

PDS portability: Reforms that empower the people

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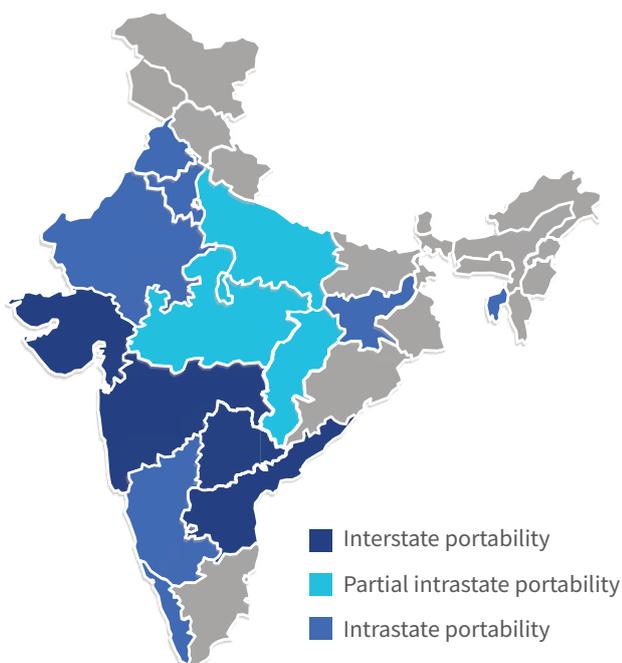


Under the [Public Distribution System \(PDS\)](#), the Government of India and state governments provide essential food commodities, such as rice, wheat, and coarse grains, to approximately 800 million beneficiaries. The beneficiaries receive the food grains at subsidized rates through fair price shops (FPS) run by distributors appointed by the government. With time the term PDS has become synonymous with ‘food security’ while the ‘right to food’ has become a legal entitlement following the implementation of the [National Food Security Act \(NFSA\), 2013](#).

Over the past several years, the government has introduced many reforms to strengthen its service delivery in PDS. It launched a [program on end-to-end computerization of PDS](#) to digitize the beneficiary database and the supply chain and enable the automation of FPSs. The government introduced the facility of portability¹ in PDS to further improve the quality of service and increase competition among the fair price shops. Through portability, the beneficiaries can now lift their rations from an FPS of their choice rather than be tied to the FPS to which their ration card (RC) is mapped².

PDS portability in India is largely operated at the intrastate level, through which the beneficiaries are able to take ration from any FPS within their home state. In 2012, Chhattisgarh became the first state to pilot the facility of portability in two districts through the [Centralized Online Real Time-Electronic PDS \(CORE-PDS\)](#). The state government of Andhra Pradesh also introduced intrastate portability for the PDS beneficiaries in 2015. Presently, [11 states of India have implemented complete intrastate portability](#).

Status of implementation of portability in PDS



The Government of India introduced a new program in 2018 called “[the Integrated Management of PDS \(IM-PDS\)](#)”. The objective was to integrate the PDS portals of states with a central portal to enable interstate portability of FPSs. This will enable the beneficiaries to lift their rations from any FPS in the country without the requirement to transfer their existing ration card³ or obtain a new ration card—“One Nation, One Ration”.

To prepare for the implementation of national portability, a pilot test was rolled out in two clusters on August 1, 2019. Andhra Pradesh and Telangana formed the first cluster while Gujarat and Maharashtra formed the second. This provided the beneficiaries with the option to avail ration from either state within their cluster. For example, the beneficiaries from Andhra Pradesh could now take their ration from any FPS in Andhra Pradesh or Telangana and vice versa. Both intrastate and interstate portability facilities are available in the four states comprising the two clusters.

In September, 2019, MSC conducted a study⁴ in the two pilot clusters to evaluate the impact of portability and determine whether the program could meet its objectives. Our study also identified challenges that could potentially affect the

¹ PDS portability in India has two aspects: “Intrastate” portability, whereby beneficiaries have the choice to take rations from any FPS within their home state and “interstate” portability, whereby beneficiaries have the choice to take rations from states other than their home state.

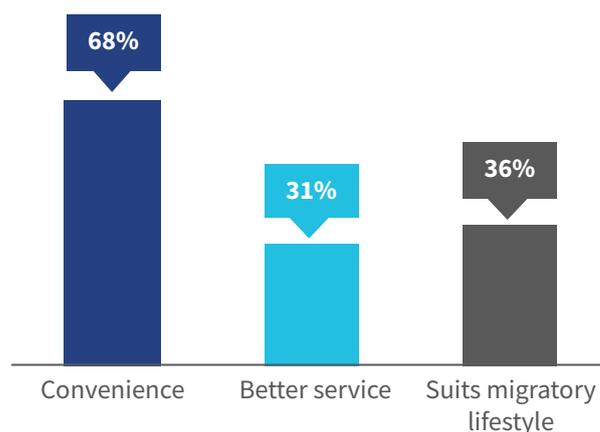
² As per the operations of PDS, the ration card of a beneficiary was mapped to a fixed FPS and the beneficiary was then permitted to take rations only from that particular FPS. This has since changed with the introduction of portability.

³ Transfer in this context implies changing the address on the ration card and getting it mapped to a new FPS.

national roll-out of portability in PDS and recommended ways to address these challenges. This note documents the findings of our study and highlights the effects of intrastate and interstate portability on different stakeholders, such as the beneficiaries of the program and the FPS dealers—for whom commissions are a major source of income.

We found that the awareness and usage of intrastate portability were very high among the beneficiaries within the two clusters. However, awareness was minimal in the case of interstate portability. According to the study, an average beneficiary who used the facility of portability conducted approximately nine portable transactions in the previous year and 92% of these beneficiaries had positive experiences. The beneficiaries had similar experiences with portability in a previous study conducted by MSC that evaluated the [digital governance reforms in the Krishna](#) district of Andhra Pradesh.

Reason for the positive experience



The implementation of portability has affected the beneficiaries and FPS dealers in the following ways:

- Improved delivery of services at FPS
- More convenient to lift ration
- Safeguard against unforeseen events

Improved delivery of services at FPS: Portability has made the dealers more conscious of their behavior and more aware of how they deliver services, as beneficiaries can now switch to a different FPS if they are not satisfied. As a prerequisite to collect rations, a few dealers used to force the beneficiaries to buy additional commodities from their shops to increase the total bill up to INR 200 (USD 2.83). Most beneficiaries were thankful that they did not have to continue to frequent the same shop where the dealers were either rude or provided less quantity of ration than entitled. Portability has empowered the beneficiaries—they now avoid returning to the dealers who exhibited poor behavior.

Lifting ration has become more convenient: Migrant families primarily enjoy the benefits of IM-PDS as their rations have now become more accessible. Also, fair price shops located in urban areas have higher volumes of transactions, mainly due to the large population of

migrants. Such beneficiaries are now able to save about INR 1,000 (USD 14) and up to two days of travel time as they no longer need to return to their home villages to collect rations. Even in large cities, beneficiaries previously traveled long distances to collect rations from their mapped FPS, despite the presence of multiple FPSs in the vicinity. This was more common in Andhra Pradesh as the beneficiaries were often not mapped to the nearest FPS. Portability has thus increased the convenience for the beneficiaries by reducing the travel distance, effort, time, and cost associated with accessing their rations.

Safeguard against unforeseen events: The option of portability has proved useful in the event of authentication failure, poor network connectivity, unavailability of the dealer, and shortage of stock. Beneficiaries are no longer required to visit a registered FPS multiple times and can visit an alternate FPS.

Dealers acknowledge that portability offers multiple benefits to the beneficiaries. At the same time, it also makes their sales unpredictable and results in a volatile income. Portability has affected the profitability of the dealers in the following ways:

- FPS location becoming key driver for sale
- Volatility in income
- Difficulty in managing stock

An increase in profitability (Beneficiaries > Registered RCs): After portability was implemented, FPSs in urban areas received higher footfall, particularly those situated in prime locations. The dealers of these FPSs were able to earn additional commissions by availing extra stock. Dealers observed that the increase in the number of beneficiaries reached as high as 40% in some places. Although it is feasible to order extra stock in such cases, the process is complex and is often met with delays that further cause shortages.

A decrease in profitability (Beneficiaries < Registered RCs): Some FPSs situated in urban locations witnessed a decline in the number of transactions as their registered beneficiaries shifted to other FPSs. This was the case with FPSs that were difficult to access, had a space constraint or had issues related to hygiene, both inside and around the shop. It resulted in excess stock at the end of the month and lower monthly commissions.

No change in profitability (Beneficiaries = Registered RCs): In most rural areas, portability did not have a major impact on the profitability of the dealer. The dealers in rural areas continued to transact with their regular mapped beneficiaries. They lost some beneficiaries but also gained a few, which resulted in no net gains or losses.

⁴In total, we interviewed 221 beneficiaries and 55 FPS dealers across four states.

Given the various benefits that portability offers to the beneficiaries, it is wise to scale up the facility from the intrastate to the interstate level but some challenges need to be addressed. One of the significant operational issues is that states vary with respect to the timelines and levels of automation in the allocation and distribution of ration. The process to request excess stock and stock reconciliation also varies from state to state. For example, the dealers in Andhra Pradesh can request up to 40% additional stock on any day of the month through the ePoS⁵ to accommodate portability transactions. However, in Telangana, the window to order extra stock is open only between the 7th to the 9th of the month. In the case of Gujarat and Maharashtra, the process has not yet been automated. Such disparities in the processes between states must be addressed to ensure that portability is implemented smoothly across India.

The table below summarizes the main challenges that we identified alongside recommendations to ensure a smooth rollout at the national level:

	Challenges observed in our evaluation of the two clusters:	Main recommendations for the central and state governments:	Initial steps to be taken:
Policy-level	Variations in the level of automation in different states with respect to processes, such as stock allocation, request for stock, reconciliation, etc.	Follow the best practices of the states to ensure that all states are at a similar level of automation and have similar timelines.	Draft and issue guidelines to request excess stock. Fix the period to take rations and the timelines for reconciliation.
	Dealers experience unpredictable monthly earnings and face losses in many cases.	Explore ways to compensate (at least initially) the dealers who face losses due to the introduction of portability.	Consider a hybrid commission model that has a fixed and a variable component.
Operational	Low levels of awareness of the details of the program.	Invest in communication campaigns at the national level and instruct or guide the state-level entities to implement such campaigns.	Consider advertising through SMS campaigns, posters, pamphlets, and endorsements by public figures. Provide training to the FPS dealers.
	Dealers witnessed a decrease in the footfall of the beneficiaries due to the location of their shop.	Optimize the locations of the FPSs at the state level.	Analyze the transaction data to understand the trends in taking rations. Address the locations with exceptionally high or low transactions.

According to the current proposed timeline, the Government of India plans to implement “One Nation One Ration” across the nation by 1 June, 2020. While portability is a great step to improve the delivery of services, the rollout should be conducted in a phased manner over time to address the issues identified above. Portability paves the way to grant more power and choice to the beneficiaries. It represents a beneficiary-centric mechanism for the delivery of social benefits in India—one that the central and state governments cannot afford to compromise on.

⁵Automated FPSs use electronic point of sale (e-PoS) devices capable of Aadhaar-based biometric authentication to distribute ration.