

MicroSave – India Focus Note #141

Understanding Karnataka's Food Coupon System

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Background

The Department of Food and Civil Supplies, Karnataka introduced a food coupon system for disbursements through the Public Distribution System (PDS) at over 1,000 shops throughout Bengaluru from July, 2016. This was the second attempt in recent times to reform the public distribution in the state. A biometrically authenticated weighing scale was introduced in 2014, but was withdrawn due to challenges, including misuse of scales by shopkeepers and difficulty in authentication.

To ensure that beneficiaries do not have to travel too far to get coupons printed, Bangalore One centres are supplemented by community-based “photo-bio centres”, which are authorised by the Department of Food to print coupons. The beneficiary can then take the coupon to the ration shop of their choice and pick up their entitlement. After receiving the goods, the beneficiary submits the coupon to the dealer, who uploads the coupon number and receives payment from the department.

Key Points:

1. *The Department of Food and Civil Supplies, Karnataka began reforming Public Distribution by introducing Food Coupons in Bangalore*
2. *The new system was not well received by beneficiaries*
3. *Notwithstanding its poor acceptance it is actually a much better system than the one it replaced*

The recent experiments in food support are designed to reduce leakages in the system by tracking uptake of grains through digitisation of the beneficiary database, authentication through Aadhaar, and electronic recording of transactions. A similar coupon-based system was introduced for kerosene in Bengaluru and the Government of Karnataka found merit in it. They were able to weed out bogus beneficiaries and those who received double fuel subsidies for kerosene and LPG. Through the coupon system, the Government was able to plug leakages and saved the state INR 16.8 crores (US\$2.6 million).¹ These funds were used to distribute LPG cylinders to a small group of people who were using kerosene until then, and successfully phasing out kerosene in favour of a cleaner fuel.

The food coupon system as designed by the Government of Karnataka allowed an unprecedented degree of transparency in the public distribution system. It is expected to reduce pilferage and help target beneficiaries, as in case of kerosene.

The System/Process

Beneficiaries visit Bangalore One, a government-to-citizen service provider, to print food coupons which has a list of their entitlement (the amount of grains, salt, sugar and oil they will receive) as well as the nominal price they must pay for these.

Figure 1: Sample of a Food Coupon



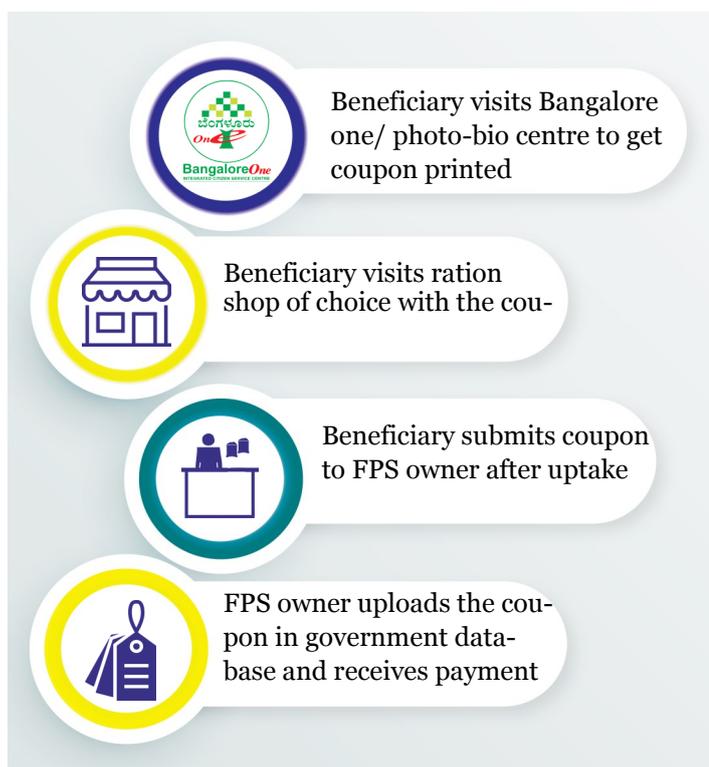
The coupon system is based on a robust platform designed by the National Informatics Centre (NIC). The platform includes a computer interface for authenticating and downloading coupons, an integrated voice response system (as an alternative) for beneficiaries to receive SMS coupons, a mobile application to upload coupons, and finally, a toll-free helpline for grievances

The computer interface, designed for Bangalore One/ photo bio-centres, is an online secure page on the department's website that requires the beneficiary to enter his/her Aadhaar, ration card and biometric details to print the food coupon. The inte-grated voice response system is an alterna-tive to the physical coupon, under which beneficiaries can avail SMS coupons by dialling 196-4 from their Aadhaar seeded mobile number. The mobile application, for shopkeepers, had a barcode scanner that the shopkeeper can use to scan coupons received and upload them onto the depart-ment's website as proof of disbursement.

¹ When states opt to reduce consumption of subsidised kerosene, the Government of India refunds an amount equal to the difference between allotment and disbursement to the state.

To ensure there were no glitches in the roll-out of the food coupon system, the department staff was trained and notices were issued to all fair price shop (FPS) owners on the new procedures for ration distribution. The beneficiaries were informed by the fair price shop owners (aided by posters, print and media advertisements) with support from the department field staff. This was done a couple of months in advance to ensure widespread awareness.

The System/Process



Some Progress but a Lot of Hiccups

MicroSave was engaged to carry out a concurrent evaluation of the food coupon system by the Government of Karnataka over the first two months of roll-out. Through detailed interviews with stakeholders, we found that:

- The food coupon system improved beneficiary knowledge of their entitlements, which are written on the coupons and so they were able to assert their rights with fair price shop owners who previously denied entitlements or indulged in malpractices
- As a direct result of coupons, the Government was also able to track demand every month, and ensure fair price shop owners were disbursing rations to all eligible beneficiaries

- The system allowed beneficiaries to pick up grains from any FPS – thus providing a choice of outlets for them

All these features empowered the beneficiaries and brought transparency into an otherwise opaque system. Despite the features, the food coupon system was not well received. Firstly, the new system did not have the buy-in of beneficiaries as the rationale for moving away from the old system was not explained effectively. "We do not understand why the government is introducing a new system every two months; why do they want to experiment with our daily sustenance?" was their query. The imminent change in the system was conveyed but beneficiaries were not consulted, and so they felt more like guinea pigs than stakeholders in a new improved scheme.

Furthermore, the department was under pressure from the state Government (due to political reasons) to move the whole system to food coupons urgently. As a result, the system did not go through sufficient rounds of testing and on-boarding of FPS owners was not done as extensively as desired. Slow responses from Aadhaar server was another cause of concern as these resulted in long queues at Bangalore One centres and beneficiaries spent 2-3 days trying to access their coupons. FPS owners made the implementation of the new system cumbersome as well. They coerced beneficiaries to buy extra goods from their shops in order to access their entitlements and did not allow them to opt to buy from elsewhere. Fair price shop owners were worried about their business, which does not yield earlier profits and is increasingly becoming "unviable" with growing digitisation eliminating "leakages". At the moment, shops that service over 800 ration cardholders can make a small profit of INR 3,000² (US\$46) per month, which is clearly not sustainable for any business.

Thus, corruption, under the system, is inevitable – another aspect the Government did not plan for while designing the food coupon system in Karnataka.

While a lot of planning has gone into the system design, a proper and measured test run would have probably exposed these flaws. The department is solving issues as they arise. For instance, they have begun to issue coupons for three months at once to eliminate the need for monthly trips and reduce queues, but server issues persist and delays in disbursement due to digitisation are aplenty. While the system was conceived with good intentions, lack of effective communication and hurried implementation led to poor beneficiary experience and apprehensions about what is clearly a better system than the one it replaced.

²FPS owners get commission for disbursement of ration. This calculation is based on the current commission structure; taking an average BPL card to have five beneficiaries. Current commission for rice is INR 0.7/ kg for rice, INR 0.7/ kg for ragi, INR 0.36/ kg for sugar, INR 0.36/kg for salt and INR 1.5. litre for palm oil. Entitlement for BPL is 5 kg grain per member per month, 1 kg sugar per card per month, 1 kg salt per card per month and 1 litre palm oil per card per month.