

## **DBT in Fertilizer subsidy schemes**

### **Background:**

The Government has introduced Direct Benefit Transfer (DBT) system for fertilizer subsidy payments. Under the fertilizer DBT system, 100% subsidy on various fertilizer grades shall be released to the fertilizer companies, on the basis of actual sales made by the retailers to the beneficiaries. Sale of all subsidised fertilizers to farmers/buyers will be made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries will be identified through Aadhaar Card, KCC, Voter Identity Card etc.

### **2. DBT implementation and current status:**

- The Department of fertilizers has implemented Direct Benefit Transfer System on a pilot basis w.e.f. 1.10.2016 in 17 districts.
- A Project Monitoring Cell is in place in the Department to oversee implementation of DBT exclusively. 24 State Coordinators have been appointed across all States to monitor the on-going DBT activities.
- Implementation of the DBT Scheme requires deployment of PoS devices at every retailer shop, training of retailers & wholesalers for operating PoS device. Across the country, 6761 training sessions were conducted till date, as a part of ongoing PoS deployment and as a precursor to nation-wide rollout of DBT. Approximately 2.39 lakh retailers were sensitized during the introductory training sessions conducted by LFS.
- A dedicated 15-member Multi-lingual Help Desk has been set up to provide quick response to the queries of wide range of stakeholders across the country as a preparatory to DBT implementation. The helpdesk will operate from 9.30 am to 6.00 pm on all working days including Saturdays.
- Different states/U.T.s have been put on Go-Live mode w.e.f. 01.09.2017 and the Pan India rollout of DBT (Phase-I) has been completed by March 2018 as per Go-live Schedule below in the table

<b>S. No</b>	<b>Name of States / UT's</b>	<b>GO Live Date</b>
1	NCT of Delhi	1 <sup>st</sup> September, 2017
2	Mizoram, Daman & Diu, Dadra Nagar Haveli, Manipur, Nagaland, Goa, Puducherry,	1 <sup>st</sup> October, 2017
3	Rajasthan, Uttarakhand, Maharashtra, Andaman & Nicobar Islands, Assam, Tripura.	1 <sup>st</sup> November, 2017
4	Andhra Pradesh, Haryana, Punjab, Chhattisgarh and MP	1 <sup>st</sup> December, 2017
5	Kerala, Bihar, Karnataka, Jharkhand, Telangana, and TN	1 <sup>st</sup> January, 2018
6	Uttar Pradesh, Gujarat, West Bengal, Odisha and Himachal Pradesh	1 <sup>st</sup> February, 2018
7	Jammu & Kashmir	1 <sup>st</sup> March, 2018

#### **4. Salient features of DBT in Fertilizer:**

- The DBT model in fertilizers is different from the conventional system of DBT being implemented in LPG.
- Under DBT system in fertilizer subsidies, the farmers/beneficiaries will continue to receive Urea at statutory subsidised prices and P&K fertilizers at subsidized prices in the market.
- The fertilizer companies which used to receive subsidy on receipt of fertilizers at the district, will now get subsidy after the fertilizers are sold to farmers/beneficiaries by the retailers through Point of Sale (PoS) machines through biometric authentication.

#### **5. Existing System of Subsidy Payment**

- The existing system of subsidy payment is based on the movement of fertilizers up to district and retailer level in conformity with the supply plan.
- The initial 85% -90% payment (95% in Urea) is released as "On Account" Payment on receipt of fertilizers in the district.
- The balance 10%-15% (5% in Urea) is released on the confirmation of receipt by retailers in mobile Fertilizer Monitoring System mFMS. Independently, the State Governments certify the receipt of fertilizers (i.e. the quantity and quality in Proforma B1 and B2) and upload in the Fertilizer Monitoring System (FMS) within 30 days and 180 days respectively.

#### **6. System of Subsidy Payment under DBT Framework**

- The proposed DBT system entails 100% payment of subsidy to the fertilizer manufacturing companies on the basis of actual sales by the retailer to the beneficiary.
- The farmer or buyer's identity is authenticated either through biometric, adhar based, Unique Identification Number or Voter ID Card or Kisan Credit Card.
- Preference will be given to Aadhar based biometric authentication as this is linked to land records and the soil health card of the farmer.
- This would enable recommendation of appropriate mix of fertilizers compatible to the soil health profile of the agricultural land held by the beneficiary.
- However, the recommendation is not binding on the beneficiary and the sale of fertilizers would initially be on a "no denial mode".
- The sales to the beneficiary are captured through the Point of Sale(PoS) machines installed at the retailer's end. All the Fertilizer sale transactions are captured online in the Integrated Fertilizer Management System (iFMS) system on real time basis.
- The claims will be processed on a weekly basis and the amount of subsidy will be remitted to the company's bank account through electronic mode.

## **7. Benefits of DBT:**

- The proposed DBT framework is a beneficiary driven subsidy payment mechanism being initiated at national level.
- It creates Aadhaar seeded data base of beneficiaries and provides transaction visibility at the level of buyers.
- By linking the actual sales to subsidy payments, it facilitates a more transparent and faster tracking of funds along the value chain i.e. from manufacturers to beneficiaries.
- Diversion of fertilizers is expected to be minimized.

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