

FIELD VISIT NOTE: FAIR PRICE SHOP (FPS) IN ANDHRA PRADESH (AP)

INTRODUCTION: AP'S EXPERIMENT WITH DIGITAL IDENTITIES

Prior to finalizing the implementation of biometric authentication, the AP government tried different authentication systems with mixed results:

1. IRIS based deduplication at Mandal level in 2005-06, cons being beneficiaries realizing the localized aspect of the same, applied for duplicate cards in different Mandals.
2. Biometrics linked Smart Cards in Secunderabad and pockets of Krishna District, cons being beneficiaries began to use each other's smart cards by exchanging PIN and OTP numbers.
3. Currently, a work-around system for authentication failure, wherein grains under Public Distribution System (PDS), can be disbursed using biometrics of Village Representative Officer (VRO) in rural areas and Assistant Supply Officer (ASO) in urban areas respectively during specific days of the month based on VRO's/ASO's availability. FPS owners and elderly beneficiaries expressed discontent with the work-around system. They also opined that transaction failure was much lesser using iris scans, though the government, for now, has suspended iris scanning.

VISIT DETAILS

A field visit was undertaken by Mr. Rakesh Allu as part of research study under DIRI, ISB in collaboration with TATA Trusts to understand the dynamics of FPS post digitalization. 3 FPSs in urban and 4 in rural AP were visited and the following stakeholders were interviewed:

1. ASO, who is responsible for movement of grains in a cluster of Mandals
2. Deputy Tehsildar, Mandal Level Stock Point (MLSP), who is responsible for management of warehouse
3. Assistant Vice-President of FPS owner's union
4. 5 beneficiaries in Vijaywada and 8 in Paidurupadu



OBSERVATIONS REGARDING PORTABILITY

Post a pilot in East Godavari, portability was implemented in three stages – within the cities (Mar'16), inter-Mandal (May'16) and across the state (Aug'16). In contrast to Chhattisgarh where the primary reason observed was to create competition among FPSs, the narrative here seems to help migrant workers in claiming their ration. The issue of migration is believed to be critical in AP given the stark difference in prosperity among districts.

Two kinds of portability usage were observed – inter-region and intra-region

1. Inter-region portability is a collection of instances where grains are claimed by beneficiaries migrating from far-off places (loosely defined). Primary root-cause for such migration is work. In the regions that were visited, the migrant workers moved either for agricultural work or for working at the brick kennels. Migration due to agricultural work typically peaks in the months Nov – Jan and May – Aug. No bottlenecks were observed in their access to regular PDS entitlements such as rice and sugar. However, in times where additional entitlements are released (Ramzan Tofa and Sankranti Kanuka), the FPS owners refrained from disbursing these additional entitlements to foreign beneficiaries till 14th of the month.
2. Intra-region portability is a collection of instances where grains are claimed by beneficiaries within the community at shops different from their registered shops. Most beneficiaries in both urban and rural mentioned hauling convenience as the primary reason for choice of an FPS. An instance of an FPS (in rural area) where internet connectivity was lost for over 12 hours was witnessed. Despite presence of another FPS within 2 lanes, the beneficiaries preferred to wait another day and claim it from the same shop. Only one beneficiary (in rural area) had mentioned using a different FPS because of poor service quality in terms of shop opening times and FPS owner behavior.

General awareness of portability among the beneficiaries seemed very high. Only 1 (out of 13) beneficiaries interviewed was not aware of this functionality.

FPS owners said that the Impact on their commissions have been minimal as typically the number of portability cards they serve is the same as the number of portability cards they lose to other shops. Being driven by 'status' in society more so than profits, FPS owners show reluctance on making additional order for rice. Once, the stock is sold, they move to other profit-making activities.

In urban areas, presence of cartels was observed, which was confirmed by Vice-President of FPS owner's union. However, these cartels were found to be flexible in nature.

In rural areas, choice of an FPS among beneficiaries depended on factors such as caste and affiliation to a political party, apart from hauling convenience, implying that service quality parameters such as no. of hours a store is open, no. of times epos breaks down etc. seems not to determine the usage/non-usage of portability.

MOVEMENT OF GRAINS ACROSS SUPPLY CHAIN

Before the start of every month, the FPS owner visits the MLSP to place his order. The order quantity is primarily a function of the quantity he can stock at his store (Q_a) and the closing balance of the previous month. The MLSP manger takes his biometrics, collects the DD and registers as request order (RO). The cost of moving grains from MLSP to FPS is borne by the government but the cost of loading and unloading is borne by the FPS owner.



The quantity an FPS owner can order at the start of the month cannot exceed the difference between Q_a and the closing balance of the previous month. If the FPS owner observes a significant influx of foreign cards at his store, he can reach out to either ASO or VRO to seek permission for release of additional grain.

The ASO verifies the need digitally and either grants or denies the permission. If granted permission, the FPS owner visits the MLSP and repeats the RO raising process. The ASO has the power to summon the FPS owner to raise a RO if he feels the need for the same. ASO is also responsible for monitoring the stock level at each FPS.

The amount of additional grain that can be released is $\sim 30\%$ of shop's Q_a in urban regions and $\sim 10\%$ in rural regions. ASOs refrain from releasing more than the above % to a single shop owner. They encourage the shop owners to direct the beneficiaries visiting the shop to near-by shops if demand exceeds the above percentages.

2 (out of 4) FPS owners interviewed in the rural regions expressed that they have been denied additional replenishment at least once in the last three months, making them believe that the option of ordering additional grains is revoked. However, it was heard otherwise from both ASO and Tehsildar.

When asked about the impact of portability on MLSP stock level, both ASO and the Tehsildar mentioned that it is highly unlikely that MLSP runs out of stock. The inventory level decisions at MLSP are taken by Commissioner of Civil Supplies, at the district head-quarters.

FUNCTIONING OF FPS POST DIGITALIZATION

It was observed that the operating hours for FPS have reduced post digitalization. They remain open till the 15th of the month from 8:00 am to 12:00 noon and from 5:30 pm to 7:30 pm. Most FPS owners expressed reduction in the operating days (15) as an advantage of adopting digitalized supply chain. Earlier, they used to spend up to 5 days for tallying books every month.

Fraud w.r.t. quantity was found to be prevalent despite end-to-end digitalization of all FPS operations. Rocks were found to be placed on the weighing machine in 2 out of 3 shops in urban areas. On the contrary, shops in rural areas were found to appear more righteous, possible reason being the societal pressure in a close-knit community.

Beneficiaries seemed to be aware of the on-going fraud in urban areas. Relinquishing a day's pay to seek redressal for their grievance was cited as the reason for not seeking such. As part of Real Time Governance System (RTGS) initiative, a call is made to each beneficiary by Chief Minister's (CM) call center, though the feedback is sought in terms of being satisfied either a Yes (Y) or a No (N), leaving no scope for raising complaints. % of respondents citing Yes was found to be lying between 60-70%, target under CM scheme being 80%.

On being asked whether the biometric authentication was performing well, most beneficiaries did not express any issues with the system. Most believed that the transaction time has come down significantly over the past 3 years.

Though, month-on-month volatility in transaction time was found, reasons cited by FPS owners being: operations being done on 2G Sim cards, older stores (>2 years) expressing breakdown of epos machine on certain days (cost for maintenance of epos is borne by the FPS, though one-time cost of machine (~ Rs. 40,000) and its installation is borne by State Government), and syncing issues with monthly software upgrades resulting in longer transaction times in first 2-3 days of the month.

FPS owners cited that during the first 6 months of launching Aadhaar Enabled Public Distribution System (AePDS), there were several issues, which have gradually streamlined since its implementation.



Poor biometric quality seemed to be a 'serious' concern among the elderly (15-20 beneficiaries out of a population of 4000-5000) at multiple locations and a transaction time of ~17 minutes was observed for an elderly lady at an urban shop.

AP Government has entered into an agreement with Reliance for converting all FPSs into multi-commodity retail stores, the transformation being currently financed by Reliance; going forward to be shared among Reliance (50%), Government (25%) and FPS owner (25%).



For all non-PDS items sold, FPS owner would get a commission of 8% of total value of commodities sold, which would primarily be Reliance home-brands and sold at a price, which is significantly lower than the MRP. These shops need to operate throughout the month, 12 hours a day and be labelled as a Village Mall.

3 out of 4 FPS owners in rural areas expressed reluctance to get converted to a Village Mall. They also mentioned that the price of commodities sold is significantly higher than a local Kirana store e.g. 1 kg of Chana costs ~ Rs. 58 at a local store and Rs. 68 at the Village Mall with a printed MRP of Rs. 75.

OTHER OBSERVATIONS

1. Around 1% of FPSs were found to allow paper-based transactions.
2. License for an FPS is provided to an applicant, if he/she demonstrates potential storage space of 80-100 quintals of grains.
3. The approved IRIS scanners which once used to cost ~ Rs 80,000 are now available for ~ Rs 5,000 (Chinese manufacturers).