

Cash Transfers in Public Distribution System

A study of impact in South Mumbai



Forward

In October 2018, Government of Maharashtra took an important policy decision to offer Cash Transfers instead of grains through Public Distribution System (PDS). Two shops in Mahalakshmi and Colaba were selected to implement the same on a pilot basis. Such decision can have deep and long term impact over lives of the marginalized not only in terms of food security but also in terms of overall livelihoods and human security. It was considered necessary to critically look at implications of this decision. Social Research has always been a forte of the Tata Institute of Social Sciences (TISS) and the institute has always been involved with people's organisations to do policy research that will help further advocacy. This research study was designed with this background, and was conducted in collaboration with Anna Adhikar Abhiyan.

Anna Adhikar Abhiyan is a Maharashtra level network of Peoples Organizations, NGOs, Trade Unions and Individual working for the people's rights over food security and food sovereignty and nutrition. It works towards the people's rights and access to the

various government schemes which are now legal rights under the NFSA act 2013 such as PDS, ICDS, Mid-day meal and Maternity benefit schemes.

We sincerely appreciate efforts of Dr Swati Narayan who took responsibility to conduct this study in a very systematic manner and commitment right from the formulating research question coordinating data collection and writing the report. With her background in the Right to Food Campaign and PhD from TISS, she was very well aware of the issue of concern and research methodology, which she put to use in a disciplined manner. Students Ashwini Dubey, Khushi Chavda, Sabah Virani and Shruti Sinha from Wilson College and Dorothy Zena Vallado from St. Xavier's College Mumbai helped in this initiative without which, this research could not have been possible. Thanks to prof ashwani Kumar of St. Xavier college for encouraging these students for volunteering.

Thanks to Shri Suresh Sawant and Ms Ulka Mahajan who reviewed the final output and supported the study .

We are grateful to Prof Shalini Bharat, Director, Tata Institute of Social Sciences for her support and guidance in this study. We indeed thank Jean Drez for supporting the study.

The report discusses shortcomings in the decision to replace PDS with cash transfers and challenges therein. Moreover, it exposes loopholes in implementation of PDS, It brings out a necessity to work on effective implementation of PDS. The study also reminds us of the need to be extra conscious while taking decisions affecting life of the poor and marginalised. We are sure that this study will be useful for policy makers as well as students and activists working on food security and Direct Benefit Transfers.

Mahesh Kamble
Asst Professor, TISS

Mukta Srivastava, Shoshit Jan Andolan,
Convenor, Anna Adhikar Abhiyan, Maharashtra

Preface

To be written by Ulka

Summary

The Maharashtra government announced that from October 2018, two shops in South Mumbai – Mahalakshmi and Colaba – would offer beneficiaries the option to switch from foodgrains under the public distribution system to receive cash in banks.

To analyse the impact of this pilot, Anna Adhikar Abhiyan along with Tata Institute of Social Sciences conducted a survey from 13 to 28th May 2019. 154 women beneficiaries were interviewed who reside in the localities around the two shops – Mahalakshmi and Colaba - in South Mumbai.

| Families interviewed in the sample | Percent |
|--|----------------|
| Background | |
| Ration card in the name of women head of the household as specified in the National Food Security Act 2013 | 50.6 |
| Who choose to switch to cash in place of foodgrains | 20.1 |
| Families who continue to purchase foodgrains from the ration shop | |
| Ration shop is closer from their homes than banks or ATMs | 72.0 |
| Ration shop is located within 500 metres of their homes | 42.0 |
| Aware that they could receive cash instead of foodgrains | 63.9 |
| Believe that cannot purchase 1 kilo of foodgrains with Rs 22.5 | 87.5 |
| Believe that there is no need to provide a cash option | 56.7 |
| Have experienced problems with aadhaar biometric authentication | 26.7 |
| Families who chose to receive cash in bank accounts | |
| Aware of which bank account the money would be transferred to | 87.5 |
| Ration shop is located within 500 metres of their homes | 93.5 |
| Bank located within 1 kilometer of their homes | 62.5 |
| Apart from visits have other means to find out if money has been received in the bank e.g. SMS alerts | 46.9 |
| Spent 30 minutes or more to travel to the bank or ATM to withdraw the cash | 84.4 |
| Spent the money on non-food items | 37.5 |
| Could purchase 1 kilo of rice with Rs 22.50 cash provided | 3.1 |

| | |
|--|------|
| Women beneficiaries who had full control on the spending of cash | 50 |
| Believe that a cash option should be provided | 68.8 |
| Now prefer foodgrain even though they have opted for cash | 19.4 |

In sum, four of every five families continued to receive foodgrains. The main reasons they provided for their preference was that the cash provided of Rs 22.5 is insufficient to purchase 1 kilo of foodgrain in the market. Families were also worried about inflation and rising costs. Women also have less control on the use of cash and access to banks, which are further away and have hidden time and monetary costs for each transaction.

On the other hand, 20 percent of families choose to switch to cash. Most of these families were more affluent. Their primary concern was that the quality of foodgrain in the ration shop was poor. However, 19 percent of families who choose cash now prefer foodgrains but hadn't switched back yet.

Though information on income and religion/communities was not collected as part of the survey, through the video testimonies it was evident that families which are richer and have been able to receive slum rehabilitation highrise apartments preferred cash. On the other hand poorer families who continued to remain in the slum preferred foodgrain as a lifeline.

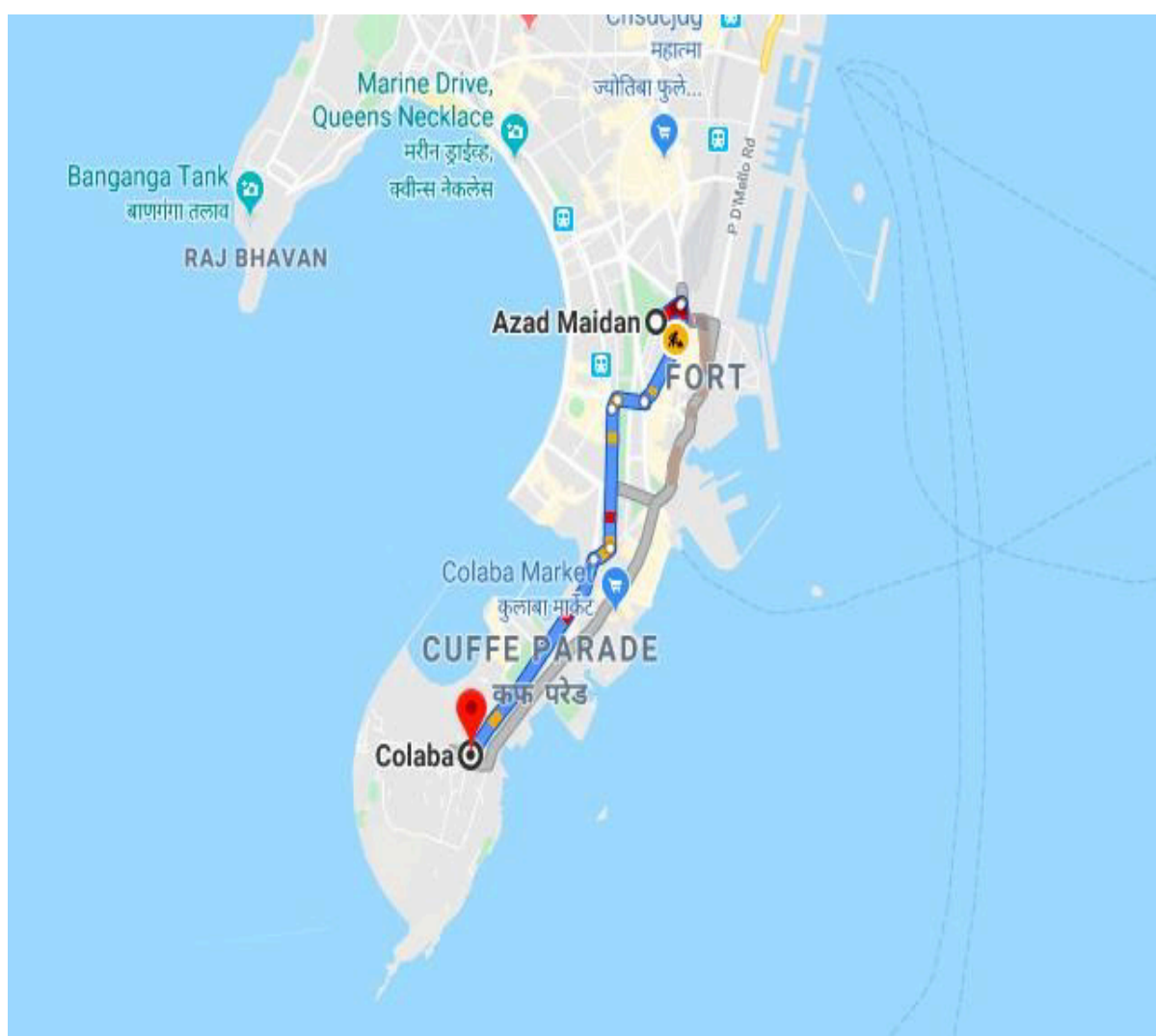
The full set of video testimonies are [available here https://tinyurl.com/wydt326](https://tinyurl.com/wydt326)

South Mumbai Cash Transfer Survey 2019

Introduction

The Maharashtra government announced that from October 2018, two shops in South Mumbai – Mahalakshmi and Colaba – would offer beneficiaries the option to switch from foodgrains under the public distribution system to direct cash benefit instead in bank accounts. JPAL would parallelly conduct a survey to monitor its progress, but the results have not yet been made public.

To analyse the impact of this pilot, Anna Adhikar Abhiyan (Maharashtra Right to Food Campaign) along with Tata Institute of Social Sciences (TISS) conducted a survey from 13 to 28th May 2019 with students from Wilson College and St. Xavier's College Mumbai. 154 female beneficiaries were interviewed who reside in the localities around the two shops in South Mumbai. The beneficiaries largely lived in slum shanties and slum redevelopment high-rises provided by the Brihanmumbai Municipal corporation. It must be noted that both areas lie in the heart of the commercial capital's most affluent areas. The Mahalakshmi shop is a stone's throw away from the Mumbai Race Course and the Colaba shop near the iconic tourist hub.



Survey Sample

The survey was digitally designed to be completed on android smart phones as the area had good internet connectivity.

Of the families who do receive rations or cash, 80 percent of beneficiaries (Figure 1) whom we found were in the Mahalakshmi area which is a larger slum than Colaba. Several families from this area have also been re-housed in 4 multi-story slum rehabilitation high-rise apartment buildings.

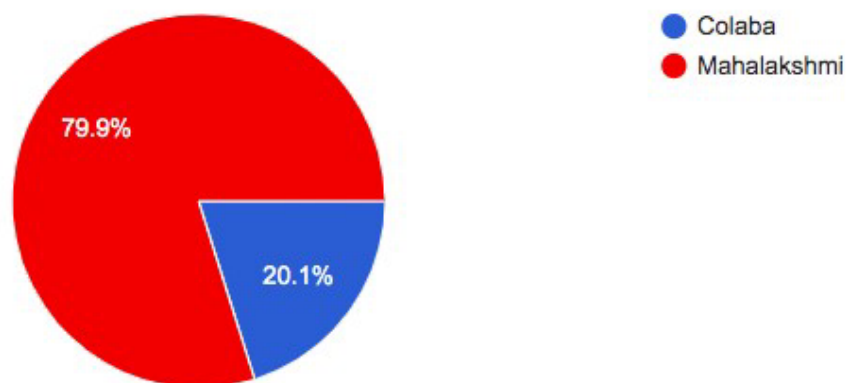
Over 150 Beneficiaries were covered under this survey .

Research Methodology

After a preliminary recce, the survey was conducted by 6 students from South Mumbai colleges. The simple questionnaire was pre-tested in 1-2 households , refined and then uploaded on google forms to ensure that they could be filled online on smart phones by the volunteers since the areas have good internet connectivity. The survey questionnaire was designed in three parts: i) for families who continue to receive foodgrains, ii) families who have opted for cash transfers and iii) families who have chosen to switch back from cash to food. The circle rationing offices, ration shops and government authorities did not provide the full list of beneficiaries with exact addresses. Therefore, we had to adopt a snowball sampling technique and go knocking door-to-door in nearly 500 homes (both in the slum area and the rehabilitation high-rise apartment blocks) in the neighbouring radius to find 150 beneficiaries who either receive foodgrains or cash as beneficiaries of the designated two ration shops. The survey questionnaire was in both English and Hindi but the student volunteers were trained hand-on to read out the questions in colloquial Hindi as far as possible to female heads of household and type out the responses on their mobile phone. The survey was completed in less than 10 days by dividing the catchment area around the shops to ensure that all the bylanes and apartment blocks were covered by atleast one volunteer. Video testimonies were also captured on the mobile phone of more than 30 beneficiaries to state the reason for their preferences.

Figure 1: Location of the survey respondents

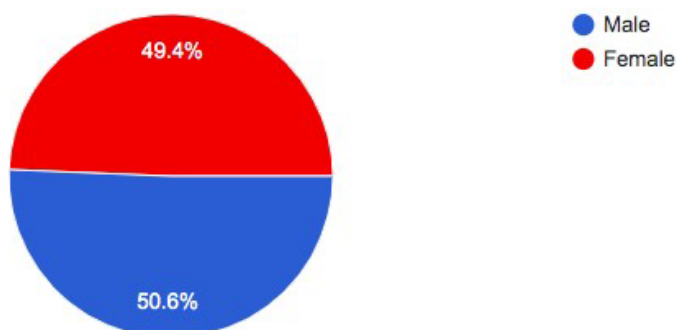
154 responses



Ration Cards

The National Food Security Act 2013 specifies that ration cards should be made in the name of the eldest women head of the household, as a concrete measure of empowerment. But six years after the enactment of the law in our survey we found that half the cards (50.6 %) continue to be in the name of a male member (Figure 2).

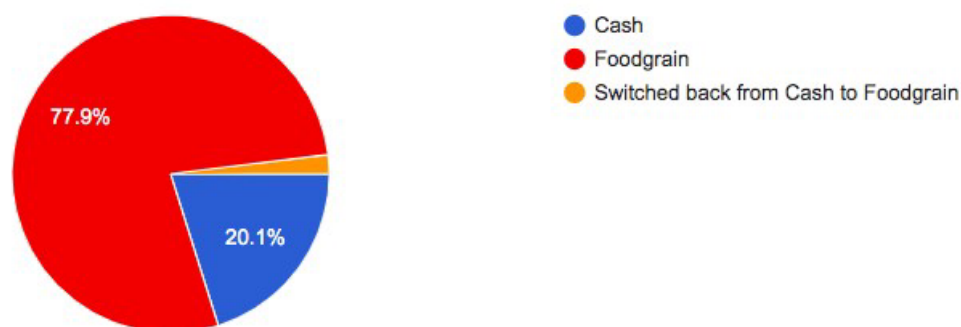
Figure 2: Gender of the ration card holder



In terms of other background information, in this survey we found that the median family size was 4 members. 40% of families we interviewed had only one bank account, while the rest had more than one.

Cash or Food

Figure 3: Families which had chosen ration or cash the previous month



From our survey, we found that 78 percent of families (Figure 3) despite being given a choice preferred to receive foodgrains from ration shops rather than cash in the bank. Only 20 percent choose to receive cash. We also found 3 families (2%) who have chosen to switch back from cash to foodgrain.

In addition, the Colaba ration shop owner provided the following information (Table 1) about the entire population of families which are served by his shop and their choice of food or cash since the introduction of the scheme in October 2018.

These trends are similar to the sample which we interviewed.

| Month | Total Foodgrain | Total Cash | Switch from Foodgrain to Cash | Switch back from Cash to Food Grain |
|----------|-----------------|------------|-------------------------------|-------------------------------------|
| Oct 2018 | 145 (72%) | 56 (28%) | 56 | |
| Nov 2018 | 154 (77%) | 47 (23%) | 4 | 13 |
| Dec 2018 | 152 (76%) | 49 (24%) | 3 | 1 |
| Jan 2018 | 151 (75%) | 50 (24%) | 4 | 3 |
| Feb 2019 | 150 (75%) | 51 (25%) | 1 | 0 |

Accordingly, we categorised the families which we interviewed into three segments, i) those who buy foodgrains, ii) those who have chosen cash and iii) those who have switched from cash back to foodgrain.

A. Families who Purchase Foodgrains from ration shops

The first segment analyses the families interviewed which have preferred to purchase subsidised foodgrain from the ration shop.

Distance matters

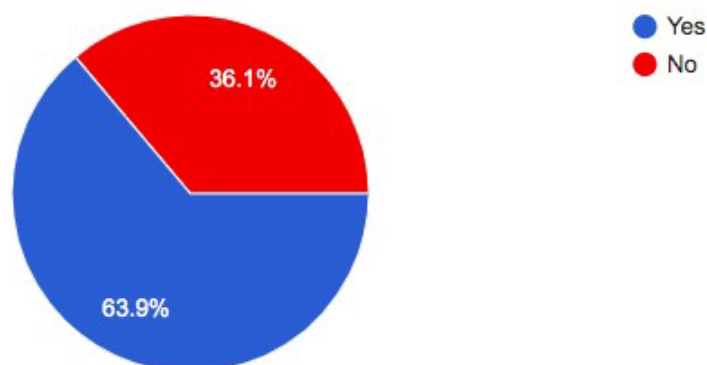
Of these families which choose foodgrains, 72 percent reported that the ration shop was closer for them than the bank or ATM. 42 percent also reported that they had a ration shop within 500 meters while 43.4% had a traverse at least 1 kilometre from their house to the nearest Bank/ATM.

It is important to note that even in urban slums despite the proliferation of ATMs, rations shops located within slum areas are more convenient. The reason is that most banks do not prefer to open ATMs within slum clusters. Of those who had chosen foodgrain, 26.7% had problems with aadhaar biometric (fingerprint) authentication.

Informed Beneficiaries

Lack of information does not seem to be the main reason for preference for foodgrains. But a sizeable 36 percent of beneficiaries (Figure 4) who purchased foodgrain were unaware that they could choose cash instead.

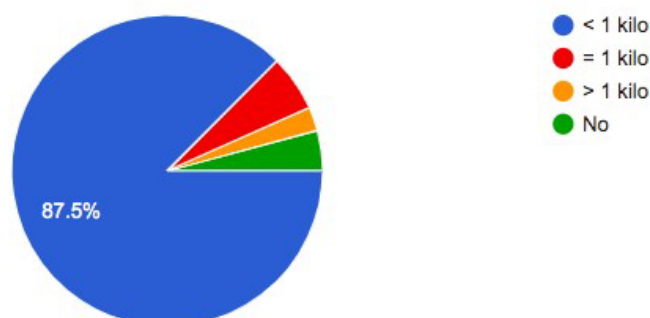
Figure 4: Did you know that cash was provided as an option?



Insufficient Money

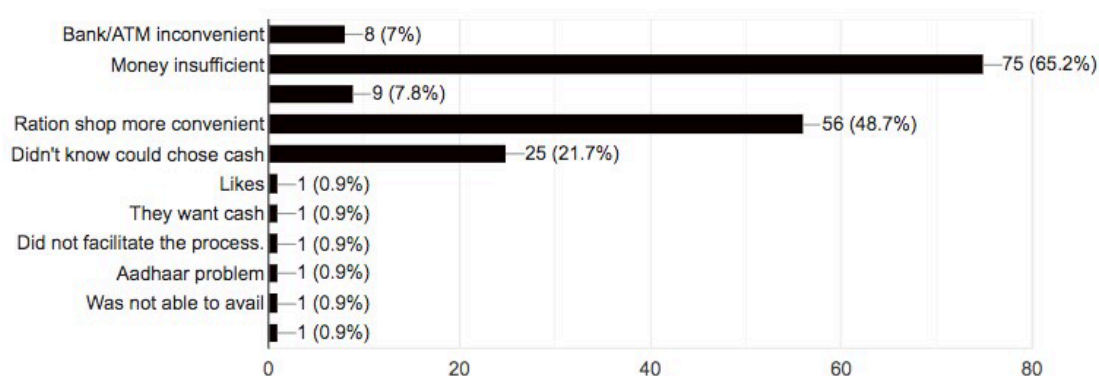
Currently the government pays Rs 22.5 in lieu of each kilogram of foodgrain that beneficiaries are supposed to receive. But 88 percent of beneficiaries who had not switched to cash (Figure 5), were of the opinion that this money is insufficient to procure 1 kilogram of foodgrain in the market.

Figure 5: How much food do you think can be purchased with Rs 22.5?



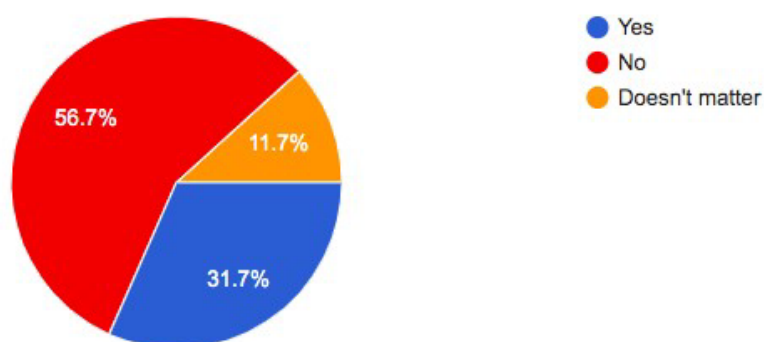
In sum, there are three main why beneficiaries choose foodgrain instead of cash (Figure 6). First, more than three-quarters are of the opinion that the cash provided of Rs 22.5 per kilogram is insufficient. Second, almost half found the ration shops to be closer and more convenient. Lastly, several beneficiaries were not aware that they could choose cash.

Figure 6: Why did you family choose food over cash?



More than half (56.7 %) the beneficiaries who choose foodgrain (Figure 7) were of the opinion that the pilot was unnecessary and it is not necessary to provide an option to families between cash or foodgrain.

Figure 7: Should an option of food or cash be provided to families?

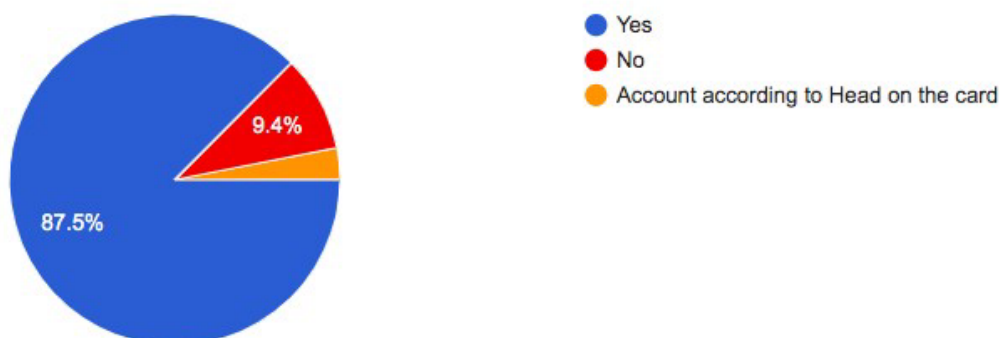


B. Families which chose to receive cash in bank accounts

Information

On the other hand, of the families who choose cash, 87.5 percent were aware of which bank accounts owned by their family the money would be transferred into in lieu of rations.

Figure 8: Did you know which bank account the money should be transferred into?



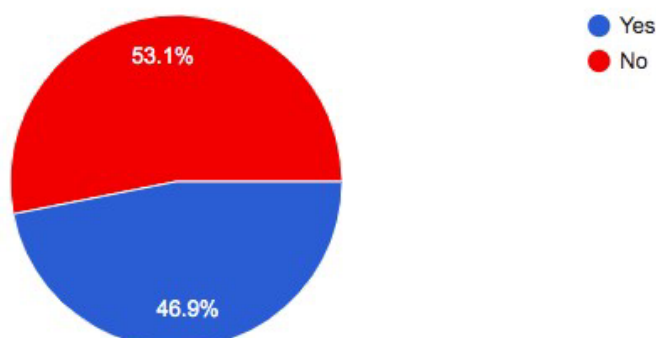
Distance of Bank

Of the families which choose cash, in 62.5% the bank was within 1 kilometer. In the remainder it was within 3.5 kms. Though in both cases, ATMs were located closer. In 93.5 percent of these families, they also had a ration shop within 500 metres of their home but had nevertheless chose to opt for cash.

SMS Alerts

Also more than half of these respondents (53.1%) said that they had other methods to find out if the money had been received in the bank either through SMS or word of mouth without going to the bank or ATM. 87% had received the cash subsidy more than 3 times.

Figure 9: Did you have other means to find out if the money had been received other than a visit to the bank?



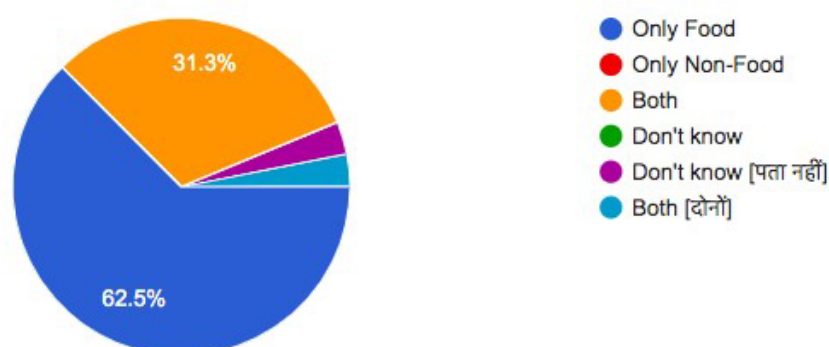
Travel Time

84.4% spent more than 30 or more minutes to go to and from the bank or ATM. The number of minutes are added if more than one person travels to receive the amount.

Non-Food Expenditure

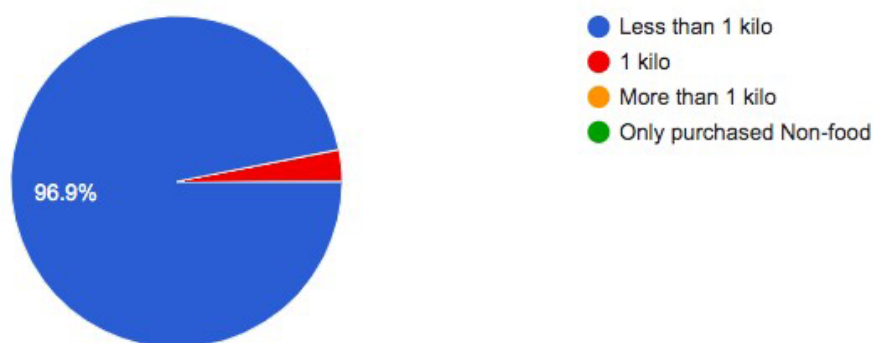
Only 62.5 percent of beneficiaries spent the money on purely food items. The rest used the cash to procure a combination of food and non-food items.

Figure 10: Was the money spent on only food or also non-food items?



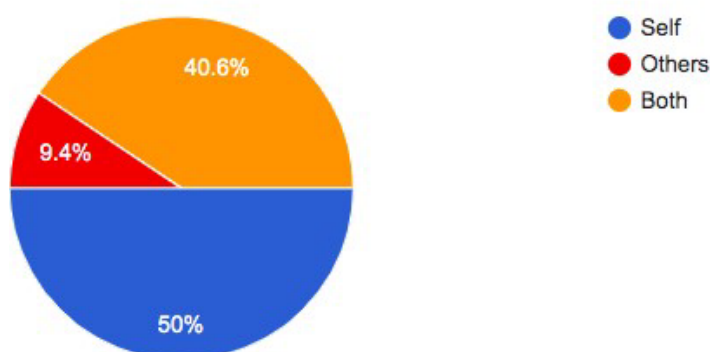
However the common complaint was the insufficient cash provided. 96.9 percent of beneficiaries were unable to purchase 1 kilo of rice with the Rs 22.50 provided.

Figure 11: Were you able to purchase 1 kilo of foodgrain with Rs 22.5?



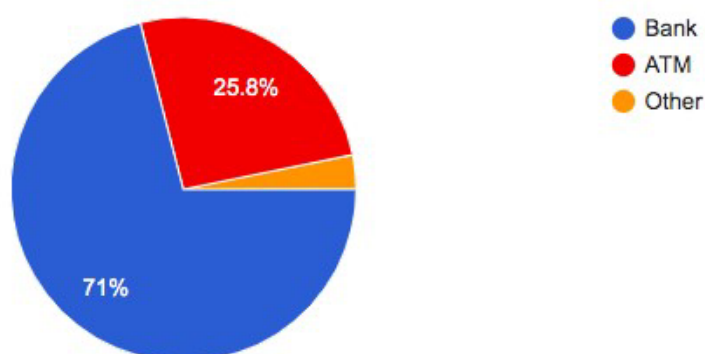
Not only is cash fungible, but often women do not have control of it in household finances unlike foodgrains which directly find their way to the kitchen. Only half the beneficiaries spent the money themselves while the other half did not have full control over the expenditure.

Figure 12: Did you (women beneficiary) spend the money yourself or it was spent by others?



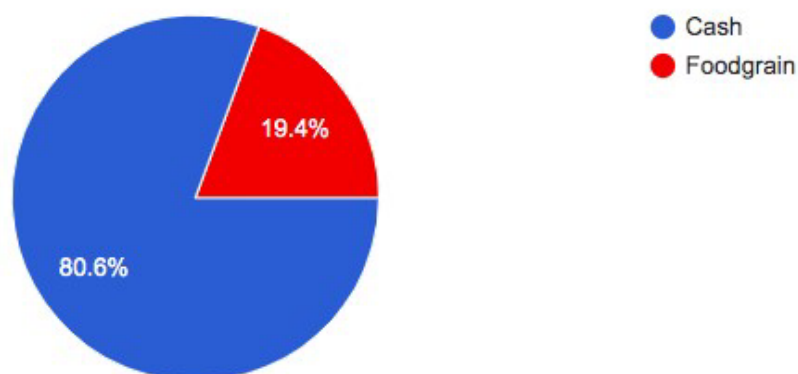
Surprisingly in most cases (71%) the beneficiaries choose to travel to the bank branch to withdraw the money instead of the nearest ATM.

Figure 13: Did you withdraw the money from the bank or the ATM?



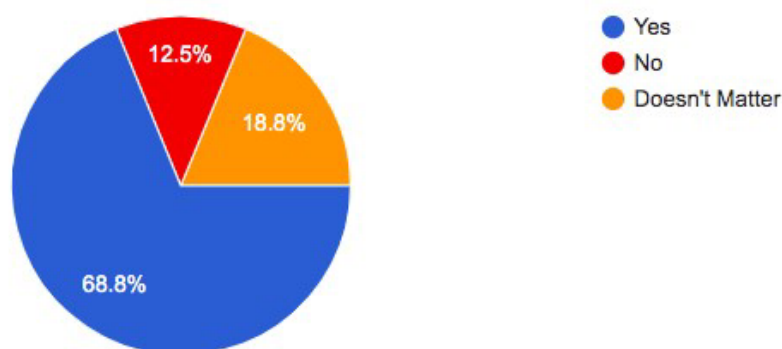
Even amongst those who choose cash, 19.4% reported that they now preferred foodgrains, though they had not yet reverted back to their preference.

Figure 14: Do you now prefer cash or foodgrain?



On further probing of whether they believed that beneficiaries should be provided with an option, 68.8 percent believed that it was a good idea, while 18.8 percent felt it didn't matter and 12.5 percent felt that an option was unnecessary.

Figure 15: Do you think that families should be provided with a choice of foodgrain or cash?



Amongst the reasons that families provided for preference for cash almost all the testimonies seem to echo that since the quality of foodgrain provided is of poor quality, they preferred to switch to cash even though the money was inadequate. However most of these families were invariably wealthier and therefore preferred better quality food items.

| Testimonies from families who choose cash instead of foodgrains |
|---|
| "the quality is really bad. If quality is good, everyone will take ration. And many times ration does not come on time". |
| "Because we can buy better quality. If quality good we'll take ration." |
| "As the food grains were insufficient and of poor quality thus cash seems to be more viable." |
| "The quality of food grain is very poor and therefore they are compelled to opt for cash. However cash benefit is also insufficient." |
| "The quality of grain is extremely poor and also black marketing takes place this cash can put a check on that. However if the quality of grain is improved will opt for ration as the money provided is inadequate." |
| "The quality of grain is not good, also at times they run out of stock and they have to visit the store frequently". |
| "Bad quality food grain, shop owner harassment". |
| "It's far more convenient and we have better control in expenditure". |
| "Because food quality is very bad and requires a lot of cleaning. Very hard to clean sometimes. Would prefer ration over cash if quality is good." |

| |
|---|
| "Ration is needed. Rahega toh ghar pe khana khaenge. |
| |
| "Very old, alone, no one to help carry grains. But cash is insufficient". |

C. Families which switched from cash back to foodgrains

We found only 3 families which had been able to switch back to foodgrain from cash. All of them had chosen to switch back after 1 or 2 transactions.

Information

They were all aware of which bank account the money would be transferred to. But 2 of these families (66.7%) perhaps because they did not receive the SMS alerts had difficulty in determining whether the money had been received.

Distance

Distance was also an issue as the nearest bank for them was between 1-2 kms and ATM between 1-1.5 kms in comparison to the ration shop which was a mere 100-400 metres from their respective homes. The travel time was 30 – 80 minutes on an average which they found cumbersome.

Insufficient Money

All of them also complained that with Rs 22.5 they were able to purchase less than 1 kilo of foodgrain even though they spent the entire money only on food without any alternative expenditure. Also of the 3 women, only 1 said that she alone spent the money, the rest did not have full control on the expenditure. They also vouched for the convenience of the ration shop though one of them had had problems with aadhaar previously.

Here is a glimpse from their firsthand testimonies

| |
|--|
| Testimonies from families which switched back to foodgrains from cash |
| "There has been a lot of problem, the money is insufficient. Through biometric at the ration shop switched back to ration from cash." |
| "In the first two months opted for cash however later opted for grain but this month again planning to take cash as it is more convenient and the quality of grain is poor." |
| "Prefer Ration as its direct and good. Cash is just roundabout" |

Conclusion

Nearly 80 percent of families are still more secure with foodgrains than cash. Of those who have switched to cash, 19 percent want to revert back to foodgrains. More affluent families prefer cash as they are unsatisfied with the quality of foodgrain in the ration

shops. However the amount of cash provided is insufficient and also not linked to inflation. Ration shops are closer to people's homes than banks. There are also hidden transaction costs – in terms of time and money – with a switch to cash. Majority of families are unwilling to take on this additional burden.

From this survey, it is evident that the South Mumbai pilot has not been a success. Even near the most affluent areas, people prefer foodgrains to cash. There is therefore no reason to expand the pilot to more shops in Mumbai city

Recommendations to the Maharashtra government:

1. **Quality Foodgrains:** Improve the quality of foodgrain provided in ration shops
2. **Remove Aadhaar:** Ensure that aadhaar and biometric authentication are not compulsory at every transaction
3. **Women Ration Cards:** Ensure that all ration cards are in the name of woman head of the household as specified in the NFSA 2013
4. **Enrolment Surveys:** Conduct a door-to-door surveys to ensure that eligible, impoverished families are not left out of the public distribution system
5. **Inflation Index Cash:** If at all cash option is to be provided, ensure that the money is increased and linked to inflation