



RBI Advisory on Direct Benefit Transfer

Acknowledging the problems in the implementation of direct benefit transfer (DBT) for food subsidy, the Reserve Bank of India (RBI) has advised States to be cautious while effecting the migration to DBT based cash transfers. At present, three UTs - Puducherry, Chandigarh and urban areas of the Dadra and Nagar Haveli are implementing the mode of direct cash transfer.

Problems Experienced in DBT (Food Subsidy)

- The inadequacy of transfers to maintain pre-DBT consumption levels,
- Insufficiency of last-mile delivery mechanisms, and
- Weak grievance redressal system.

Benefits of Cash Transfer over the PDS (Food Subsidy)

- Reduces the need for large physical movement of food grains,
- Given the wide inter-State and intra-State variations in food consumption habits, the DBT provides “greater autonomy” to beneficiaries to choose their consumption basket and enhance dietary diversity, and
- It reduces the leakage in the PDS system.

Pre-conditions for Implementation of DBT (Food Subsidy)

- Complete digitization and de-duplication of the beneficiary database,
- Seeding of bank account details and Aadhaar numbers in the digitized database,
- Ensuring adequate availability of foodgrains in the open market, and
- Identification of a state agency with a separate bank account to receive and transfer the subsidy to the bank accounts of the entitled beneficiaries.

Measures to Strengthen DBT (Food Subsidy)

- States with lower literacy levels, higher portion of BPL populations and relatively high child malnutrition could first strengthen the existing PDS through Information and Communication Technologies-based in-kind transfers before embarking on ICT-based DBT cash transfers.
- Selective implementation in a few districts that exhibit diverse food habits and market infrastructure may be undertaken by states which have fulfilled the pre-conditions and feedback from these districts can be used to extend this programme further.
- To sum up, the PDS has been undergoing transformation and the state governments may have to be ready to adjust to the change to improve the efficiency of expenditure on providing food security to their people.

