

**Do Poor People in Delhi want to change from PDS to Cash Transfers?
A Study conducted by SEWA Delhi
Executive Summary**

SEWA has been working in Delhi since last 9 years and today has over 15,000 members in various areas of Delhi. SEWA Delhi's main activities are:

- Struggle for markets for street vendors, and especially for “Women’s markets” in Delhi
- Struggle for social security benefits for construction workers in Delhi
- Women’s micro-finance Co-operative operational since last 2 years, doing savings, loans, insurance and pensions
- Women’s production units linking home-based garment and embroidery workers with local and International Retail companies
- Skill building for young girls through Gender Resource Centre and in collaboration with SBI Academy, and for construction workers with Karmika School and CIDC
- Reaching basic infrastructure—toilet, water, solid waste management—in slums.

This study was undertaken in August 2009 in three areas—Raghubir Nagar in West Delhi and Rajiv Nagar and Sundar Nagri in East Delhi—which had a concentration of SEWA members.

A sample of 150 ration card-holder respondents was selected on a random basis of which 60 have BPL card, 60 APL card and 30 belong to Antyodaya Category. 62 percent of respondents were Hindu while more than 37 percent were from the Muslim community¹. All respondents were women, but the questionnaire included information on every member of the family.

Most of the respondents had lived in Delhi for a considerable length of time, with nearly 80% of them having lived here for more than 15 years. The respondents mainly belong to the informal economy.

How different are card-holders? (Limits to targeting)

We assumed that the Antyodaya card-holders were the most economically and socially vulnerable and the APL holders the least vulnerable. However, we found that there did not seem to be major differences between many of the BPL and APL holders, although about 50% of the Antyodaya card holders were definitely poorer.

There were no notable caste differences among the Hindu card-holders. There was practically no difference in the family size between different types of card holders, with the average family size at 6.5 members. As expected there were a larger number of widows (nearly 12%) among the Antyodaya card holders, but there did not seem to be much difference among the BPL and APL families.

We found that the families in these areas had quite a low level of education with over 60% of adults illiterate or just primary pass, and just over 15% having education beyond 10th class. There does not seem to be much difference in schooling between the BPL and APL card holders

The family incomes of the respondents were very low with 50% Antyodaya card holders having reported incomes of less than Rs. 2500 per month. 80% of BPL families and 70% of APL families reported an income of less than Rs. 5000 per month which at less than Rs. 25 per capita per day would put them into a socially and economically vulnerable category².

¹ This is a much higher percent than for Delhi as a whole, and due to the fact that one of the areas chosen for study is predominantly Muslim

² Since we did not enquire about income in detail, only taking the reported income, the exact amounts may not be accurate. However, they probably do give an order of magnitude and a basis for comparison

Consumption of basic foods

The families interviewed bought their basic foods partly from the PDS shops and partly from the market. Typically a BPL family consumed nearly 45 kg of wheat, 19 kg of rice, 14 kg of sugar and 23 litres of kerosene in a month. There did not seem to be any difference in the per capita consumption of the basic foods between the various levels of card holders. The per capita consumption of grain (wheat) was 7.7 kilos per month, with minor differences between Antyodaya and APL card holders.

Everyone Uses PDS

Every card holder uses her card to the maximum and hence there are long queues, impatient customers and often conflicts outside the ration shops. Almost all card-holders bought wheat last month. Almost all card-holders who were eligible bought sugar. Since most of the respondents are from Northern States of India, there were some who did not buy rice. People in Delhi are able to use the ration shops easily as 95% are within 2 kms of their homes.

Entitlements and Receipts

We found that, on the whole, most card-holders received between 80% to 90% of the quantity to which they were entitled. The exception was in the case of kerosene where the Antyodaya and BPL card holders received about 70% of entitlement. However, there were differences in the prices which they were charged, with Antyodaya card-holders paying over 40% in wheat and over 80% for rice above their entitlement price.

PDS satisfies only a part of the basic food needs

For all categories of card-holders the PDS system satisfies less than half of the food needs. There does not seem to be much difference between different categories of card-holders in the proportion bought at ration shops and in the market. 58% of wheat consumed and 65% of rice and over 62% of sugar consumed by card holder families is bought in the open market.

Card-holders do not receive complete subsidies

Although the Delhi has one of the best run PDS systems, yet as we have seen there are shortfalls in amounts of basic food received, and over-runs in prices. Card-holders do not receive their full due subsidy, with Antyodaya receiving 55%, BPL 72% and APL under 60% of their due subsidy.

Card holders' Opinions on Cash Transfers

We tried to find out the card-holders' feelings about switching from PDS to cash transfers first through Focus Group Discussions and then through the questionnaires.

We found that the concept of cash transfers instead of PDS was difficult to grasp and had to be explained a number of times and in different ways before people could understand the meaning. **We found that once people understood the idea, a majority—60%-- were agreeable to it, and 40% opposed it. An important point to note is that those opposing cash transfers mostly opposed it very strongly. So, in any group discussion their opinions tended to overwhelm the opinions of the people who supported the idea.**

Surprisingly, there was not much difference in the opinions of Antyodaya, BPL and APL card holders, with 56% Antyodaya, 60% BPL and 62% APL card holders wanting cash transfers. The real differences appear when we analyse by income, with the poorest groups strongly opposing cash transfers and the better off groups supporting it. Among the poorest group only 46% wanted cash transfers and 41% strongly opposed³. Whereas within the better-off group 83% wanted cash transfers and only 17% opposed. The people who supported the cash transfers did so mainly because they were dissatisfied with the services provided by the ration shops and felt that could spend that money on better and more food, wasting less of their own time and energy.

The two main reasons for opposition to the cash transfers was first because women felt that cash would be used for other needs and not spent on food, and second because inflation would soon reduce the value of the cash they received and they would be able to buy less food. In recent years inflation has indeed been very high for basic food stuffs.

Table 19: Reasons for preferring Cash

Sl no.	Reason for liking cash	Total
1.	Not getting complete and quality ration from ration shop,	32.2%
2.	Too much rush and long queue,	17.7%
3.	Shop remains closed, ration finished before time,	15.5%
4.	No body is there to collect ration on time, Need not go again and again to ration shop thus we will save time	13.3%
5.	Have no other income source/Need cash for other urgent needs	12%
6.	We will utilize cash according to our needs	5.5%
7.	Can't say	2.2%
8.	Total	100%

³ The rest 13% also opposed, but not as strongly.

Table 20: Reasons for not preferring cash

Sl No	Reason for opposing cash	Total preferring
		Kind(ration)
1.	Cash will be spent somewhere	56.6%
2.	Ration prices are low, while market prices keep increasing	31.7%
3.	In open market also adulterated food is found	5.0%
4.	Through expenses in ration, we can assess money spent in family	6.6%
	Total	100%

If PDS is shifted to Cash Transfers what should be the amount each family receives?

We found that a typical BPL family would spend Rs. 2200 a month on the basic foods if they bought it at today's prices in the market⁴. There was not much difference on spending between APL, BPL and Antyodyay card holders.

We also calculated what would be amount spent if a BPL card-holder bought only her present ration entitlement from the open market and found it to be about Rs. 1400. However, when we asked the respondents how much they should receive if PDS entitlements were changed to cash transfers the average reply was Rs. 2500 per month

Obtaining other benefits

Card-holders use their cards to obtain a number of benefits, apart from the PDS basic food. In our sample over 35% of the respondents were obtaining other benefits including old age pensions, widow pensions, handicapped pensions and educational benefits like scholarship and ladli. The new health insurance scheme of RSBY had also started reaching some of the respondents. In addition, the respondents said that they used their ration-card as an identity for school entry or opening bank accounts.

Conclusion

We propose that the Delhi Government run the cash benefit system as a pilot in a few selected areas of Delhi to experiment whether a shift over from a commodities-based benefit system to a cash-based one would increase the well being of poor or not. This would not only enable the Government itself to test what would be required to make such a system work, but would also be able to physically demonstrate to the card-holders how such a cash based system would work.

⁴ Wheat, rice, sugar and fuel

