

MicroSave India Focus Note #132

Endline Assessment of DBT Pilots in TPDS: Some Success and Few Issues

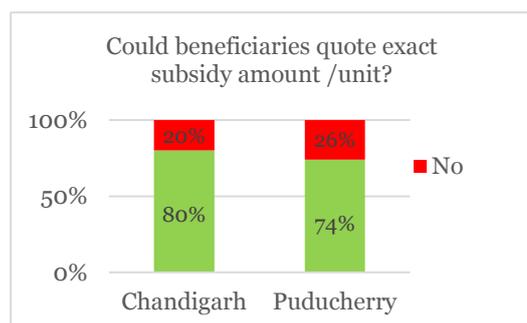
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April, 2016

Background

As part of the Government of India's pilots of Direct Benefit Transfer (DBT) for Targeted Public Distribution System (TPDS), *MicroSave* conducted three progress assessments. The assessments were conducted as follows: 1. [Baseline: August 2015](#); 2. Mid-line assessment October 2015; and 3. Final in January 2016. We published Notes on the first two phases that can be read [here](#) and [here](#). It was clear that the progress was chequered and a number of areas need to be streamlined before the pilot could be scaled up and implemented elsewhere. Our final assessment once again shows mixed results across the key indicators.

Beneficiary Awareness

Beneficiary awareness is very high with respect to the total amount of subsidy to be credited to them, as it



is the same amount due every month. However, for all other aspects of the scheme, such as eligibility, process of addition of units etc., word-of-mouth still remains the primary source of information. Crucially, beneficiaries are still unaware of the quantity to which they are entitled and the rate per kg of food grain, which is the rationale underlying the subsidy amount. Subsidies are transferred into beneficiaries' bank accounts on an *ad hoc* basis, especially in Puducherry. As a result, beneficiaries are unable to plan their monthly expenditure. This reportedly has had an impact on the nutrition levels; beneficiaries spend the money they have on buying essential food grains rather than on lentils and other sources of protein.

Currently, beneficiaries also do not receive SMS alerts when the subsidy is credited to their accounts. So they have to make multiple visits to a branch or ATM to enquire whether their DBT has been credited. This inconveniences them (and, indeed, the

bank staff, where the visits are to the branch).

Access to Banking

In both the Union Territories (UTs), there is adequate banking infrastructure (bank branches, ATMs and *Bank Mitrs* [BMs]) to support the withdrawal of TPDS benefits. In Chandigarh, most beneficiaries preferred bank branches for withdrawing subsidy (85.5%) followed by ATM (12%) and BMs (2.5%). They prefer bank branches, as a majority of the respondents were new to the banking system (having recently opened PMJDY accounts) and thus had much more faith in traditional branches than in ATMs/BMs.

This causes overcrowding at the branches. In addition to reporting poor treatment by bank staff, beneficiaries also complain about loss of wages for the one hour spent at the bank (INR 42)¹ and transportation expenses (INR 40)² to withdraw the subsidy amount. In Puducherry, since beneficiaries are more familiar with the banking system, they prefer to withdraw their DBT subsidies from ATMs (59%), followed by bank branches (37%) and BMs (3.4%). Withdrawals through BM are low because [BMs are focused on opening new accounts](#), and thus they keep moving from one area to another. As a result, most of the beneficiaries who had opened bank accounts with BMs ultimately shifted to bank branches.

Use of Subsidy Amount

In Chandigarh, 97% of subsidy payments are credited to the bank accounts of the women heading the beneficiary households. In contrast, in Puducherry, only 39% of the bank accounts into which subsidies are paid are held by women. This seems to have a direct correlation with use of subsidy amount for buying food grains. In Chandigarh, 95% respondents mentioned that the entire subsidy amount was spent in buying food grains. However, in Puducherry, only 34% responded that they used entire DBT amount in buying food items. The rest of the respondents noted that the subsidy amount was diverted for non-food purposes. This important gender and developmental issue needs more detailed study. However, in the short run, evidence suggests that the female account holders should receive subsidy into their accounts, a point also mentioned in the National Food Security Act.

¹ Calculated "INR 350 (USD 5) for an eight hour work-day

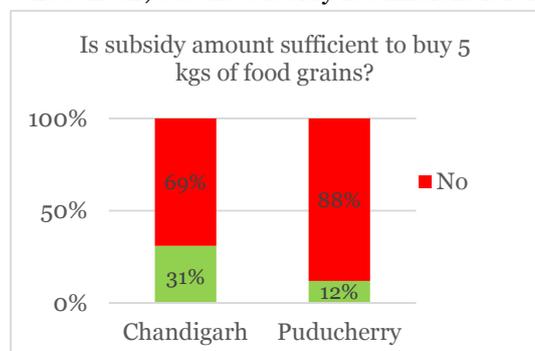
² Direct cost of transportation as discovered in FGDs in Chandigarh

Access to Markets

In both UTs, there is sufficient quantity and acceptable quality of food grains available in the open market. Since both are largely urban locations, markets are close by (within 2 kilometres) for 82% of families in Chandigarh and 53% families in Puducherry. Women report liking the freedom of choice of where to buy rather than being tied to, and thus left to, the whims and fancies (such as [no fixed opening time/days](#)) of fair price shops. Hitherto, they had even sometimes had to go without food grains, when the FPS owner made the excuse of not having received their entitlement.

Subsidy Sufficiency

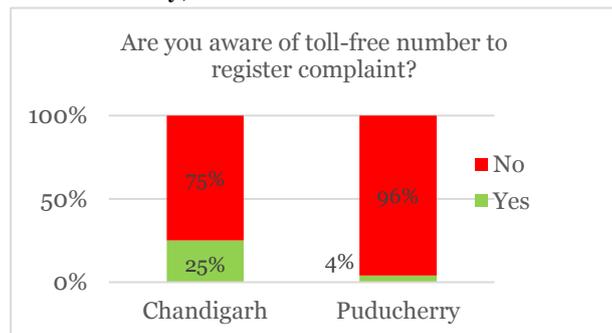
Currently, the subsidy amount is fixed at 1.25 times of the minimum support price (MSP) of food grains. Respondents reported that the subsidy amount is sufficient to procure wheat (at INR 18/kilogramme). However, the customer had to pay to get flour from the wheat. Shops in Chandigarh typically stock wheat flour; so beneficiaries pay slightly higher prices for wheat flour, but the subsidy is sufficient for the flour.



However, exhibiting mental accounting bias, beneficiaries do not consider the money (INR 110-230 or US\$1.62-3.38) they earlier paid to FPS owners to buy their quota of subsidised grains on monthly basis. Similarly, in the rice-consuming belt of Puducherry, beneficiaries believe that they are paying (INR 100-175 or US\$ 1.47-2.57) out of their pocket to buy the quantity of rice, as before.

Grievance Redressal

The system for grievance redressal is still at a nascent stage in both the UTs. If beneficiaries face any issue, they visit the bank branch, which can only answer queries about the timing of payment of the subsidy. In Puducherry, since FPS outlets are still functional,



beneficiaries approach the FPS owners in case of grievances such as no credit/delay in credit. However, in Chandigarh, with the closure of FPS outlets, beneficiaries have no recourse in case they face an issue. Awareness of toll-free number for enquiries and grievances is low, as shown in the graph below.

Recommendations

Our assessment in three UTs, including Dadra & Nagar Haveli, which postponed the DBT pilot because of lack of alternative markets to buy food grains from (and was thus dependent on FPSs), makes it very clear that DBT in PDS is dependent on close proximity of two transaction points:

- Banking transaction point.
- Alternative markets to buy food grains.

Thus, given the constraints in the outreach of banking channels and the limited retail infrastructure in rural areas, it is recommended that, for now, DBT in PDS is restricted to urban areas. Even in urban areas, as and when DBT is to be implemented, the following should be looked into:

1. **Sufficiency of Subsidy Amounts**, especially since it is so difficult to make a clear distinction between rice- and wheat-eating states. As a result, two questions need to be answered: a) what is the food basket of a typical low-income household; and b) how do we price this food basket, linking it to market (and not farm gate) prices.

A detailed study is required to develop a model to allow the calculation of subsidy amounts as a function of the prevalent market price of food grains. This will not be straight-forward, as market prices vary significantly over relatively short distances.
2. **The Availability of Banking Access Points** within 2 kilometres and **the availability of shops** to buy food grains within a similar radius. Distances more than this may bring about exclusion because of the need for multiple visits to first access the DBT and then to spend it on food.
3. **Mechanisms to Inform Beneficiaries** about the scheme and the subsidy amount, as well as to provide for grievance redressal, must be in place at the very beginning.
4. **Subsidies should be transferred** to the bank account of the women head of the household in order to optimise the desired use and developmental impact of the subsidy.