to participate more fully in the economy—boosting savings, credit use, financial literacy, entrepreneurship, and overall economic activity. This participation fosters poverty reduction, reduces income inequality, and supports sustainable social and economic development, particularly for vulnerable groups and women, (**Karmakar et al., 2011**). the digital financial inclusion with the help of DBT linked with Aadhar, felicitate the financial inclusion programme as easiest way to target the unreached people of the country. Aadhar linked the network and DBT achieved to find out and provide financial assistance and incentives to the target beneficiaries, (**C. Paramasivan, 2018**). Direct Benefit Transfer system has been introduced in 2013, Rs 5.68 crore beneficiaries were not holding an Aadhaar and the number become Rs 8.36 crores in 2017. it was suggested that Government should take efforts in grass root level by providing Aadhaar and Aadhaar bridge payment assistance to the common people, (**Joy, Justin, 2018**). Reaching vulnerable communities without digital financial access is highly difficult and there is need for technological adoption, such as smartphones and internet facilities, to promote secure and inexpensive financial services, (**Parvin and Panakaje, 2022**). Digital financial inclusion is an ongoing journey rather than a final destination, requiring continuous progress and the use of innovative technologies to adapt financial services to cater to the needs of all individuals. There are some pitfalls of digital financial services, such as input errors leading to costly mistakes, (**Ozili, and Peterso, 2022**). The core objective of DBT is to reduce duplication of beneficiaries in welfare delivery. By digitizing beneficiary data and linking it with unique Aadhaar ID, DBT minimizes the risk of duplicate registrations and fraudulent claims (**World Bank, 2020**). Direct Benefit Transfer has made significant contributions in advancing financial inclusion in India, bringing

millions of previously excluded individuals into the formal banking system. Through its ability to reduce leakages, improve welfare delivery, and encourage digital payments, DBT has the potential to be a game-changer in India's socio-economic landscape. However, challenges related to infrastructure, technology, and financial literacy persist. By addressing these barriers, India can further unlatch the potential of DBT completely and ensure that the advantages of financial inclusion reach every corner and every person of the country.((Umesh & Nagaraju, n.d.).

RESEARCH GAP:

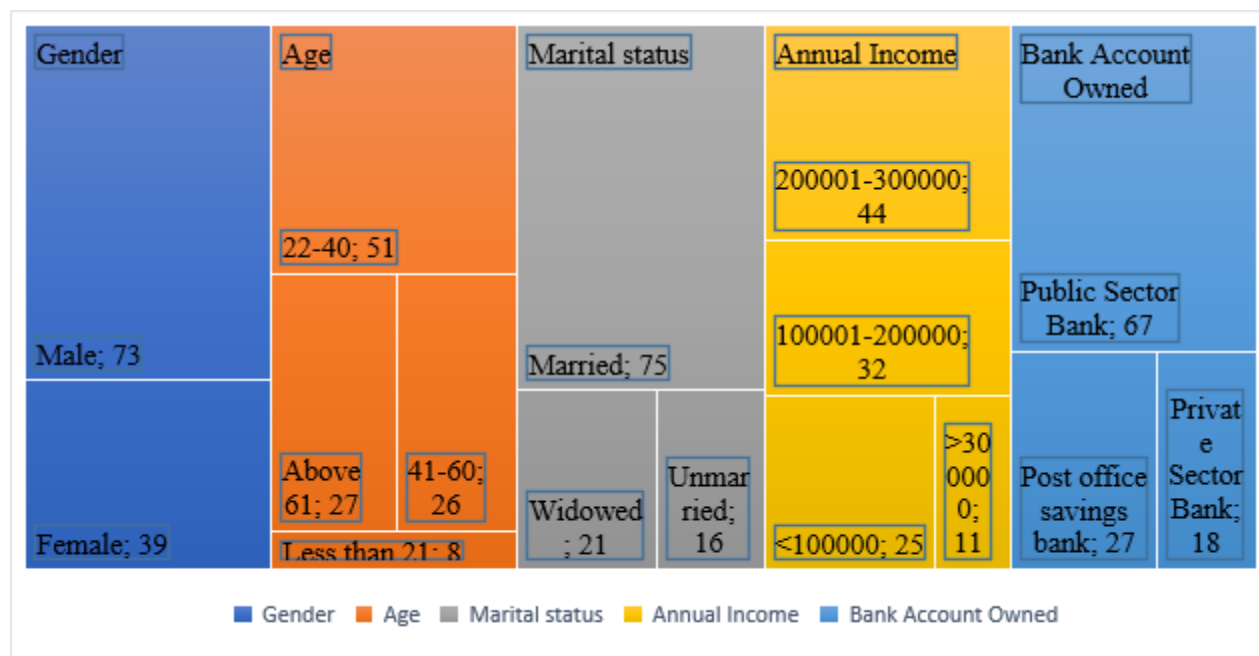
Most of the studies carried out earlier focused on role of financial inclusion of rural communities in the inclusive growth of the nation as well as the studies on direct benefit transfer schemes reveals the history, growth, challenges of DBT schemes using the secondary data only. The present study focused on evaluating the role of DBT schemes in enhancing the level of financial inclusiveness in households in rural areas by collecting the data directly from the bottom of the pyramid.

OBJECTIVES OF THE STUDY:

- To assess the perception of beneficiaries about welfare schemes under DBT system.
- To analyze the impact of DBT schemes on financial inclusiveness of beneficiaries in rural areas.

METHODOLOGY:

An analytical research design is followed in the present study. The study objectives are evaluated using both primary and secondary data. A pretested structured interview schedule is used for the collection primary data from 112 beneficiary households of central DBT schemes in rural area of Karnataka's Bangalore rural district. Non-Probability Convenience sampling technique is used. To measure the qualitative data, five-point Likert's scale technique is adopted in the study. Statistical tools such as mean value analysis, percentage analysis and Chi-square test have been used.

RESULTS AND DISCUSSION:**Figure-01****DEMOGRAPHIC PROFILE OF THE DBT SCHEME BENEFICIARY HOUSEHOLDS****Table-01****PERCEPTION OF RURAL COMMUNITY ABOUT DIRECT BENEFIT TRANSFER SCHEMES**

Statements		SA	A	N	D	SD	Mean	SD
Direct Benefit Transfer schemes enhance transparency in the distribution of government benefits.	n	63	35	8	4	2	4.36	0.8963
	%	56.3	31.3	7.14	3.57	1.79		
Direct Benefit Transfer schemes improve the efficiency of benefit delivery, allowing for quicker access to funds.	n	73	26	8	3	2	4.47	0.8758
	%	65.2	23.2	7.14	2.68	1.79		
Direct Benefit Transfer schemes promote financial inclusion by encouraging unbanked populations to access formal banking services.	n	57	42	7	4	2	4.32	0.8784
	%	50.9	37.5	6.25	3.57	1.79		
Direct Benefit Transfer schemes may exclude vulnerable groups due to a lack of digital literacy or access to technology.	n	38	29	12	31	2	3.63	1.2544
	%	33.9	25.9	10.7	27.7	1.79		

I have confidence in the government's ability to implement Direct Benefit Transfer schemes effectively without bureaucratic issues.	n	41	54	11	4	2	4.14	0.8645
	%	36.6	48.2	9.82	3.57	1.79		

Source: author's computation.

From the above table it was ascertained that household beneficiaries showed high agreement that DBT schemes enhance transparency (Mean = 4.36, SD \approx 0.90) and improve efficiency with faster access to funds (Mean = 4.47, SD \approx 0.88). The assertion that DBT promotes financial inclusion also received strong support (Mean = 4.32, SD \approx 0.88). However, about exclusion of vulnerable groups due to lack of digital access scored lower (Mean = 3.63) and exhibited higher variability (SD \approx 1.25), indicating divergent views. With respect to Confidence in the government's ability to implement DBT effectively was moderate (Mean = 4.14, SD \approx 0.86), showing relative consistency.

Table-02

IMPACT OF DBT SCHEMES ON FINANCIAL INCLUSION OF RURAL COMMUNITIES

Statements		SA	A	N	D	SD	Mean	SD
My first formal bank account was opened to receive the welfare benefits from government directly.	n	48	32	12	17	3	3.93	1.1747
	%	42.9	28.6	10.7	15.2	2.68		
Receiving DBT payments has encouraged me to save a portion of those transfers in my bank account.	n	51	41	5	11	4	4.1	1.0967
	%	45.5	36.6	4.46	9.82	3.57		
DBT-related communications or interactions, enhanced the level of financial literacy	n	59	36	5	8	4	4.23	1.0605
	%	52.7	32.1	4.46	7.14	3.57		
DBT payments have positively impacted my household standard of living through improved consumption, access to services like education or healthcare, and economic resilience.	n	67	34	4	5	2	4.41	0.8928
	%	59.8	30.4	3.57	4.46	1.79		
Facilitated to access other banking services like loans, insurance, remittances, or pension schemes	n	52	47	3	4	6	4.20	1.0362
	%	46.4	42	2.68	3.57	5.36		

Source: author's computation

From the above table it was ascertained that household beneficiaries moderately agreed that their first formal bank account was opened to receive welfare benefits (Mean = 3.93, SD \approx 1.17), and felt encouraged to save a portion of DBT transfers (Mean = 4.10, SD \approx 1.10). They also strongly reported that DBT-related communications enhanced their financial literacy (Mean = 4.23, SD \approx 1.06), and agreed that DBT payments improved household living standards, including access to education, healthcare, and economic resilience (Mean = 4.41, SD \approx 0.89). Additionally, the response indicates DBT has facilitated access to other banking services—such as loans, insurance, remittances, and pension schemes (Mean = 4.20, SD \approx 1.04).

Hypothesis Test-01

H₀: There is no significant difference in the perception about the benefits of DBT schemes among Household beneficiaries with different educational backgrounds.

H₁: There is a significant difference in the perception about the benefits of DBT schemes among Household beneficiaries with different educational backgrounds.

Table-03

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	36.866	3	12.289	1.046	.002
Within Groups	648.813	108	6.008		
Total	685.679	111			

Source: author's computation

A one-way ANOVA was conducted to ascertain whether perception of DBT benefits differed across household beneficiary groups categorized by educational qualification of the respondents. The between-groups variability (SS = 36.866, df = 3) relative to within-groups variability (SS = 648.813, df = 108) produced an F-statistic of 1.046. Despite the moderate F-value, the associated p-value of 0.002 is below the conventional threshold of 0.05, indicating statistically significant differences in mean perception scores among at least one of the educational groups. Hence the null hypothesis There is no significant difference in the perception about the benefits of DBT schemes among Household beneficiaries with different educational backgrounds is rejected.

Hypothesis Test-02

H₀: there is no significant impact of household beneficiary's perception about benefits of DBT schemes and their financial inclusiveness.

H₁: there is a significant impact of household beneficiary's perception about benefits of DBT schemes and their financial inclusiveness.

Table-04

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	172.190 ^a	90	.000
Likelihood Ratio	102.111	90	.000
Linear-by-Linear Association	3.088	1	.000
N of Valid Cases	112		
a. 0 cells have expected count less than 5. The minimum expected count is .02.			

Source: author's computation

A chi-square test of independence was performed to assess whether household beneficiaries' perception of DBT scheme benefits is associated with their level of financial inclusiveness. The Pearson chi-square statistic is $\chi^2 = 172.190$, with a p-value $< .001$, indicating a highly significant association and leading to rejection of the null hypothesis there is no significant impact of household beneficiary's perception about benefits of DBT schemes and their financial inclusiveness.

Findings:

a substantial majority of household beneficiaries expressed positive views on the Direct Benefit Transfer (DBT) system- 87.6 percent agreed that DBT system enhances transparency in government benefit distribution, 88.4 percent reported that DBT improves efficiency in welfare distribution, ensuring faster access to funds, and proportionally equal number of household beneficiaries 88.4 percent stated that DBT Schemes promotes financial inclusion by encouraging previously unbanked populations to adopt formal banking services. 84.8 percent expressed confidence in the government's ability to implement DBT effectively, free from bureaucratic issues However, 59.8 percent recognized that DBT may inadvertently exclude vulnerable groups due to a lack of digital literacy. Overall, the DBT schemes role in achieving financial inclusion is positively perceived by the household beneficiaries in the study area: 81.5 percent agreed that their first formal bank account was opened specifically to receive government welfare benefits and subsidies, 82.1 percent stated, receiving DBT payments motivated them to save a significant portion of money through reduced expenditure. 84.8 percent reported that DBT-related communications/ educational programs by the appropriate authorities enhanced their financial literacy. 90.2 percent believed that DBT payments improved their household standard of living—through better consumption, education, healthcare access, and economic resilience; and 86.4 percent indicated that DBT facilitated their access to other banking services, such as loans, insurance, remittances, or pensions.

Suggestions:

To enhance the efficacy and equity of DBT programs, it is essential to customize messaging according to individuals' educational levels—employing straightforward images and local languages in contexts of low literacy, and providing comprehensive, lucid explanations in environments of higher literacy to ensure universal comprehension of the program's benefits. Enhancing on-the-ground support—through banking correspondents, mobile kiosks, or reliable community peers—can foster confidence and assist recipients in navigating DBT services more effectively. Integrating DBT transfers with fundamental financial education and gentle prompts for saving and utilizing services such as loans, pensions, or insurance facilitates the transformation of favorable perceptions into tangible financial engagement. Finally, consistently obtaining community feedback and assessing knowledge and access across diverse groups guarantees that DBT advantages are evenly distributed and identifies areas requiring additional outreach or support.

Conclusion:

The Direct Benefit Transfer (DBT) system has emerged as a transformative instrument in the reshaping of India's welfare landscape and the deepening of financial inclusion. DBT has effectively improved the transparency, efficacy, and reach of government programs. By facilitating direct access to financial resources, it has significantly empowered beneficiaries, particularly women and marginalized groups. DBT is a model of reform that is both scalable and impactful, and it is a model that other developing nations can learn from. The future success of this transformative initiative will be contingent upon sustained political will, adaptive policy-making, and citizen-centric innovations. Beneficiaries predominantly perceive DBT as a method to enhance government efficiency, streamline welfare delivery, and promote financial inclusion by integrating previously unbanked individuals into the formal banking system. Despite the fact that a significant minority of individuals remain apprehensive about potential digital-literacy obstacles, there is high confidence in the government's ability to effectively implement DBT. Additionally, DBT has functioned as a gateway for numerous beneficiaries, facilitating the opening of their first bank account, promoting positive financial behaviors, increasing access to broader formal financial services, and enhancing financial literacy. These findings are consistent with broader national and international evaluations that attribute DBT's success in reducing leakages, improving transparency, and fostering financial inclusion through the implementation of the JAM infrastructure (Jan Dhan, Aadhaar, Mobile) and digital public utilities.

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