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Editors

Dr. Partha Ghosh

Dr. Brajesh Kr.Mishra

Dr. Neeta Bagalari

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Evaluating the Impact of Direct Benefit Transfer on Poverty Reduction in Rural Areas

Dr.B.Indira Priyadharshini

Assistant Professor, Department of Commerce (CA)
Nallamuthu Gounder Mahalinagam College, Pollachi

Abstract

This paper examines the role of the Direct Benefit Transfer (DBT) mechanism in rural India as a strategy for poverty reduction. It reviews the policy context, outlines the pathways through which DBT influences rural livelihoods, assesses evidence of its impact (both positive and negative), and draws conclusions about the extent to which DBT contributes to poverty alleviation in rural areas. The study finds that while DBT has resulted in improved targeting, reduced leakages, and strengthened financial inclusion, its effects on deeper structural poverty are mixed, and significant implementation and access-challenges remain. The paper ends with policy recommendations for improving rural DBT outcomes.

Keywords: Direct Benefit Transfer (DBT) - Poverty Reduction - Rural Development - Financial Inclusion - Social Protection

Introduction

Poverty in rural areas remains a persistent challenge in many developing countries, including India. The traditional welfare delivery systems—such as food subsidies, in-kind transfers, and public works programmes—have often suffered from leakages, inefficiencies, and administrative delays. In response, the Indian government launched the Direct Benefit Transfer (DBT) mechanism to deliver subsidies and welfare payments directly into beneficiaries' bank accounts or digital wallets, thereby reducing intermediaries and improving transparency. The ambition of DBT is to strengthen social protection, enhance financial inclusion, and ultimately contribute to poverty reduction in rural contexts.

This paper focuses on the question: **To what extent has DBT contributed to poverty reduction in rural India?** It emphasises rural households, rather than urban settings, because rural poverty has distinctive characteristics (agrarian dependency, seasonal incomes, weaker infrastructure). The paper begins with the policy framework and theoretical mechanisms by which DBT may affect poverty, then reviews the empirical evidence of impact, discusses implementation challenges, and finally draws policy implications.

Policy Context and Mechanism of DBT

Evolution of DBT in India

The DBT system in India builds on the JAM trinity—Pradhan Mantri Jan Dhan Yojana (PMJDY), Aadhaar, and mobile banking/payments—to facilitate digital transfers of subsidies and welfare payments. The number of DBT-enabled schemes has grown rapidly: from some