

IMPACT OF DIRECT CASH TRANSFER In LIEU OF PUBLIC DISTRIBUTION SYSTEM: A POLICY REVIEW OF CHANDIGARH ,INDIA

Neha Sharma

Abstract

Direct Benefit Transfer (DBT) scheme has started in Chandigarh (U.T.) in lieu of Public Distribution System (PDS). Its main purpose is to overcome the deficiencies of PDS. The success of this new scheme crucially depends upon the extent of financial inclusion, financial literacy, and physical accessibility of food grains throughout the length and breadth of the country. The present study tries to report the satisfaction level of beneficiaries in Chandigarh from DBT scheme. The objective of this study is to find the gaps that why citizens are not accepting this project. It also aims to evaluate the impact of scheme on women dependency. The paper is based on the primary data collected from the various areas of Chandigarh. Perception survey method has been used to explain the views of the respondents. Three sets of respondents have been interviewed and their perceptions have been recorded. Those are Beneficiaries of DBT scheme, Depot Holder and Governmental Officials. The responses of the households indicate that efforts are needed to meet the pre-requisites of successful implementation of DBT. The research found that more than 52 percent respondents are neither getting cash nor they are getting DBT. 18 percent are still not registered with the scheme. The amount which citizens are receiving is not at all sufficient. 20 percent of the people have received cash in initial months and later on they didn't receive. While an interaction with Depot walas, they stated that, after DBT scheme they become unemployed. A 'Signature Abhiyaan' has been conducted along with the help of citizens of Chandigarh to stop the scheme but nothing has been done so far. Overall, the study concludes that at implementation level, there still exists scope for improvement. Also, improvement in financial awareness can indirectly help in successful implementation of this scheme.

Keywords: Direct Benefit Scheme, Financial Inclusion, Public Distribution System, Women Dependency.

* Neha Sharma is currently pursuing M.phil in Public Administration from Panjab University, Chandigarh, India
, Email : neha.sharma.reni@gmail.com

1 INTRODUCTION

Socio-economic growth, poverty elimination and overall development are the main objectives of the Government of India. To meet these objectives a number of schemes and programmes have been introduced. Out of that Direct Benefit Transfer (DBT) is an endeavor to change the mechanism of transferring subsidies to the beneficiary's bank account by the eliminating the intermediaries. The scheme provides subsidies, scholarship to students, benefits to women and micro credit to poor women in rural areas. Subsidies are in the form of cash which are directly credited to the beneficiary account through a biometric based Aadhaar Card/Number link to their bank account. The primary aim of this program is to remove constraints and open up distribution of Central Government sponsored funds to the beneficiaries directly through bank account. This scheme can be implemented in rural sector for their institutional and infrastructural development and help the poor, marginalized, deprived and targeted beneficiaries. Such schemes are also being implemented in many countries across the globe. In Chandigarh, DBT Scheme has started in the year 2014 in lieu of Public Distribution System (PDS).

DBT in food grains is just beginning in using DBT as the medium for providing subsidies to poor households. The DBT scheme has been introduced to overcome the deficiencies of PDS. Also, despite a number of schemes, the beneficiaries were not getting benefits because they had to pass through the various intermediaries who caused leakages and delays. DBT has potential to control corruption by reducing the intermediate cost. The main aim is to improve the delivery system and reduction of the misuse of funds. The scheme of DBT has to go a long way to help the deprived, poor, marginalized and other beneficiaries. Under the DBT, many more schemes have introduced such

as, scholarship, pensions, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Janani Suraksha Yojna, Direct Benefit transfer for LPG, Direct Benefit Transfer for Kerosene.

1.2 WHY DBT?

The PDS has been criticized by many academicians, social activists and journalists. The basic criticisms are centered on the loopholes in procurement of food grains from the farmers/millers, huge losses in storage of food grains in FCI go-downs, substantial leakages in transportation of food grains from storage points to the Fair Price Shop (FPS) (ultimate point of distribution of food grains) and errors in identifying deserving beneficiaries. In this background the utility of running PDS with huge subsidy has become controversial. A study by planning commission states that PDS through fair price/ration shops in subsidized grain is very incompetent. It is found out that only 42 percent of the subsidized grain is reaching the targeted people. [TPDS Report, March 2005]. In response to these criticisms, the Union Government has come out with Direct Benefit Transfer (DBT) Scheme as an alternative to PDS.

Finance minister Arun Jaitley said in his 2016-17 budget speech,

"A social security platform will be developed using Aadhaar to accurately target beneficiaries."

The platform is a latest version of the direct benefit transfer (DBT) platform. The plan is to create a master database of all Indians through the direct linking Aadhaar, national population register and through caste census and directly transfer subsidy or cash or benefit in their respective bank accounts.

DBT ensures the government of india to transfer benefits using a single and persons own Aadhaar number. With this, Aadhar will become the unique financial account number or address for every individual in the country. Both Central and state government will transfers direct cash

and subsidies in India in this account. Currently this financial account stands about at Rs.4.2 trillion a year (\$70 billion approximately; about 4 percent of India's GDP). Earlier and currently, these transfers of cash or subsidies happens through various middlemen. In the process, the amount of subsidy or cash amount gets diminished in actual value before it reaches the ultimate beneficiary in the country. [www.limemint.com, ref 16]

Rajiv Gandhi had famously said that "only 15 paise of a rupee of government spending reaches the ultimate beneficiary."

Various studies have already concluded that today this amount has increased to 50-60 paise of a rupee. Still scope leaves a huge leakage of up to 2-3 percent of Gross Domestic Product every year.

The initiative of DBT scheme aims to major change in the system by transferring money digitally to the beneficiary, thereby eliminating the levels of middlemen in the system. Because this Aadhaar biometrics system is unique. This DBT system will remove 'duplication', 'false' and 'fake' accounts. This project would, over the time save the government spendings up to 1.2 percent of Gross Domestic Product, which is in lost transit. DBT scheme, thus gives a unique 'win-win solution' for both demand and supply side and that is residents of the country and the government on the other side. [www.limemint.com, ref 16]

2. REVIEW OF LITERATURE

In the recent literature, many studies are available that highlight the pros and cons of DBT scheme. Among those, the findings of some of them are as follows:

Kohli [2013] opined that in Punjab, many districts like Amritsar, Gurdaspur, Moga, and Hoshiarpur got extension to get subsidized in LPG. But in Jalandhar district, people still face problems as they did not get an extension in

subsidized LPG. There are only 2.41 lakh consumer of the total 5.14 lakh can link their Aadhaar to gas agencies. But only 1.61 lakh have linked account remaining 3.52 lakh not get the subsidy. Ludhiana and other districts including Kapurthala, Hoshiarpur also not have satisfactory situation.

Korde [2015] opined that in the implementation of DBT only very few Aadhaar enabled with accounts, low accessibility to banking service, and low level of awareness of the scheme. Most rural people are not aware about this scheme and remaining are highly dependent on others to avail banking services, so that they can easily get benefit as they do not feel safe while transacting through others. Other issues like transfer of subsidy to female members' accounts need to be addressed as cases are of misuse of finance by male members' government requires giving attention on these issues for better implementation and fruitful results.

Joseph [2016] opined that the DBT in LPG scheme which is called PAHAL by the government found substantial systematic problems. So the Modi government starts a campaign 'give it up', calling up consumer to give up their LPG subsidies under the scheme subsidy is transferred directly to the bank accounts of beneficiaries to cut down the wastage. With the help of the scheme India has saved Rs 15,000 crore annually, and the middleman and black marketers have been hit.

Kumar [2016] opined that the main objective of DBTL scheme of every organization is to increase the number of satisfied customers so that to increase loyalty as well as revenue. The awareness about the DBTL is very high as 98 percent customers get information and satisfaction with DBTL services provided by the company, distributors, bank, and helpline. Customers are linked with their bank account with Aadhaar.

Das and Bhattacharjee [2016] opined that DBT is to bring transparency and terminated pilferage from distribution of funds sponsored by Central Government. DBT in Food Grains is an essential commodity. It helps the 60 percent households of the country to provide necessary food. But still there are some problems and challenges like subsidy transfer, information gap and financial inclusion.

3. METHODOLOGY

The present paper is based on the field work and it is primary data based study. The method used is perception survey and Interview. Three sets of people have been interviewed and their perceptions have been recorded:

- Beneficiaries of DBT scheme.
- Depot Holder
- Governmental Officials.

Information has been collected on the working of DBT Scheme in Chandigarh from different stakeholders. Discussions have been held with FPS Dealers and Office-Bearers of FPS Dealers' Association. Focus Group Discussions with the households about their views on DBT Scheme vis-à-vis PDS and also videos of the interviewers have been conducted those who are linked with the scheme. At the same time, interview with concerned Government Officials have been conducted.

HYPOTHESIS

1. DBT is fulfilling its aim of removing corruption and leakages in transfer for beneficiaries;
2. DBT scheme has improved the availability of food Grains for the beneficiaries;
3. DBT has been effective for reducing duplicate connections; and
4. DBT has not reached to people from all economic sections of society.

4. DBT IN CHANDIGARH: OBSERVATIONS FROM THE FIELD AND DATA ANALYSIS

This scheme is being implemented on experimental basis in Chandigarh from September 2015. My interaction with people made us to think whether the DBT Scheme is better than the PDS. Does DBT Scheme help the needy? What is the perception and experience of the households and other stakeholders? To seek answers to these questions we had interaction with ration card-holders and other stakeholders of the Scheme in Chandigarh.

4.1 OBSERVATIONS FROM THE FIELD

In Chandigarh, under PDS, a BPL household used to get 2 kgs of rice at Rs. 3 per kg and 3 kgs of wheat at Rs. 2 per kg per person per month. Thus a household with 5 members used to get 25 kgs of cereals (10 kgs of rice and 15 kgs of wheat) for Rs. 60. In addition, the household was given 10 kgs of wheat at Rs. 7 per kg by the Government. In all, the household with 5 members used to get 35 kgs of cereals (10 kgs of rice and 25 kgs of wheat) for Rs. 130 (i.e. 60 + 70). The additional quota of wheat would be reduced from 10 kgs to 5 kgs of wheat for household with 6 persons. Such households would get 12 kgs of rice for Rs. 36 and 18 kgs of wheat for Rs. 36. In addition to this, they would get 5 kgs of wheat at Rs. 7 per kg. Further, a household with 7 members used to get 14 kgs of rice for Rs. 42 and 21 kgs of wheat for Rs. 42 i.e. 35 kgs of cereals for Rs. 84 but no additional quota of wheat.

After the introduction of the DBT Scheme an amount of Rs. 95 per head is being deposited in the account of household. Neither the card-holders nor the Depot Walas were able to tell how this figure was arrived at by the Government. Rationally speaking the amount must be so fixed that the card-holders should be able to purchase with that amount the material

provided under the PDS from open market. Discussion with the (resident households) card-holders was very revealing. Most of the respondents happen to be women. Among them there was near unanimity in favor of PDS. They informed that the material supplied under PDS earlier met their food requirement for 20 days in a month and had to depend on market to meet the demand for remaining 10 days. On the other hand, the cash received under DBT Scheme is sufficient to buy the food required for 10 days. Even this cash is not regularly debited into their Account.

INTERATIONS WITH DEPOT WALAS

Discussion in Chandigarh with Depot Walas (Fair Price Shop Dealers) and some of the residents was an eye-opener. It seems, before the introduction of DBT, to justify the introduction of scheme (for namesake) an opinion survey was conducted. About 150 households for every 1000 households in selected sectors (where households didn't heavily depend on PDS) were picked up for the survey. Such households are likely to prefer to get ready cash instead of waiting in the queue for long time to get ration. To build up opinion in favor of DBT Scheme, the officials took the support of Depot Walas to convince the card-holders that they would get a 'healthy amount' (substantial amount) under DBT Scheme in lieu of ration from PDS but no actual figure was disclosed. The Depot Walas were also instructed to fill up the new forms issued under DBT Scheme to BPL households. The Depot Walas obliged the Officials as they were given an impression that DBT Scheme was temporary. However, DBT Scheme has been continued for more than one year. Depot Walas are getting educated. Some Depot Walas (who solely depend on FPS) are finding it difficult to make their ends meet. Rallies have been held in Chandigarh against DBT Scheme by both Depot Walas and card-holders. They have undertaken signature campaign against DBT

and restoration of PDS. Even they submitted a letter to Ms. Kiran Kher, MP from Chandigarh. The card-holders pester Depot Walas and demand for ration. The Depot Walas, in turn, enquired the local Officials about the resumption of PDS. The local Officials replied that the ball is in the court of the Centre.

4.2 OBSERVATIONS FROM DATA ANALYSIS

The study has revealed that the most of the beneficiaries in the DBT scheme are women. Out of the women, it is the eldest women of the family who have been registered as a beneficiary. The research found that more than 40 percent of the people was neither getting cash nor they are getting DBT. The research also found that 18 percent of the people are still not registered with the DBT scheme. It has also been found that the amount what they are receiving in lieu of PDS, is not at all sufficient. As they have to spend additional money for buying their food grains. During the study it has been found that, 20 percent of the people got the cash subsidy only in the initial months and later on they didn't receive any cash. Study finds that there are people who have multiple bank accounts (in case of migrated people). They don't even remember in which bank they have account and if they are getting cash or not. Some of Results also revealed that in some areas people are not aware about the DBT scheme so they are not able to take the benefits. So there is a need of proper policy prescription for DBT.

On the part of government officials, they gave the information which is verified that, those people who are registered, they are getting cash. More than 80 percent of the people are getting amount in their accounts. It just people doesn't know with which account they have registered. Officers have also revealed that the transfers of the amount have been done in the advance. Also from the study, it has been found that almost every people have logged the

grievances against the scheme, but problem has not been taken up by the government. From the Interview with Depot holders, it has been find that, a 'Signature Abhiyaan' has been conducted by the people along with the help of citizens of Chandigarh to stop the DBT scheme but nothing has been done so far.

5. PROBLEMS WITH DBT: AN ASSESSMENT FROM FIELD WORK

Firstly, while interaction with the respondents, it has been found that the main problem which people are facing is 'Banking'. There are still many rural and tribal areas that are not connected to banks. The Census 2011 has revealed that around 500 million people in India are not involved in the banking system. Out of these 500 million people, 350 are living in rural India. [Census, 2011 [Government of India]]. They have no access to open a new bank account but this problem is solved to some extent by Pradhan Mantri Jan DhanYojana (PMJDY) but the actual problem has not been solved yet. The real problem is: if people are able to have a bank account but how they will withdraw money from banks and from ATMs.

Secondly, it has been found that still there are good number of people who do not have Aadhaar cards. Hence, their accounts are not linked with the bank.

Thirdly, Major problem which have been found during the focus group interviews with the public is that money is not serving that purpose which it has been actually assigned for. The women member of the family is entitled to get the cash. But forcefully, it has been taken away from them by their respective male members of the families. Hence, all these money is being spent on the smoking and drinking of the male counterpart.

Lastly, people opined that price of goods are increasing day by day. The amount of subsidy they are getting is not sufficient.

Economically, it can be stated that with DBT scheme more of the money is being flooded into the economy, resulted in increase in the overall price of goods in the market because there is increase in the demand to buy the products.

6. CONCLUSION AND POLICY IMPLICATIONS

It is an established notion that no policy is perfect; every scheme has some flaws either in policy itself or in its implementation process. Here, it is not about the best or worst policy but it is rather about the valuation of the effectiveness of policy over one another. DBT Policy is pro-poor policy which can surely accomplish the anticipation of the stake holders (Both the people and the government). The scheme may not fully eliminate the all anomalies but will surely bring some principal changes in the delivery of benefits. It will surely eliminate the growth of black marketing. Also, it will enhance the standard of living of people or for now provide some really deprived ones the basics of the life by providing them access to cash. This scheme will improve the purchasing power of beneficiaries and will provide a healthy approach in people's spending behavior and decision making especially in Women.

Though the project has been successfully implemented yet, in Chandigarh, where subsidized ration has been replaced with cash transfer, It has been came across many families who could not buy the same quality and quantity of ration with the money transferred in their bank accounts. There were also beneficiaries under the food security law who are yet to receive any cash subsidy. It is genuine discussion among policy makers and in political arena that, in the country like India the "*service delivery system is broken*", and government is just spreading more & more money down the line for same hands and that until the "*system is fixed*", nothing is going to change. Aadhaar-

Direct Benefit Transfer Scheme is a real scheme and a different transformational initiative by the government of India to help and resolve the problems of this system. In reality, Aadhaar-Direct Benefit Transfer is probably the globally one of the largest anti-corruption scheme. It is indeed an innovation which is need of the hour and it is time to give it our full and honest support.

7. POLICY IMPLICATIONS

Overall, the effects of DBT scheme on its stakeholders are mixed and government should address its negative impact as soon as possible to reap maximum benefits from it. Government should closely monitor the implementation process, find bottlenecks and try to remove them. The spending behavior of the beneficiaries should be studied time to time. The major hurdle from the field work has been found that the people are financially illiterate so government should look into this and promote financial literacy among them. Policies should encourage people to inculcate banking habits among them. On the citizen's part, they should actively participate in the DBT scheme. Whenever necessary, people should attend the capacity building programmes provided by the government.

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