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How to break the ration shop monopoly

INDIA RUNS the world's largest food-based safety net programme, in which six in 10 Indians draw subsidised cereals each month from one of 5 lakh fair-price shops (FPS). Until 2019, the entitlements were tied to the address on the card. A worker who left his village for a Punjab paddy field, a Delhi construction site, or a Surat textile mill could not draw his or her grain at destination. Poor workers, however, move constantly in search of wages and employment. Tying entitlements to geography was a non-trivial gap in the safety net. The 2020 lockdown made the cost of that gap brutally visible.

In 2019, the One Nation One Ration Card (ONORC) reform was designed to fix this anomaly. ONORC comprised two elements. Portability: With Aadhaar authentication, a beneficiary could collect her quota at any FPS in India. And divisibility: Entitlement could be split across two (in principle more) draws, lifting part of the grain at home and the rest from where the migrant stayed.

The reform's drafters anticipated the main benefit to accrue to long-distance migrant families. With Bihar as the case, the greatest utilisation of ONORC did not happen with migrants from the state in Delhi, Mumbai or comparatively rich destinations. It overwhelmingly took

place in geographically proximate FPS. ONORC served as the instrument for the reallocation of bargaining power in favour of beneficiaries as their choices widened. Bihar, India's poorest and largest migrant-donor state, provides the perfect case to validate the relative weight of the two channels of ONORC effects. We employ a dataset of 891 million transactions from its AePDS portal since April 2022, with the IMPDS interstate dataset for cross-state use of ONORC.

Data shows that the bargaining-power effect far outstrips the comparatively long-distance migrant-needs effect. In February and March, 62 of every 100 Bihar transactions happened at a shop near the cardholder's assigned FPS. If entitlement compromises in price or quantity or in intangibles like quality of grain or service quality at assigned FPS were the driver for FPS migration, the migrated FPS would likely be in the vicinity (let's call it type 1 portability). If invoked by long-distance migrants, we call it type 2 portability. The decomposition of ONORC usage is revealing: 38 per cent at assigned FPS, 55 per cent at a different FPS in the same block,

4 per cent at a different block in the same district, 2 per cent in another district, and only 1 per cent in other states. Migration across FPS is likely happening to reallocate bargaining power between dealers and beneficiaries. The share of portable

transactions has climbed roughly six percentage points a year since April 2022, evenly across Bihar but most in type 1 portability.

Before 2019, the dealer was a monopolist. The tied household had no bargaining power when short-changed in price, quantity, quality of grains or of service. This typically affected comparatively low-power, female-headed and lower-caste households. ONORC structurally changes the power relations. The cardholder can threaten exit, which hurts the dealer as the commission is tied to the volume of grain disbursed. The cardholder who switches disciplines dealers, which could result in better beneficiary outcomes. What ONORC has given the cardholder is freedom and thereby empowerment. Divisibility smoothes the allocation across members. Divisibility is, however, being used comparatively sparingly, perhaps due to lack of awareness, dealer incentives and other factors.

Yet ONORC has made that dealer-client relationship negotiable. Its import goes beyond addressing migrants' needs and preferences. The bargaining-power reallocation may be the largest welfare change PDS has seen in decades.

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What One Nation One Ration Card has given the cardholder is freedom and thereby empowerment