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Progress of DBT in Fertilizer Sector

The direct benefit transfer (DBT) scheme for fertilizers has been implemented throughout the country since March, 2018. Though the scheme is called DBT, subsidy continues to be routed through the industry. The scheme has changed the business model for fertilizer companies. Subsidy under the scheme becomes due only after sale of fertilizers by the retailers to the farmers through point of sale (POS) machine which is part of integrated fertilizer management system (iFMS). Any malfunctioning of hardware or software or downtime of servers or internet connection or lack of training of personnel at retail out-lets hampers the successful transaction. There have been numerous problems in all these areas.

We earlier reviewed the status of implementation of DBT in fertilizer sector in these columns in May, 2018. There have been some improvements, but system continues to falter resulting in system downtime, wrong details of transactions and sales outside the system. Industry suffers the most where payment of major part of the sale proceeds in form of subsidy is either getting delayed or remains unpaid even after several months. Therefore, we have again underlined the issues which remain unresolved with some suggestions.

Retailers are key players in the overall process of DBT scheme but there is no incentive for them for implementing the new system. Retailers are now loaded with additional duties and responsibilities. Transaction through POS machine has increased the expenditure for making availability of uninterrupted supply of power and internet connectivity. In addition, retailers have to do biometric authentication of farmers. Any interruption in availability of server of UIDAI & NIC or malfunctioning of POS machine causes delay and long queues of farmers. This forces the retailers to sell fertilizers to the farmers without POS machines. There are numerous instances of such transactions with huge quantities of fertilizers. This

results in difference in physical stocks and stocks in the system. Fertilizer company whose material is sold manually will not get subsidy on such quantities. Even when sales are affected through POS machine, details have to be fed accurately, otherwise there is again problem of matching of stocks and payment of subsidy.

In many states, marketing federations play an important role in sale of fertilizers through cooperative societies. Marketing federations build stocks of fertilizers well in advance. Some of the federations are not taking interest in DBT scheme and do not acknowledge the receipt of material in reasonable time. Even while transferring the stocks to cooperative societies, the federations and cooperative societies do not make entry in iFMS.

Fertilizer companies do not control retailers. The license that is letter of authorization to retailers is issued by the respective state governments. The interest of state agriculture departments is limited to availability of fertilizers to farmers with or without sale through POS machines. The field level officers of the state governments are not sensitized enough to ensure sale of fertilizers by the retailers to the beneficiaries through POS machines only. There is need to provide access to state governments to monitor sales of fertilizers through POS machines.

The ultimate customers are the farmers. Farmers also do not have any stake in the system. In fact, they face inconvenience at best and denial of material at the worst. Farmers have to bring aadhaar card or voter ID or ration card. In peak seasons, they have to be in long queue to purchase fertilizers.

The NIC software i.e. iFMS continues to pose challenges and DBT portal has still not stabilized. System is quite slow and remains out of order quite often. Lack of expert support team of DBT at central and field levels continues. The WhatsApp group created for registering complaints is loaded with exceedingly large numbers of problems on day to day basis. NIC is not able to address the software issues in time.

Even after sale through POS machine, correct stocks are not reflected in the system sometime thereby affecting the supply chain from wholesalers to retailers to farmers. DBT bill of a particular company shows the sales of the products in an area where the company is not even operating. Moreover, system sometimes does not carry forward correct closing stock of previous week thereby delaying the generation of subsidy bills.

There are also issues of OTP, signature authentication and numerous other problems while signing in the POS machine.

The POS machines do not have a provision for offline transactions. Such a facility will help to synchronize with the system when connectivity is available. Frequent upgradation of software version also creates problems in smooth functioning of the POS machines. Generation of reports for stock reconciliation, download dispatch and receipt for 1st and 2nd point sale, etc., at the end of the month either takes long time or not generated at all. Reconciliation of the stocks and sales in iFMS with company's internal system become difficult and delays the monthly closure in iFMS. NIC has made change in the system for registration of a retailer in the POS machine. Companies have to upload scanned copy and details of invoice. Without this, retailer cannot register with POS machine. This is happening not only for new retailers or new machines but even with repaired POS machines. Entry of each sale transaction in RO module for sale to wholesaler/retailer takes long time as there are large number of transactions. The maintenance of POS machines continues to be a major problem. After-sale service continues to be very poor. Non-functional POS machine gives one more occasion to retailers to sell without POS machines.

A procedure for sale of subsidized fertilizers to customized fertilizer/mixture manufactures was notified on 23rd May, 2018 as adhoc basis for 6 months. A Committee has been constituted to examine the issue and suggest the mechanism for the sale of fertilizer products to mixture/customized fertilizer manufactures. There does not seem to be a better mechanism than the present adhoc one where mixture manufactures is considered end user and buy through POS machine with identification of owner or a representative.

Smooth working of IT infrastructure at various levels can hardly be overemphasized. There is need for redressal of software and hardware problems immediately so that large sums of subsidy do not remain unpaid at any given time.

The production/import of fertilizers is done on continuous basis. However, sale of fertilizers is limited to about 2 months in each crop season. Therefore, the working capital requirement has increased to more than six months compared to 2-3 months in earlier system of payment of subsidy. For P&K fertilizers, higher interest on working capital will result in high prices for farmers. In case of urea, retail price is controlled and urea policy provides for only 45 days of working capital, leaving no avenue for fertilizer companies to recover higher interest cost. This has also resulted in considerable interest burden to the industry. In addition, after introduction of 45 kg bag of urea cost of bagging, transportation and warehousing has also increased.

Retailers are key to the success of DBT system. They need to be incentivized financially so that they have a stake in the new system of conducting business. Simultaneously, there is need for suitable provisions in Fertiliser Control Order to make the sales through POS machines mandatory. Needless to say that state governments have to put in more efforts for enforcing compliance by wholesalers, marketing federations and retailers.

To alleviate the difficulties faced by the industry, there is need for changes in policies and procedures. Subsidy constitutes more than 70% of cost of production of urea. The payment of which takes place anywhere

between 6-9 months of production. The present pricing policy provides only 45 days working capital. This needs to be enhanced to 180 days. Certification of quality and quantity by state governments cannot happen on weekly basis. Quantity certification has lost relevance. Similarly, audit certification does not add to any additional check and should be done away with. If there is any failure in respect of quality, subsidy for that quantity can be adjusted in subsequent subsidy payments.

Smooth working of IT infrastructure at various levels can hardly be overemphasized. Therefore, there is a paramount need to review the architecture and robustness of the infrastructure. A system needs to be stress tested so that there is no downtime. Downtime of the iFMS system can freeze the entire supply chain. Therefore, large software companies may be associated for providing a robust backbone for operation of iFMS and DBT system.

Ultimate objective of the present DBT is to transfer fertilizer subsidy directly into accounts of the farmers. In case of P&K fertilizers, there is already fixed subsidy on each product. Even in case of urea where subsidy varies for different urea units, the subsidy or concession can be pooled by Fertilizer Industry Coordination Committee (FICC). Farmers will get fixed subsidy on a bag of urea. Difference between subsidy levels between urea units will be settled by FICC.

In conclusion, there is need for redressal of software and hardware problems immediately so that large sums of subsidy do not remain unpaid at any given time. Also, there is need for allocation of additional budget for fertilizer subsidy during current year. Finally, there should be a time line for transfer of subsidy directly into account of farmers. ■