

MicroSave India Focus Note #129

DBT in TPDS – A Mid-line Assessment: The Road Ahead

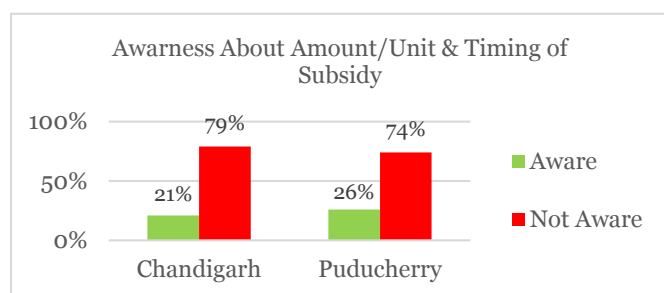
Seems To Be Long

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Background

Government of India (GoI) implemented the [National Food Security Act \(NFSA\) in 2013](#) to provide food and nutritional security to vulnerable households. Simultaneously, to make the system more efficient and to plug leakages, GoI requested States/Union Territories (UT) to implement a Direct Benefit Transfer (DBT). Two methods were suggested: 1) installation of point-of-sale (PoS) devices at fair price shops (FPS) for biometric authentication of beneficiaries, and physical off-take of food grains, or 2) direct cash transfer to the beneficiary's bank account. [The UTs of Chandigarh, Puducherry, and Dadra & Nagar Haveli \(DNH\) opted for DBT through cash transfer.](#) Chandigarh and Puducherry launched DBT in PDS in September 2015. However, DNH postponed the pilot roll-out due to upcoming local elections. To assess the performance of these pilots, *MicroSave* conducted a baseline assessment in August 2015 and a mid-line assessment in November 2015. The end-line assessment was completed in February 2016. The baseline assessment had already been presented in a [separate note](#) and this Note looks at findings from the mid-line assessment.



Beneficiary Awareness

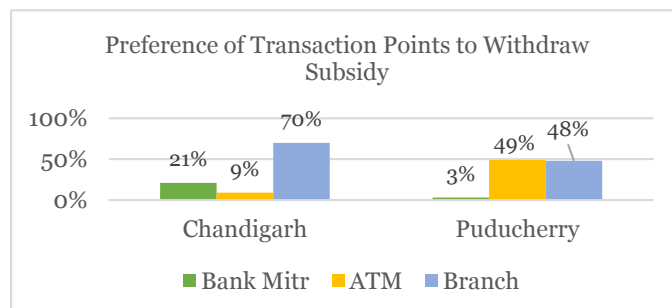
Overall, beneficiary awareness levels about the amount of DBT per person and the timing of the subsidy transfers every month continues to be poor, even after the processing of two rounds of payments. In Chandigarh, the awareness levels were poor despite the administration assigning one social volunteer for every 50 households. The primary reason for low awareness was lack of clarity of social volunteers regarding their role, and issues that were to be

addressed. In Puducherry, the administration neither conducted an awareness campaign nor made any other efforts to raise awareness levels.

Grievance Redressal

Awareness of grievance redressal systems was low in both Chandigarh and Puducherry. The toll-free number (at both locations) was not advertised, and beneficiaries were not made aware of the help-line. The Chandigarh administration had put in place three channels to deal with grievances: 1) customer care toll-free number; 2) website; and 3) chain of *Seva Kendras* (citizen service centres). However, the lack of awareness of these channels rendered them of little use. 89% of beneficiaries were unaware of the steps they could take if they did not receive their subsidy payment.

Withdrawal Points



Access to banking transaction points to withdraw subsidy payments is an important parameter for the success of DBT in PDS. Being predominantly urban, both Puducherry and Chandigarh have good access to banking channels (in the form of availability of bank branches, ATMs and Customer Service Points or *Bank Mitrs*). However, our research shows that 70% of beneficiaries preferred bank branches to withdraw their subsidy payments. This is because the majority of beneficiaries in Chandigarh have only recently opened bank accounts (under PMJDY). Since they are new to banking, these beneficiaries trusted bank branches more than ATMs or *Bank Mitrs*. The higher dependence on bank branches, though, resulted in few challenges as beneficiaries had to:

- arrange for, and spend money on, transportation;
- spend time in queues at bank branches; and
- make multiple visits to branches each requiring 30–60 minutes (including commuting time) to enquire if the subsidy had been credited to the bank account, and/ or to withdraw the subsidy amount.

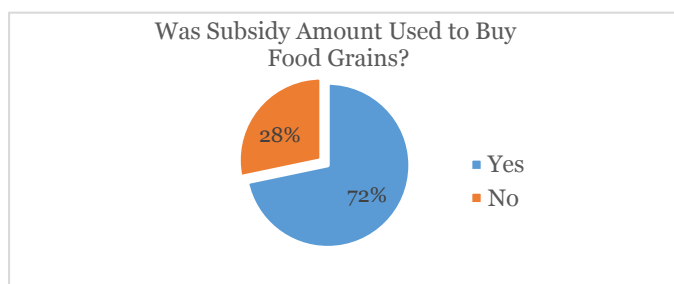
On the other hand, in Puducherry, beneficiaries were comparatively more familiar with banking and so many used ATMs (see graph).

Alternative Market Access

A majority of beneficiaries expressed no concern about access to markets (to purchase food grains). 70% of respondents in Chandigarh and 68% in Puducherry live within a distance of 2 km from the nearest market. The majority of beneficiaries (83% in Chandigarh and 81% in Puducherry) reported that the subsidy amount was inadequate to procure five kgs of food grains per person. Interestingly, in the case of Chandigarh (where the community’s staple is wheat flour), beneficiaries had to buy wheat flour from the market in place of wheat grain that they accessed earlier under the PDS. As a value added product, wheat flour is priced higher than wheat grain. The perception that cash transfers are inadequate is also, to some extent, a result of the [mental accounting](#) of the beneficiaries. Beneficiaries do not take into account the amounts they paid earlier at FPS to buy ration (from Rs. 110 to Rs. 210 per household, depending on the category).

Use of Subsidy Payments

There were also concerns, mainly among female respondents, regarding diversion of food grain subsidies. In Puducherry, where 91% of beneficiary bank accounts were in the name of male members, this concern came across very strongly. In our sample, 72% of the respondents reported that, immediately after withdrawal, they had spent the DBT payment to buy food grains.



Recommendations

Based on our findings, we have three major recommendations (table below) for the roll-out of DBT for

food grains in future. Once implemented, these will help create a successful model for DBT replication.

Observations	Recommendations
Low awareness of the DBT process and pre-requisites	Mass communication campaigns by administration prior to launch, covering pre-requisites, process, documents required, amount, exception management, and grievance redressal.
Low awareness about the DBT amount and frequency	Send individual SMSs to all beneficiaries confirming the amount transferred, date of transfer, bank account number.
Likely diversion of DBT amount for non-food usage	DBT to be routed to female account holders only. This considerably reduces chances of diversion for non-food usage, such as alcohol.
Poor grievance redressal mechanism	Automation of grievance redressal system through generation of service request number (SRN) that should be shared with complainant through SMS. At the backend, a robust mechanism to share complaints with concerned department/official and keeping track of the same until it is resolved.

Conclusion

Progress in both the UTs of Chandigarh and Puducherry is chequered and needs to be streamlined before the pilot for DBT in PDS can be scaled up. On parameters such as access to market, availability of withdrawal points, and use of the subsidy payments, the pilot has done well in both UTs. However, the pilot has highlighted the need for additional work on awareness – a recurring theme (see [“Communication: The Achilles Heel of Direct Benefit Transfer – 1 and 2”](#)) – and grievance redressal. There are challenges in terms of adequacy of subsidy amount and whether the subsidy is being diverted by male beneficiaries in the household. We focused greatly on these aspects during the end-line assessment in February 2016. Aspects such as exclusion of beneficiaries were also examined. In Chandigarh, FPS shops have been closed down after the pilot was launched. However, not all beneficiaries have managed to enrol for DBT due to requirements related to the opening of bank accounts and linking these to their *Aadhaar* numbers. Puducherry has seen similar challenges. The administration will have to look into this aspect as exclusion can be detrimental to the overall success of the scheme.