

1. Discuss the merits, challenges and future prospects of direct benefit transfer (DBT) in fertilizers. Should fertilisers subsidy be directly transferred to the farmer's bank account? Examine why. (250 Words)

Answer:

Introduction :-

- India has successfully conducted direct benefit transfer in case of LPG and now it wants to expand to fertilizer as well. So far DBT in fertilizers has been rolled out in 19 States and Union Territories and 12 States are expected to come on board this month. DBT in fertilizers is expected to expand its footprint in the entire country.

Merits :-

- DBT in fertilizer envisages transfer of subsidy to manufacturers upon authentication of purchase by farmers. This restricts diversion 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.
- Quick subsidy payments on a daily basis is expected to end delays in companies receiving their dues from the government, besides leaving an electronic trail of every transaction with all relevant details.
- It will plug leakages and save huge amount of money to the exchequer.
 - Sales of neem-coated Urea have already stopped illegal diversion of fertilizer for non-agriculture applications like in plywood and textile sectors or for milk adulteration.
- New system will completely put this practice to an end when companies will have to provide details of end users.
- Once the system functions fully, it will lead to better soil health management, balanced fertilization, and better productivity.
- Based on NITI Aayog findings:-
 - 85% of farmers received transaction receipts and the grievance redress mechanism has improved and 79% retailers are satisfied. A majority of farmers (and retailers) prefer the DBT system

Demerits:-

- Introduction in the fertilizer sector seems a gigantic task as the beneficiaries and their entitlements are not clearly defined at this present.
- Different inputs – urea, phosphatic and potassic fertilizers – have different rates of subsidies. Besides, it would be premature to accept that all the farmers would be able to buy their requirements of fertilizers at market rate and wait for 15 days or a month to get the subsidies.
- For farmers, there is no change in the system when DBT is rolled out except that the purchase will be recorded in a Point of sale machine. For retailers too, there is not much change, except that they have to upload data.
- An important issue has been connectivity, like other IT-based initiatives, especially in rural areas. Developing the systems and sensitising all stakeholders to migrate to the new system was an arduous task.
- 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.

- Under DBT, manufacturers will not get subsidy. They will have to sell fertilisers at cost-based or market determined price, whichever is lower. While low-cost units will benefit, high-cost units may lose.
- Under DBT, importers will have to sell at market price and will be under pressure to source imported urea at competitive price. Assured margins will be a thing of past.
- Under DBT scheme, dealers will have to pay at least two to three times more. This will require greater deployment of working capital. If banks do not lend more, many of them will be forced to leave this business, This will in turn affect sales.

Prospects :-

- Innovative solutions such as 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.

Subsidy directly to the bank account:-

- The Standing Committee on Chemicals and Fertilizers (2016-17) has recently emphasised that while implementing DBTs, subsidy should be disbursed directly to the farmer's bank account.
- Centre would launch the DBT in real sense when subsidies will pass directly to the farmers. This is the first step towards direct benefit transfer but unless the money is given to the farmers accounts it cannot succeed.
- The current method may result in Rs 5000 to Rs 7,000 crore in savings by plugging leakages but for more savings they have to be linked to bank accounts.

No, subsidy should not be transferred to the bank account due to the following reasons:-

- There are difficulties at directly transferring subsidies to farmers' bank accounts .
- Also the banking system is not very spread out in rural areas
- Still many people do not have banking account
- Also when cash is transferred in the bank account it can be used for other purposes.

Conclusion:-

- The massive amount of data being generated is expected to provide a clear picture of farming activity in the country and help make future planning for the sector more effective.

PRACTICE QUESTIONS

Answer the following Questions

1. The Compensatory Afforestation Fund Act (CAF Act), 2016 has raised serious concerns about the human and environmental costs of compensatory afforestation (CA). In the light of these concerns, discuss the role of local communities and *gram sabhas* in ecological restoration .
2. Discuss the solutions to address corruption problem in public-sector banking system.