

SEEDING CHANGE

Modi government has political room to bring long-term reform. Direct transfer of fertiliser subsidy is a good start

THE NARENDRA MODI government seems poised to take a major leap towards implementing direct benefit transfer (DBT) of fertiliser subsidy to farmers. From the coming kharif season, starting June, subsidy will be paid to the companies only after the purchase of fertiliser by the farmer. True, this isn't DBT in the strictest sense of the term because the subsidy is still getting credited to the company and not the farmer. But the proposed reform isn't insignificant. Currently, companies are paid subsidy once the fertiliser has been dispatched from their plants and received at the railhead or the approved godown of a district. There is no foolproof mechanism to ensure that there is no diversion of the subsidised material from these points for sale in the open market (or to neighbouring countries) or for non-agricultural use. This state of affairs will change once the subsidy payment takes place after the fertiliser is actually bought by the intended beneficiary, namely the farmer.

To enable the changeover, the Modi government has targeted the installation of point-of-sale (POS) machines in all the two lakh-odd fertiliser retail outlets in the country. These devices, connected to a central server, would capture every sale transaction along with details about the buyer. The biggest benefit from the system is that information will now be available on who is buying and how much. If somebody is buying a truckload of urea — 200 bags or more — that person clearly isn't a farmer. The data generated by the system will be able to identify such impersonators. Even if they are actual farmers, they can be identified for exclusion from the subsidy scheme. A farmer applying 200 bags of urea in a season would have a holding of at least 65 acres. He would be as undeserving of subsidy as the unscrupulous plywood maker who uses urea as a cheap binder material.

But data generation and identification of deserving beneficiaries can only be the first step. It should be followed by the next logical stage of the subsidy getting credited directly to the bank accounts of the beneficiaries thus identified. Such targeted transfers along with free pricing — which leads farmers to buy fertilisers most suitable for the crop and soil, independent of subsidy — is what DBT is ultimately about. The Modi government today has the political legitimacy to undertake this reform that is in the farmer's long-term interest. Doing that in stages, starting with subsidy disbursement to companies post-sale to farmers, makes sense. Many might argue that the POS machines will not work and capturing retail-level transactions, involving millions of farmers buying in the peak agricultural season, would be a recipe for chaos. But the same arguments were offered during demonetisation. And the chaos, if at all, in this case, would be a smooth ride comparatively.