

# Big year ahead for DBT

Over 75% of subsidies could be paid via DBT in FY19

**W**ITH THE GOVERNMENT finally managing to get fertiliser subsidies onto the Direct Benefits Transfer (DBT) platform, the stage is for a big fillip in DBT payments. In FY18, so far, the government has transferred ₹105,808 crore—that's a 40% jump over FY17—of subsidies via DBT but, as *FE* reported last week, fertiliser payments are finally being paid out via DBT. Since fertiliser subsidies are budgeted at ₹65,000 crore in FY18—and ₹70,000 crore in FY19—it is possible that the government could end FY18 with DBT payments of around ₹140,000 crore, or around 35% of all welfare schemes, including subsidies. This includes both transfers to the bank accounts of beneficiaries as well as the in-kind schemes like fertiliser and food where there are no bank transfers, but each buyer is authenticated using her biometrics through Point-of-Sale (PoS) machines via Aadhaar linkage.

As a result, the outlook for FY19 looks quite good. The DBT website talks of around ₹22,000 crore of food subsidies being distributed through this route already in FY18—the site talks of all in-kind schemes, not food subsidies *per se*, but these were the only in-kind subsidies till recently. The slow progress on food subsidies has been a matter of concern since the government has been trying to get DBT going in this space for a long time. However, with the bulk of ration cards already Aadhaar-seeded, it is safe to assume most, if not all, the food subsidy—₹170,000 crore in FY19—will be given via the in-kind DBT route. If 75-80% of Union government subsidies are given through DBT, that in itself would be a big achievement. Add to this the possibility of large state government subsidies also being routed through DBT—these add up to around ₹300,000 crore—though it is not clear how fast they will move as compared to the Centre.

Most, including the government, focus on the savings through DBT—the DBT website puts it at ₹57,000 crore till FY17. And, as this newspaper points out, there could be a 30% saving in the case of fertilisers. Data for 25 ePoS-equipped states showed a 28% reduction in fertiliser sales in January as compared to the same month last year. And, there are more gains to be got by going one step further like, in the case of food, moving away from FCI-procurement and giving cash-transfers via DBT since this will eliminate costs related to FCI's inefficiency. What is more important, however, is what this means for the beneficiaries. In the pre-Aadhaar days, at least half the welfare expenditure, whether by way of subsidies or MGNREGA-type schemes, was siphoned off. With Aadhaar-based DBT, however, this is no longer possible. And if, apart from the Union government's ₹400,000 crore of annual welfare expenditure, state governments are also able to move a large part of their ₹300,000 crore expenditure on to DBT, the poor will even become more viable customers from the point of view of banks who have opened Jan-Dhan accounts for them.