

MicroSave India Focus Note #128

Baseline Assessment for DBT in TPDS: Will This Small Step Become a Giant Leap?

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March, 2016

Introduction

Launched in June 1997, the Targeted Public Distribution System (TPDS) in India provides food grains to ration cardholders through a network of over 492,000 Fair Price Shops (FPSs). On the basis of successful roll-out of subsidy transfers for cooking gas, directly into the bank accounts of beneficiaries, the Government of India in September 2015 announced Direct Benefit Transfer (DBT) for PDS beneficiaries. As part of the scheme, beneficiaries receive money directly into their bank accounts in lieu of subsidised food grains. The pilot commenced in three Union Territories (UTs), namely, Chandigarh, Puducherry, and Dadra & Nagar Haveli. DBT in TPDS aims at the following:

1. Electronic transfer of benefits, minimising leakages;
2. Reduced cycle-time for payments;
3. Accurate targeting of beneficiaries, minimal exclusions; and
4. Curbing pilferage and ghost beneficiaries.

Context

The Department of Food & Public Distribution, Ministry of Consumer Affairs, Food, and Public Distribution, mandated MicroSave to conduct a baseline study in the three UTs above. We conducted assessments in August 2015, just before disbursement of the first tranche of cash transfers in lieu of subsidised food grains. This Note pertains to the findings of the baseline assessment.

Coverage

We interviewed 3,440 beneficiaries, covering one district in each of the UTs in 45 focus group descriptions. We also interviewed 8 staff from departments handling DBT for FPS.

Study Design

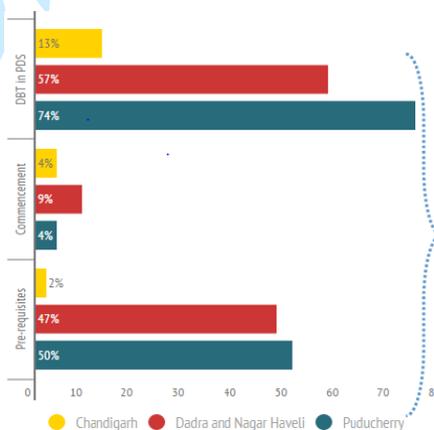
Baseline assessment was intended as a reference point to understand the readiness of UTs implementing DBT in TPDS. It covered awareness about the scheme among beneficiaries; its pre-requisites / processes; spread of existing banking network; and presence of alternative markets. It also involved collecting data on availability of alternative markets for food grains; availability and proximity of transaction points to beneficiaries; Aadhaar and bank account penetration; grievance redressal system; proportion of beneficiaries; and beneficiary enrolment status. Factors such as availability of an alternative market

(in absence of FPS) to buy food grains and proximity of withdrawal points (agents/ATMs/bank branches) to retail shops were collected through secondary research.

Findings

Major findings from the baseline assessment that will be helpful for roll-out in other states and UTs are as below.

- **Beneficiary Awareness:** Majority of beneficiaries knew about the impending launch of DBT in PDS; however, they were unsure about the date of launch, the amount they will receive and the documentation and other requirements to avail the benefits. Fearing loss of additional income from diversion of food grains, the FPS owners had spread rumours about the scheme, because of which most beneficiaries were sceptical about the government's intention.



DBT in PDS: Imminent launch of DBT in place of subsidised food grains
Commencement: Date of launch of DBT in PDS
Pre-requisites: Required set of documents and Aadhaar seeded bank account

Figure 1: Awareness level (% of beneficiaries)

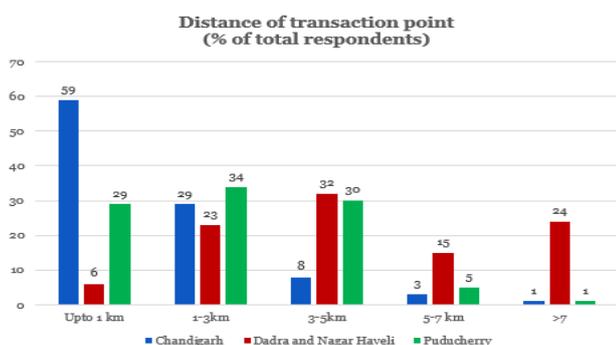
Additionally, people were unaware of the correct procedure of enrolment with respect to DBT in TPDS. This resulted in multiple submissions or submission of wrong place. However, Puducherry had better levels of incomplete / incorrect documents, or submission at the awareness regarding the pre-requisites because of its prior experience with DBT, when the UT administration launched its own version of DBT in PDS in April 2015.

- Process Readiness**

More than 80% of the respondents in all three UTs possessed an *Aadhaar* number and a bank account at the time of the research. However, only 47%, 50% and 68% of beneficiary details were seeded with *Aadhaar* in Chandigarh, Dadra & Nagar Haveli, and Puducherry, respectively. This highlights that the time allotted for this was not sufficient and processes had not been streamlined. Even after submission of the required documents, beneficiaries did not know how and where to check the status of their enrolment. Also, there was no mechanism for communication from the authorities to the remaining beneficiaries who had not been enrolled under DBT.

- Banking Access**

Most of the beneficiaries in Puducherry and Chandigarh reported an accessible banking network, i.e., within 5 km of their work place or residence (see graph). However, Dadra & Nagar Haveli lagged behind in terms of banking network, with an average commute time of 30–60 minutes to the nearest banking point.



- Market Access**

Residents of Chandigarh and Puducherry have easy access to markets and distance to a shop for buying food grains was less than or equal to 2 km. The same is not true for DNH, especially for rural areas. For instance, the three areas encircled in the DNH map below show geographies that do not have even one grocery outlet in a radius of 10 km. These types of gaps in infrastructure and market conditions can completely mar the objective of DBT in PDS.

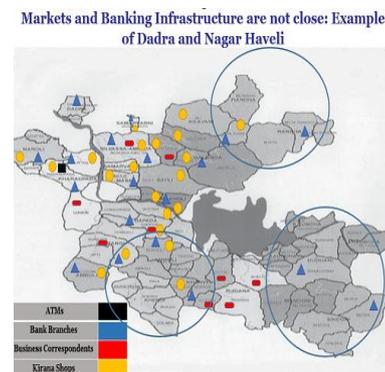
- Grievance Redressal Mechanism**

Contrary to official claims of a variety of grievance redressal systems being in place, the number of complaints registered was low. A toll-free helpline had been established by the Department of Food and Civil Supplies in the three UTs; however, most beneficiaries were not even aware of it. Awareness level about grievance redressal mechanisms was below 20% in all three UTs.

Conclusion

Despite many challenges, the situation was conducive for a pilot for DBT in lieu of food grains in Chandigarh and Puducherry.

However, given the market infrastructure in Dadra and Nagar Haveli, it was best that the pilot was dropped; DNH lacks an alternative market and will have to be provided subsidised food grains through FPS. In other two UTs, greater focus was needed to enhance customer awareness of different aspects of the scheme, such as the amount and frequency of payment, grievance redressal mechanisms, payment confirmation, and strengthening the banking network, especially in pockets that did not have a bank branch in the vicinity. These measures will be critical for a successful pilot and eventual roll-out of the scheme.



There are other fundamental challenges to DBT in PDS. One of the most crucial is the amount of money being paid to beneficiaries in lieu of food grains. At present, PDS entitles low-income families to get wheat at Rs. 2 per kg, rice at Rs. 3 per kg and coarse grains, such as, *bajra/ragi* at Rs. 1 per kg. Against this, the government has fixed the amount to be offered to beneficiaries at 1.25 times the minimum support price (MSP), which is, in essence, the price at which the government procures food-grains from farmers. MSP has little or no linkage with market price, and recipients are not happy with the amount of money being received as DBT under PDS.

Another challenge faced by the scheme is also related to free markets. In north India, the procurement from FPS is largely in the form of wheat, which is then processed into flour at nearby mills. However, the shift to DBT and grocery shops means that most shops store wheat flour (and not wheat grain), which, as a value added product, is more expensive. While wheat is available at Rs. 2 per kg and processing costs Rs. 1 per kg, flour price in the market is upwards of Rs. 20 per kg. Beneficiaries will feel the pinch of this upward revision in prices without a commensurate increase in DBT amount. The other challenge in the field is perception. The government subsidises food grains and says that wheat is available at Rs. 2 through the FPS. However, when beneficiaries use the DBT subsidy to buy food grain, in their mental arithmetic they forget that, under the earlier system, some money was also coming from their own pockets. As a result, the amount received through DBT seems a lower subsidy than it really is.