

Would people of Chhattisgarh prefer cash transfers instead of foodgrain?

Devanshi Chanchani

Acknowledgement

"This paper is a product of research consortium Leveraging Agriculture for Nutrition in South Asia (LANSA), and is funded by UK aid from the UK government. The views expressed do not necessarily reflect the UK Government's official policies. For more information see www.lansasouthasia.org".

Background

There is striking evidence to show that the Public Distribution System (PDS) reforms undertaken by the Chhattisgarh government to decentralise grain distribution to the village panchayat, enhance transparency measures through the use of technology and establish mechanisms to redress grievances, have worked to overhaul PDS implementation in the state (Krishnamurti et. al 2014; Puri 2012; Khera 2011). While the Chhattisgarh PDS is concerned almost exclusively with the distribution of rice, and commodity diversification efforts to include lentils, sugar and cooking oil have been inconsistent and patchyⁱ, it is widely agreed that the PDS is effective in delivering the staple grain. Across various parts of the state, cardholders unanimously report that grain distribution is regular and that they receive the mandated entitlementⁱⁱ. Furthermore, the reach of the Chhattisgarh PDS is near universal, with almost all rural households holding an entitlement card. The quality of distributed rice is perceived to be acceptable and the pricing at token rupees 1 or 2 per kilo is expectedly attractive.

The form that food assistance should take is a subject of longstanding debate and although now especially topical, the usefulness of a 'Direct Benefit Transfer' (DBT) or food subsidies as digital cash payments directly into bank accounts, has been considered across governments in India. It has further been envisaged that the delivery of PDS or other welfare subsidies be linked with the biometric identity Aadhaar cardⁱⁱⁱ. How do users in Chhattisgarh, where the PDS has an expansive reach and makes effective grain distributions, view the idea of receiving cash transfers instead? This question was explored in interviews with adult users of the PDS across two different locations, a mixed caste village from Chhattisgarh's rice-growing plains (Abbhanpur block, Raipur district), and an adivasi village from a hilly region of Bilaspur district (Kota Block)^{iv}. The theme of discussion, the hypothetical scenario of the state making payments in cash instead of grain, found wide resonance and evoked strong sentiment. The general findings from these blocks are also echoed in casual discussions with informants outside these regions.

Overwhelming preference for grain over cash

In April-May 2015 both the regions Kota and Abbhanpur, had witnessed a recent 'scare'. There had been news that the monthly distribution of rice by the PDS would be discontinued or 'closed' (*'band karvane ka bol rahe hai'*) and that the state government would replace it with cash transfers to bank accounts instead (*'kehate hain paisa bank account mein jama karenge'*). This information had sounded alarm bells. While the worry that cash would replace grain had momentarily passed, and the PDS continued to distribute rice at the village level, the prospect of its replacement by cash lingered. The overwhelming and consistent preference for grain over cash is striking, especially since it was expressed by both men and women and irrespective of class, adult age or community criteria. It is useful to examine reasons for this sharp preference for grain over cash in the background of national debates about cash transfers.

What shapes the across-the-board preference for foodgrain?

'In that situation (receiving cash over rice), it is the trader who will benefit. If the state is giving us cash at 25 rupees per kilo of rice, then the trader will sell rice to us at 30 rupees per kilo'

[Bijusingh Gond, Male, 45 years, Kota block, Bilaspur district]

'If we are given cash (in lieu of rice), then the traders will sell us rice at a higher price. They know that we have to buy this rice at any cost, so they charge what they will.'

[Suresh Behal, Satnami, Abbhanpur block, Raipur district]

The statements above express a common apprehension that food assistance in the form of cash instead of kind would place the community at the mercy of the *vyapari* or traders. The worry is that both wholesale dealers as well as local shopkeepers would take advantage of the inelastic demand for the staple grain, and would raise the price at which they sold it to consumers. As an example, if the government had set the benefit transfer at a rate of Rs. 25 per kilogram of rice for an entitlement of 35 kilograms (a cash transfer of Rs.25*35 kg, or Rs.875), it was feared that traders would raise the selling price of rice to about Rs.30 per kilogram, reducing for the consumer the real value of the subsidy. It would be worth then to them 29.16 kg of rice instead of the 35 kg currently received (Rs. 875/Rs.30 per kilogram). This is a legitimate worry since it is widely agreed that rural markets are underdeveloped and traders have significant power over local communities. An additional consideration is the effort and inconvenience involved in engaging with the banking system, in purchasing grain and in transporting it. Although the banking infrastructure

across Chhattisgarh is variable, in both Kota and Abbhanpur, banks are available in reach of study villages. The process however of engaging with them, and subsequently purchasing and transporting grain, is envisaged as tedious and expensive, compared to the current reliable village-level rice distribution. However, while the above outlined factors - the little faith reposed in traders and the perceived difficulties of accessing banks or transporting grain are important, these were not the *primary* considerations underpinning the preference for grain.

With a view to understand positions on the 'idea' of cash transfers, community members were engaged in discussion about a hypothetical situation, one where cash transfers to bank accounts were reliable and of an equivalent worth to the then received PDS entitlement of 35 kg rice. In sum, a situation where cash transfers would be accommodating of fluctuation in market prices and cover the envisaged increase in transport or other costs to the consumer that a move to cash might bring. It is noteworthy that while giving full consideration to this hypothetical 'what if' situation of reliable and fair cash transfers, respondents were similarly consistent in their preference of grain. Underlying their choice was the firm sentiment that 'cash in hand' would be unwisely spent and would erode the food security that grain provided. It is striking that both men and women echoed this sentiment, and felt that it was food grain transfers which enabled 'the household to run' *'ghar chalta hai'*.

'What will we do with money? Where will I get rice from? We want nothing to do with money. We want rice that is it.'

[Paridabai, female labourer, 45 years, echoing the views of a group of female labourers together at a rice storage federation, Abbhanpur block, Raipur district]

While some such as Paridabai in the quote above expressed anger in even a hypothetical discussion about the possibility of grain replacement by cash, others were calmer in reflecting about the question and reasoned why they felt that cash in hand, instead of grain in the kitchen would erode food security. Men sometimes displayed a degree of embarrassment in admitting that they would not be able to 'control' how they might spend cash received, at others they were pragmatic and honest in reporting the reality of the problem of alcoholism, and how that may lead to misuse of money. They also reported likely scenarios where immediate needs would cloud longer-term thinking and impinge strategizing or decision-making about use of cash in hand.

'If my child is sick or if we need something, then the money would be spent on other expenses... then when the money was spent, where would we get the grain from?'

'If we have gone to the market to withdraw the cash from the bank, then the temptation with cash in hand would be to spend it on eating or drinking at the bazaar (market). Is it not? If for instance we have 15 kgs of rice already in the house, then the thinking would be that we have rice at the moment and the money

may be spent on something else... later in a few days when we need the rice we would not have the money'

'In our thinking (to receive) rice is better than money.

[Puniram Gond, Male, about 45 years, Kota Block, Bilaspur]

Conclusion

'Just from distributing the Dhan (rice) our household runs for the entire month and the government is like 'god' to us. If only they would come up with a system of making the health of our children free... the money we earn would then be available to us (since we pay very high sums of money to treat illness)'

'For my family (of three persons) this 35 kg rice is adequate for one month. We now only have to worry about the vegetable or subji every day'

[Jeevan Pardhi, Pardhi tribe, 45, Abbhanpur block, Raipur district]

It is known that operational costs of delivering in-kind food assistance are high, and that systems are commonly subject to inefficiencies and corruption^v. Advocates of cash transfers have argued hence their potential to bring significant financial savings to the government and also reduce corruption. Furthermore, it is advocated that putting cash in the hands of the consumer allows him to exercise 'choice', select grain of his liking from the open market, or use the money as he or she may choose. While the potential to rationalise finances and make savings to the government exist, for people in rural Chhattisgarh who have experienced reliable distribution of PDS grain, cash transfers represent greater food security. It is striking that in this context respondents prefer to forego the possible 'choice' that equivalent value cash transfers represent for the food security that grain represents. While the preference for grain over cash is not consistent across the country, and given leakages communities in many states receive few benefits (Khera 2014), for the state of Chhattisgarh as Khera also finds, there is overwhelming preference for grain^{vi}. It is important to consider context as well as community reasoning on the food security implications of different forms of food assistance.

For individuals such as Jeevan Pardhi in the quote above, the PDS has reduced vulnerability and afforded a hitherto unknown security. Jeevan Pardhi's latter statement moreover points to an additional dimension of interest - what the relation between the PDS subsidy and household diet quality may be. It is methodologically challenging to trace how income support and social protection experienced from PDS subsidies may contribute to improved diet quality, and here too any financial savings may be diverted to non-food expenditures. There is however, anecdotal evidence to suggest that freed from some burden of provisioning the staple sources of energy, some resources are being directed towards improving diet quality^{vii}. This important question would merit further careful research.

References

- Dreze, Jean (2015). The Pursuit of Cash Transfer Nirvana Ignores Inconvenient Evidence. *Huffingtonpost.in*, 06/11/2016
- Dreze, Jean 2011. The Cash Mantra. *The Indian Express*, 11/5/2011
- Khera, Reetika. (2014). Cash vs. in-kind transfers: Indian data meets theory. *Food Policy*, 46, 116-128.
- Khera, Reetika. (2011). Trends in diversion of PDS grain. *Economic and Political Weekly*, 46(21), 106-114.
- Krishnamurthy, P., Pathania, V. and Tandon, S., (2014). Public distribution system reforms and consumption in Chhattisgarh: a comparative empirical analysis. *Economic & Political Weekly*, 49(8), pp.74-81.
- Puri, Raghav. (2012). Reforming the public distribution system: lessons from Chhattisgarh. *Economic and Political Weekly*, 47(5).
- Standing, Guy. (2012). Cash Transfers: Review of the issues in India, *Social Policy Working Paper Series, UNICEF India, SEWA Bharat*
- Svedberg, P., (2012). Reforming or replacing the public distribution system with cash transfers. *Economic and Political Weekly*, 47(7), pp.53-62.

ⁱ While Chhattisgarh has on occasion distributed sugar and lentils this has primarily been in *adivasi* or tribal regions.

ⁱⁱ Although this blog draws primarily to data from field visits in Raipur and Bilaspur districts, the author has made visits to the state over the past 10 years (Dhantari, Bilaspur, Raipur and Koriya) and communities have reported receiving the entitled grain. While PDS implementation is by-and-large successful across the state, the Bastar region has peculiar governance problems related to the interconnected issues of naxalism, mineral resource extraction, militarization and suppression of human rights. However, while there may be implementation gaps, some reports indicate that PDS rice reaches communities in Bastar.

ⁱⁱⁱ See for instance Svedberg (2012), Standing (2012), Dreze (2011; 2015) and Khera 2014 for an example of competing views on the cash vs. food debate The National Food Security Act of 2013 protects in-kind food distribution. This has however not prevented significant interest in converting the food subsidy to a cash transfer.

^{iv} Visits were made in April/May 20015 (to Kota and Abbhanpur) and in September 2015 (Abbhanpur block). Subsequent visits have been made to Chhattisgarh – Abbhanpur, Tilda and Dhantari districts in 2016.

^v In the case of Chhattisgarh, although the PDS is effective in the distribution of grain, there remain systemic inefficiencies. The operation of grain storage at a *sanghran Kendra* - a step between the procurement of the rice harvest from farmers at the *mandi* and it's milling by private millers - is for instance unnecessary and expensive. Similarly Chhattisgarh is not free from allegations of corruption in the PDS.

^{vi} The author's limited interactions on the subject in Tamil Nadu have findings contrary to Khera (2014) however. Community members from a poor habitation in a village of Reddiarchatram block, Dindigul district, reported that while the distribution of subsidized PDS rice was regular, the rice was, if at all, only partially used for home consumption. The quality of grain was not considered good enough to consume as cooked rice, but was partially acceptable for when soaked and ground into *idli* batter along with lentil. It was used instead largely as an additive to cattle feed. While poorer groups may consume a greater proportion of the grain, even in a poor habitation of the village, the most common reported use of the rice was as an additive to cattle feed. The idea of receiving cash instead of grain was viewed favorably by many in the village. This is contrary to Khera's (2014) findings, that the preference for cash over grain was an outlier to the overall preference for grain in Tamil Nadu.

^{vii} For a usual family of about 6 members (adults and children), the 35 kgs of PDS rice sufficed for about 12-15 days.