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Direct benefit transfers (DBT) show surprise leakages; problem not insurmountable

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The situation will be much worse when it comes to Aadhaar-seeded bank accounts linked to ration cards. (Reuters)

Given the large leakages from PDS-type physical supplies, over the years, the big hope has been a move away to Aadhaar-based direct benefit transfers (DBT) and, more recently, a lot of hope has been pinned on a Universal Basic Income—according to the Economic Survey, the poorest set of districts accounting for 20% of the poor access only 15% of the resources, 40% of the poor get only 29% of resources and 50% of the poor get about 38%. According to a report in Business Standard, however, pilot projects conducted in various Union territories (UTs) show large leakages and just around 40% of those surveyed thought DBT was better than PDS—though this is better than the 32% four months ago, the leakages are too large for DBT to be scaled up. If this is the situation in small and better-run areas, imagine the chaos when DBT is implemented in large states—in Uttar Pradesh, just 70% of ration cards are Aadhaar-seeded and the figure is 0.13% in Bihar; at an all-India level, the number is just 72%. The situation will be much worse when it comes to Aadhaar-seeded bank accounts linked to ration cards.

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In all the UTs where the pilot was launched—Chandigarh, Puducherry and Dadra Nagar Haveli—there was an improvement in the number of people getting DBT but even at the end of the second phase, as many as 32%, 70% and 33% did not get not get the full DBT or the amount they were supposed to get. This means the government will have to focus very strongly on getting the seeding done for both ration cards and bank accounts. Some of the other issues in the study done by Abdul Latif Jameel Poverty Action Lab (J-PAL) for NITI Aayog, though seemingly problematic, are easier to fix. Most beneficiaries complained it took between 1.8-3.5 times as much time to withdraw funds from the bank and then go to the market to buy rations than it took to get them from ration shops. Though the magnitude seems much higher than you'd believe, having banks SMS the fact that funds have been deposited and the presence of Aadhar-Pay facilities—consumers merely need to put their thumb impression on the ration-shops' smart-phone—will completely eliminate the time taken at the bank; the J-PAL study seems to confirm this when it says those with a better banking experience are 2.5 times more likely to prefer DBT. A common complaint, going by the J-PAL study is that DBT doesn't cover their costs. While this may be due to the fact that the grain being bought in the market is of a higher quality, the government has to calculate the amount of DBT correctly. The pilot studies are, as they are meant to be, an eye-opener and identify the problem areas—fortunately, these are not insurmountable.

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