

Fixing delivery: on direct benefit transfer in fertilizers

Across the hinterlands of the country, a silent revolution is taking place. Each time a [farmer purchases fertilizers](#) from a dealer, he/she presses his or her thumb at a point-of-sale (PoS) device and an authenticated receipt comes out giving details of the purchase and subsidy to be paid by the government directly to the manufacturer. The records of dealers are automatically updated and payment is made digitally or in cash. Farmers, especially those purchasing urea, who were facing constraints of availability and occasionally overcharged in the past, now receive it at a printed price with complete transparency. Welcome to the world of direct benefit transfer (DBT) in fertilizers.

Unlike DBT in LPG where subsidy is directly transferred to the consumer's bank, and in food where pilot projects of DBT replacing physical delivery of rations have taken place, DBT in fertilizer envisages transfer of subsidy to manufacturers upon authentication of purchase by farmers. This restricts diversion, prevents leakages, and brings about greater transparency, accountability and efficiency. Given the complex nature of fertilizer subsidies, with multiple producers and varying cost structures, this was perhaps the best option to begin with. The Standing Committee on Chemicals and Fertilizers (2016-17), in its 36th Action Taken Report, has recently emphasised that while implementing DBTs, subsidy should be disbursed directly to the farmer's bank account. This requires serious consideration while Phase-I is implemented and stabilised.

'Fertilizer sector sees tremendous future'

It's a little over one year since the committee set up by NITI Aayog decided to roll out the pilot on DBT in fertilizers in 16 districts. Since then DBT in fertilizers has been rolled out in 19 States and Union Territories and 12 States are expected to come on board this month. In another three months, DBT in fertilizers is expected to expand its footprint in the entire country. These initiatives have been supplemented with allied processes set in motion by the Department of Fertilizers including appointment of 24 State DBT co-coordinators, and organising about 4,500 training sessions across India. Training videos are also placed on YouTube, and the comprehensive redress system in place is being expanded to a multilingual help desk.

DBT in fertilizers has had its challenges. An important issue has been connectivity, like other IT-based initiatives, especially in rural areas. While this has been addressed through flexibility in choosing the connectivity option (Wifi, LAN, PSTN) or use of external antenna to improve signal strength, other options have also been considered. Developing the systems and sensitising all stakeholders to migrate to the new system was an arduous task but it was successfully implemented.

A major concern is of some dealer attrition, which is probably on account of declining margins and reduced possibility of diversion or sale at a higher price. This would need to be addressed on priority, if necessary, by revising the dealer margins.

An independent evaluation agency appointed by NITI Aayog conducted two rounds of surveys of the pilot districts to get ground-level feedback. In the latest round, they surveyed 5,659 farmers and 427 retailers across 14 districts in addition to government officials and stakeholders in six States. The key findings included: the Aadhaar authentication strike rate increased to as high as 97% in three attempts; 85% of farmers received transaction receipts, and 98% were charged the same amount as mentioned in the receipt; and the grievance redress mechanism has improved and 79% retailers are satisfied. Interestingly, despite initial challenges, a majority of farmers (and retailers) prefer the DBT system.

The challenges posed during implementation are being addressed in real time. Innovative solutions — such as making the application device agnostic so that retailers can use desktops, laptops, tablets, smartphones, etc. to run the application — are expected to help. The revamped toll-free number will soon allow conversations in regional languages. Reducing the waiting time for farmers purchasing fertilizers is important. While Aadhaar is the preferred form of identification of buyers, other forms of identification may also be used.

As the pilot expands to more States, the efficiencies of the new system would be increasingly visible. The broad and overriding goal is to ensure that under no circumstances should any farmer be denied or refused the opportunity to purchase fertilizers.

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