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A Theoretical Study on Performance of Public Distribution System in India

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Abstract

Public distribution system (PDS) is an Indian food security system. Established by the Government of India under Ministry of Consumer Affairs, Food, and Public Distribution and are managed jointly by state governments in IndiaOver the years, PDS has become an important part of Government's policy for management of food economy in the country. PDS is supplemental in nature and is not intended to make available the entire requirement of any of the commodities distributed under to a household or a section of the society. The PDS has been criticised for its urban bias and its failure to serve the poorer sections of the population effectively. The targeted PDS is costly and gives rise to much corruption in the process of extricating the poor from those who are less needy.Though government has taken several measures to improve PDS like decentralised procurements, introduction of UIDAI etc. but still these measures are not completely adopted. More measures like universalization of PDS are need of the hour. PDS can provide food security only when it covers wide range of food grains. With introduction of Food Security Ordinance, we can expect PDS will also get it much due push and will be able to fulfil the long cherished goal of Food security.

Key Words: *Public Distribution System, UIDAI, Food Security*

Introduction:

Public distribution system (PDS) is an Indian food security system. Established by the Government of India under Ministry of Consumer Affairs, Food, and Public Distribution and are managed jointly by state governments in India, it distributes subsidized food and non-food items to India's poor. This scheme was launched in India on June 1997. Major commodities distributed include staple food grains, such as wheat, rice, sugar, and kerosene, through a network of fair price shops established in several states across the country. Food Corporation of India, a Government-owned corporation, procures and maintains the PDS.In coverage and public expenditure, it is considered to be the most important food security network. However, the food grains supplied by the ration shops are not enough to meet the consumption needs of the poor or are of inferior quality. The average level of consumption of PDS seeds in India is only 1 kg per person / month. The PDS has been criticised for its urban bias and its failure to serve the poorer sections of the population effectively. The targeted PDS is costly and gives rise to much corruption in the process of extricating the poor from those who are less needy. Today, India has the largest stock of grain in the world besides China, the government spends Rs. 750 billion ($13.6 billion) per year, almost 1 percent of GDP, yet 21% remain undernourished. Distribution of food grains to poor people throughout the country is managed by state governments. As of date there are about 500,000 Fair Price Shops (FPS) across India.

Objectives: The objectives of the Public Distribution System are as follows:

1. To protect the low income groups by guaranteeing the supply of certain minimum quantities of food grains at affordable price.
2. Ensuring equitable distribution.

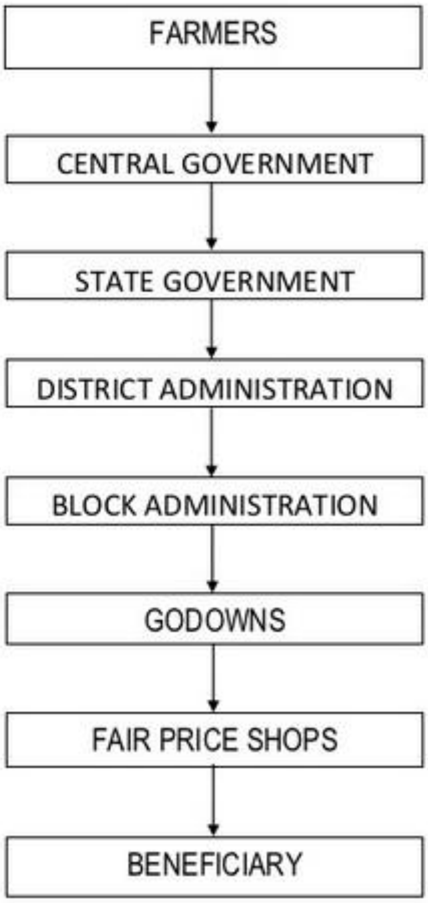
3. Controlling the price rise of Essential Commodities in the open market.

Functioning of PDS:

Public distribution system (PDS) is started by Ministry of Consumer Affairs, Food and Civil Supplies of the Indian government. The functions are as follows.

1) Procurement of Food Grains from different and availability places throughout the country.
2) Identification of poor and needy for smooth running of the distribution system and process.
3) Issue of ration cards to poor people with very much care to avoid duplication and multiplication.
4) Transportation of food grains to all Fair price shops in appropriate time to avoid inconvenience.
5) Selling Food grains to all the needy people to save them from the scarcity.

Public distribution system flow: This is PDS Process following in the country



Criteria Under Targeted Public Distribution System: The following criteria are applied in the country in the process of PDS:-

1. Families having annual income up to Rs. 15,000/- having been included in IRDP List of 1997-98.
2. None of the members in the family should be a doctor or a lawyer or an architect or a chartered accountant.
3. None of the members in the family should be a professional tax payer, a sales tax payer or an income tax payer or eligible to pay such tax.
4. The family should not posses residential telephone.
5. The family should not posses four wheeler vehicle.
6. None of the family members should hold total two hectare rain fed or one hectare semi-irrigated or 1/2 hectare irrigated (double in drought prone talukas) land.

Advantages: The following are advantages from the PDS

1. Economically people can grow as the PDS provides major food grains
2. Speedy distribution is possible as it has proper chaneel.
3. Families can be able to get benefits with Inherent distribution
4. Reliability is more in the PDS as duplication is less
5. Incremental growth is possible to the families and standard of living will be improves.

Disadvantages:

1. Lack of software awareness leads to misuse and underutilisation of PDS benefits.
2. More Network leads to delay in Distribution
3. More components may lead to less distribution due to confusion.

Limitations of PDS:

The public distribution system is not free from its limitations.

1. Identification of poor by the states is not fool proof. A large number of poor and needy persons are left out and a lot of bogus cards are also issued. This major limitation.
2. Fair Price Shop Owner gets bogus Ration cards and sell the food grains in the open market.
3. People do not get the entitled amount of food grains from the Fair price shop.
4. Diversion of Food grains by FPS owner and middle men for smooth distribution.
5. Many time good quality food grains are replaced with poor quality cheap food grains.
6. PDS covers food grains like wheat and rice, it does not fulfil the requirement of complete nutrition.
7. Uneven distribution of Food generations, procurement and distribution. For example: north eastern states are very far from Punjab and Haryana, from where wheat is procured. To transport food grains from Punjab to far flung areas in North east will entail cost and time both.

Though government has taken several measures to improve PDS like decentralised procurements, introduction of UIDAI etc. but still these measures are not completely adopted. More measures like universalization of PDS are need of the hour. PDS can provide food security only when it covers wide range of food grains. With introduction of Food Security Ordinance, we can expect PDS will also get it much due push and will be able to fulfill the long cherished goal of Food security.

Role of Governments: The central and state governments shared the responsibility of regulating the PDS. While the central government is responsible for procurement, storage, transportation, and bulk allocation of food grains, state governments hold the responsibility for distributing the same to the consumers through the established network of Fair Price Shops (FPSs). State governments are also responsible for operational responsibilities including allocation and identification of families below poverty line, issue of ration cards, supervision and monitoring the functioning of FPSs. Under PDS scheme, each family below the poverty line is eligible for 35 kg of rice or wheat every month, while a household above the poverty line is entitled to 15 kg of foodgrain on a monthly basis.A below poverty line (BPL) card holder should be given 35 kg of food grain and the card holder above the poverty line should be given 15 kg of food grain as per the norms of PDS. However, there are concerns about the efficiency of the distribution process.

Public Distribution shops:

A public distribution shop, also known as fair price shop (FPS), is a part of India's public distribution system established by Government of India which distributes rations at a subsidized price to the poor.[5] Locally these are known as "ration shops" and chiefly sell wheat, rice and sugar at a price lower than the market price called Issue Price. Other essential commodities may also be sold. To buy items one must have a "Ration Card". These shops are operated throughout the country by joint assistance of central and state government. The items from these shops are much cheaper but are of average quality. Ration shops are now present in most localities, village’s towns and cities. India has 478,000 shops constituting the largest distribution network in the world. The introduction of rationing in India dates back to the 1940s Bengal famine. This rationing system was revived in the wake of acute food shortage during the early 1960s, before the Green Revolution.It involves 2 types- RPDS and TPDS.

Defects of Public Distribution System:

The public distribution system of India is not without its defects. With coverage of around 400 million below-poverty-line (BPL) families, a review of the PDS has discovered the following structural shortcomings and disturbances:

1. Growing instances of the consumers receiving inferior quality food grains in ration shops.
2. Deceitful dealers replace good supplies received from the F.C.I(Food Corporation of India) with inferior stock and sell FCI stock in the black market.
3. Illicit fair price shop owners have been found to create large number of bogus cards to sell food grains in the open market.
4. Many FPS dealers resort to malpractice, illegal diversions of commodities, holding and black marketing due to the minimum salary received by them.
5. Numerous malpractices make safe and nutritious food inaccessible and unaffordable to many poor thus resulting in their food insecurity.
6. Identification of households to be denoted status and distribution to granted PDS services has been highly irregular and diverse in various states. The recent development of Aadhar UIDAI cards has taken up the challenge of solving the problem of identification and distribution of PDs services along with Direct Cash Transfers.
7. Regional allocation and coverage of FPS are unsatisfactory and the core objective of price stabilization of essential commodities has not met.
8. There is no set criterion as to which family is BPL and which is APL .This non ambiguity gives massive scope for corruption and fallouts in PDS systems because those who are actually meant to be benefitted are not able to taste the fruits of PDS.

Current Status of PDS:

In aggregate, only about 42% of subsidised grains issued by the central pool reach the target group, according to a Planning Commission study released in March 2008.Food stamps given to the needy and to the underprivileged by issue of coupons, vouchers, electronic card transfer etc. they can purchase commodities at any shop or outlet. The state government would then pay back the grocery shops for the stamps said the finance minister in his budget. But the United Progressive alliance, which came to power in 2004, decided on a common minimum programme (CMP) and on the agenda was food and nutrition security. Under that the government had plans to strengthen the food security program DS. However, finance minister Arun Jaitely in his budget speech went contrary to the idea proposed in the CMP and proposed the idea of the food stamp scheme. He has proposed to try the scheme in few districts of India to see its viability. In the CMP the government had proposed that if it is viable it would universalise the PDS; if food stamps are introduced it would be a targeted public distribution system. A group of about 40 economists have cautioned the NAC headed by Sonia Gandhi against the food security bill as it would put an additional burden on the ex-chequer. They instead have advised to go ahead and experiment with food stamps and other alternative methods and pointed out the flaws in PDS. This set of economists hail from institutes like Delhi School of Economics, Indian Statistical Institute, Jawaharlal Nehru University, Indira Gandhi Institute of Development Research, Centre for Development Studies, Harvard, MIT, Columbia, Princeton, London School of Economics, University of British Columbia, University of California and University of Warwick. In a landmark judgment, Delhi High Court has ruled that fair price shops cannot be allotted to a below poverty line (BPL) card holder.

NFSA implementation likely in all the States/UTs

At the end of one year after National Food Security Act, 2013 (NFSA) came into force, i.e, upto July, 2014, implementation of the Act had started in 11 States/UTs. Since then, 14 more States/UTs have joined NFSA and the total number of States/UTs now implementing the Act is 25. By April it is likely to be implemented in all remaining States /UTs.In order to check leakage and diversions and to facilitate **Direct Cash Transfer of food subsidy to the beneficiaries**, Government has notified “Cash Transfer of Food Subsidy Rules, 2015” on 21.08.2015 under the NFSA. These rules provide that DBT scheme will be implemented in a State/UT with the consent of the concerned State Government/UT Administration. Under the scheme, in lieu of foodgrains subsidy component will be credited directly into the bank accounts of beneficiaries who will be free to buy foodgrains from anywhere in the market.**The scheme has been launched in Chandigarh and Puducherry in September, 2015**. Dadra and Nagar Haveli, is also in full readiness for implementation of this pilot cash transfer/ DBT scheme.

The Central Government also decided to share 50% (75% in the case o Hilly and difficult areas) of the cost of handling & transportation of foodgrains incurred by the states and the dealers' margin so that it is not passed on to the beneficiaries and they get coarse grains Rs1/kg, wheat at Rs2/kg and rice at Rs 3/kg. To ensure that beneficiaries of the National Food Security Act get entitled foodgrains positively, **rules for payment of food security allowance to the beneficiary** in the case of non-delivery of foodgrains notified in January, 2015.In order to provide nutritional security to the economically vulnerable sections of society and to have better targeting of "other welfare schemes' for poor, a Committee of Ministers set up under the chairmanship of Minister for Consumer Affairs, Food and Public Distribution not only decided continuation of foodgrain allocation for Other Welfare Schemes but also recommended for providing milk and eggs – pulses etc. under the schemes.

Opportunities: Indian Public Distribution system has the following opportunities**.**

1. It will reduce India's dependence on buffer stock for price stabilization and in turn reduce cost
2. It provides incentive must to deregulate the domestic market and thus will induce private entrepreneurs
3. There is an immense need to develop appropriate marketing infrastructure and institutions to deal with trade in agricultural commodities.
4. Appropriate policy changes are a must, for instance, in the post WTO period the international prices of wheat and rice came to their lowest levels. But in India due to high MSP's the prices were relatively high. Thus as a result importing was cheaper than buying from the domestic market. As a result, the government levied 50% tariff on wheat and 80% percent tariff on rice which further resulted in one of the outlandish incidents in the Indian history that was accumulation of buffer stocks which were exported which, incidentally, came back for sale at high MSP's for instance in 2002-03, the government sold 1.6 million tonnes to exporters but in reality exports were only 0.682 million tonnes.

The government may have to set up a complete system for the same or would have to put this responsibility on post office, banks or such other institutions. In this process there could be leakages which are a matter of concern. Also there would be a burden which would come on the poor class who has to benefit from the same of going and collecting the food stamps.

Laws and Regulations governing TPDS:

PDS has been evolved from the late 1930s into its current form. The various laws and regulations traces the developments related to TPDS since its introduction and that govern its implementation.

PDS 91940s) Launched as general entitlement scheme

TPDS (1997) PDS was revamped to target poor households

Antyodaya Anna Yojana (2000) Scheme launched to target the „poorest of the poor"

PDS Control Order (2001) Government notified this Order to administer TPDS

PUCL vs. Union of India (2001) Ongoing case in Supreme Court contending that "right to food" is a fundamental right

National Food Security Act(2013) Act to provide legal right to food to the poor

Categorisation of beneficiaries APL and BPL:

Under TPDS, beneficiaries were divided into two categories: Households below the poverty line or BPL; and Households above the poverty line or APL. BPL beneficiaries that are currently covered under TPDS were identified through a detailed process when TPDS was initially launched. The Planning Commission calculated state-wise estimates of the total number of BPL beneficiaries that would be covered under TPDS. Each state government was responsible for identifying eligible BPL households on the basis of inclusion and exclusion criteria evolved by the Ministry of Rural Development. Such households were entitled to receive a BPL ration card. APL households were not identified and any household above the poverty line could typically apply for an APL ration card.

Management of food grains for TPDs:

The central and state governments share responsibilities in order to provide food grains to the identified beneficiaries. The centre procures food grains from farmers at a minimum support price (MSP) and sells it to states at central issue prices. It is responsible for transporting the grains to godowns in each state. States bear the responsibility of transporting food grains from these godowns to each fair price shop (ration shop), where the beneficiary buys the food grains at the lower central issue price. Many states further subsidise the price of food grains before selling it to beneficiaries. The Food Corporation of India (FCI) is the nodal agency at the centre that is responsible for transporting food grains to the state godowns. Specifically, FCI is responsible for: (i) procuring grains at the MSP from farmers, (ii) maintaining operational and buffer stocks of grains to ensure food security, (iii) allocating grains to states, (iv) distributing and transporting grains to the state depots, and (v) selling the grains to states at the central issue price to be eventually passed on to the beneficiaries. Each stage of this process is discussed below.

Procurement of food grains from farmers:

The food grains provided to beneficiaries under TPDS are procuredfrom farmers at MSP. The MSP is the price at which the FCI purchases the crop directly from farmers; typically the MSP is higher than the market price. This is intended to provide price support to farmers and incentivise production. Currently procurement is carried out in two ways: (i) centralised procurement, and (ii) decentralised procurement. Centralised procurement is carried out by the FCI, where FCI buys crops directly from farmers. Decentralised procurement is a central scheme under which 10 states/Union Territories (UTs) procure food grains for the central pool at MSP on behalf of FCI. The scheme was launched to encourage local procurement of food grains and minimise expenditure incurred when transporting grains from surplus to deficit states over long distances. These states directly store and distribute the grains to beneficiaries in the state. Any surplus stock over the state‟s requirement must be handed over to FCI. In case of a shortfall in procurement against an allocation made by the centre, FCI meets the deficit out of the central pool. The centre procures and stores food grains to: (i) meet the prescribed minimum buffer stock norms for food security, (ii) release food grains under TPDS on a monthly basis, (iii) meet emergency situations arising out of unexpected crop failures, natural disasters, etc., and (iv) sell through the Open Market Sale Scheme (OMSS).10 The central government introduced the Open Market Sale Scheme (OMSS) in 1993, to sell food grains in the open market; this was intended to augment the supply of grains to moderate or stabilise open market prices.

Improving foodgrain management:

Sustained effortshave resulted in significant reforms in TPDS. As a result. Out of 24 crore 99 lakh 95 thousand 458 cards in the country, 24 crore 17 lakh 32 thousand 202 cards have been digitised, which shows 97 % achievement, soon it will be 100%. Over 10.10crore ration cards have been seeded with Aadhar, Online allocation of foodgrains implemented in19 states/UTs. 61,904 FPS automated by installing 'Point of Sale'device. By March this year about 2 lakh FPS will have this device.Toll free help lines installed in 32 States/UTs. Online grievance redressal implemented in all 36 States/UTs.Transparency portal to display all operations of TPDS launched in 27 States/UTs for the improvement of the Public Distribution System.

Conclusion: In India in order to increase the standard of living PDS is playing a crucial role. PDS can provide food security only when it covers wide range of food grains. With introduction of Food Security Ordinance, we can expect PDS will also get it much due push and will be able to fulfill the long cherished goal of Food security. Proper vigilance is required to achieve the targets.

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