

Public Distribution System in India

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Abstract:

The Public Distribution system has been a major policy Instrument of Indian government for providing certain basic commodities to the needy people. It has evolved over a long time and its origin can be located back to the Second World War time (1939). Over the years, it expanded enormously emerging as food security and poverty alleviation measure to become a permanent feature in Indian Economy and as a major instrument of Government's policy for management of food economy in the country. The National Food Security Act (NFSA) 2013 has been brought to streamline the system. Though there has been some improvement in certain areas after the implementation of this act but still there are issues and challenges in the way of its success. The present paper discusses the public distribution system in this background and also throws light on the flaws in the system.

Keywords : Public Distribution System, TPDS, Offtake, NFSA, APL, BPL, AAY

Introduction:

Section I

Ensuring food security ought to be an issue of great importance for a country like India where more than one-third of the population is estimated to be absolutely poor and one-half of all children malnourished in one way or another (Dev, 2010). Mere prevalence of food in an economy or in the market and even the capability to buy may not ensure food security, unless there is an efficient distribution system.

The Food Security Policy by Government of India intends to ensure availability of food grains to all particularly the weaker sections at an affordable price and the objectives are thus (i) ensuring adequacy or sufficiency in supply of foodgrains, and (ii) distributing foodgrains at affordable prices. In the countries like India, the production of essential commodities is a necessary but not a sufficient condition for ensuring the food security. Here the intervention of the State in the functioning of

the open market system becomes unavoidable and the distribution system turns out to be a crucial element in the supply management system. The Public Distribution System (PDS) in India is a direct state intervention in national distribution system of goods.

However the main objectives of the Public Distribution System are:

- 'To ensure equitable distribution of essential commodities at fair prices to the vulnerable population,
- To serve as a complementary supply source to the availability of various goods in the open market or to ensure adequate supplies of essential commodities,
- To avoid inter-seasonal and inter-regional disparities in prices of essential commodities and to maintain price stability in the economy,
- To safeguard the interest of consumers against non-availability of goods and their price rise.'(Bhandari, 2002)

The PDS, as it is documented in India, has evolved over a long time and its origin can be located back to the Second World War time (1939). Over the years, it expanded enormously emerging as food security and poverty alleviation measure to become a permanent feature in Indian Economy and as a major instrument of Government's policy for management of food economy in the country.

It was realized overtime that the genuinely vulnerable areas and people were not getting the projected benefits of PDS due to many reasons like their inconvenient geographic location, poor PDS infrastructure or little purchasing power. The Revamped Public Distribution System (RPDS) was launched in June, 1992 with a view to strengthen and streamline the PDS as well as to improve its reach in the far-flung, hilly, remote and inaccessible areas where a substantial section of the poor live, which covered 1775 blocks wherein area specific programmes such as the Drought Prone Area Programme (DPAP), Integrated Tribal Development Project (ITDP), Desert Development Programme (DDP) and certain Designated Hill Areas (DHA) identified in consultation with State Governments for special focus, with respect to improvement of the PDS infrastructure(GOI, 2012-13).

But again the functioning of PDS was severely criticized for its urban bias, its failure to serve below poverty line (BPL) population, and negligible coverage in poor states with large population of rural poor. In an attempt to improve the system, the targeted Public Distribution System (TPDS) was launched in 1997. There was a two tier

subsidized pricing system to benefit the poor, under the new system. Under this system the potential beneficiaries would be divided into Below Poverty Line (BPL) population and that Above Poverty Line (APL). While BPL population were offered food grains at half the economic cost, the APL, who were not to have a fixed entitlement to food grains, were supplied grains at their economic cost. Thus, TPDS emphasizes the subsidized provision of food grains to 'poor in all areas' unlike RPDS, which laid stress on 'all in poor areas'. Hence the TPDS implemented by Indian government maintains the universal character of the PDS but incorporate a special focus on the poor people. The key features of TPDS as adopted by the government of India are following:

- “Government of India is committed to making available foodgrains to the States to meet the requirement of foodgrains at the scale of 10 kg. per month per family at specially subsidized prices to population falling below the officially estimated poverty line(BPL families);
- The States would also receive the quantity needed for transitory allocation to Above Poverty Line (APL) population;
- The state governments were to streamline the PDS by issuing special cards to BPL families and selling essential articles under TPDS to them at specially subsidized prices, with better monitoring of the delivery system”.(Economic Survey, 1997-98)

In December, 2000 the Government launched Antyodaya Anna Yojana for one crore poorest of the poor families to make TPDS more focused and targeted towards this category of population.

TPDS UNDER NATIONAL FOOD SECURITY ACT, 2013:

Eventually, to streamline the TPDS the National Food Security Act (NFSA) 2013 came into force on 5th July 2013 though notified by Indian government on 10th September, 2013. The act aims “to provide food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity.”(GOI, 2013)The Act is being implemented in all the States/Union Territories (UTs) and covers 81.35 crore persons, constituting two - third of the population, who get foodgrains at highly subsidized rates.NFSA, 2013 inter alia covers up to three fourth of the rural population and up to half of the urban population at the all India level under TPDS. Foodgrains under TPDS are provided at subsidized prices of ₹ 3, ₹ 2 and ₹1 for rice, wheat and coarse grains

respectively for a period of three years from the date of commencement of the act but later it has been decided to continue the aforementioned prices up to June, 2018. The responsibility of identification of eligible households lies with the respective states/union territories. The act also focuses specially on the nutritional support to women and children. The act is now being implemented in all the states and union territories. Among these, the act is being implemented in the cash transfer mode in Chandigarh, Puducherry and urban areas of Dadra & Nagar Haveli.

Objectives and Methodology:

The main objective of this paper is to discuss PDS in the background of National Food Security Act (NFSA) 2013, to show the dependence of people on the system and to highlight the issues and challenge in the working of TPDS. The present study is based on the data obtained from Foodgrains Bulletin and National Sample Survey Organization report no. 558. It is also based on information obtained from literature on the subject. The present paper is organized in the following sections:

Section I contains the introduction, objectives and research methodology. Section II describes the allocation and offtake of PDS articles and share of PDS purchase in consumption. Section III attempts to highlight the issue and challenges in the working of PDS. Section IV explains the conclusion and suggestions.

Section II

PDS Allocation and Offtake:

Under NFSA, 2013, the eligible households are classified into two categories namely Antyodaya Anna Yojna households and Priority households. The Government has used the above demarcation as the cut-off points for allocating subsidized PDS foodgrains besides the previous below poverty population and above poverty population categories.

i) **Procurement and Stock:** The procurement of rice as on November 2017 was 128.12 lakh tones while during 2016-17 it was 121.00 lakh tones. In case of wheat, the procurement during 2017-18 was 308 lakh tonnes while the procurement during previous marketing season (2016-17) was 229.62 lakh tonnes. The total stocks of rice held by FCI and State agencies as on 1st November, 2017 was 140.27 lakh tones and that of wheat was 238.50 lakh tonnes totaling to a stock of 378.77 lakh tonnes of rice and wheat.

iii) **Allotment and Offtake under TPDS:** The Total allotment of rice during 2016-17 under TPDS was 303.57 lakh tonnes against which the total offtake was 292.95 lakh tones representing an overall percentage offtake of 96.5. The total allotment of wheat under TPDS during 2016-17 was 239.76 lakh tones against which the total offtake was 228.71 lakh tonnes representing an overall percentage offtake of 95.39.

Share of PDS Purchase in Consumption

Table 1.1 shows per capita quantity of consumption and share of PDS purchase in 2004-05 (NSS 61st round), 2009-10 (66th round) and 2011-12 (68th round) of important items.

Table no. 1.1 Share of PDS Purchase in Consumption

Sector	Items	Per capita consumption(kg/ltr) (2004-05)			% share of PDS in qty	Per capita consumption(kg/ltr) (2009-10)			% share of PDS in qty	Per capita consumption(kg/ltr) (2011-12)			% share of PDS in qty
		PDS	Other	Total		PDS	Other	Total		PDS	Other	Total	
Rural	Rice	0.84	5.54	6.38	13.2	1.41	4.59	6.00	23.5	1.67	4.31	5.98	27.93
	Wheat/atta	0.31	3.89	4.19	7.39	0.62	3.63	4.25	14.6	0.74	3.54	4.28	17.29
	Sugar	0.06	0.59	0.65	9.23	0.1	0.56	0.66	14.7	0.11	0.60	0.71	15.78
	Kerosene Oil	0.48	0.14	0.62	77.1	0.51	0.08	0.59	86.3	0.43	0.10	0.53	80.71
Urban	Rice	0.53	4.18	4.71	11.3	0.81	3.71	4.52	18	0.88	3.61	4.49	19.6
	Wheat/atta	0.17	4.19	4.36	3.83	0.37	3.71	4.08	9.1	0.41	3.61	4.02	10.2
	Sugar	0.05	0.76	0.82	6.61	0.08	0.70	0.78	10.3	0.08	0.73	0.81	10.29

Kerosene Oil	0.35	0.27	0.62	56.6	0.3	0.17	0.47	63.6	0.23	0.17	0.4	58.08
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Source: NSSO Report No. 558

The general tendency for share of PDS purchase in both cereals (rice & wheat) consumption to rise substantially over the years is clearly seen from the table 1.1. As shown in the table 1.1, per capita consumption of PDS rice has, in fact, more than doubled in rural India and raised by 66 per cent in urban India since 2004-05. Besides, like case of rice, the share of PDS purchase in consumption of wheat has increased considerably i.e. per capita consumption of PDS wheat having more than doubled since 2004-05 in both rural as well as urban India. When it comes to sugar, share of PDS purchase in its consumption has also risen significantly over the years i.e. the share of PDS purchase in per capita consumption of sugar was 9.23 per cent in 2004-05 which increased to 14.7 per cent in 2009-10 and further to 15.78 per cent 2011-12 in rural India. In the same fashion, the share of PDS purchase in per capita consumption of sugar was 6.61 per cent in 2004-05 which increased to 10.3 per cent in 2009-10 but remains constant to 10.29 per cent in 2011-12 in urban India. So far as kerosene oil is concerned, share of PDS purchase occupies a considerable in total per capita consumption of it. The share of PDS purchase in its consumption has also risen from 77.1 per cent in 2004-05 to 86.3 per cent in 2009-10 but declined to 80.71 per cent in 2011-12 in rural India though showing an overall increase. In urban India, similar kind of pattern can be seen i.e. increase from 56.6 per cent in 2004-05 to 63.6 per cent in 2009-10 but decline to 58.08 per cent in 2011-12.

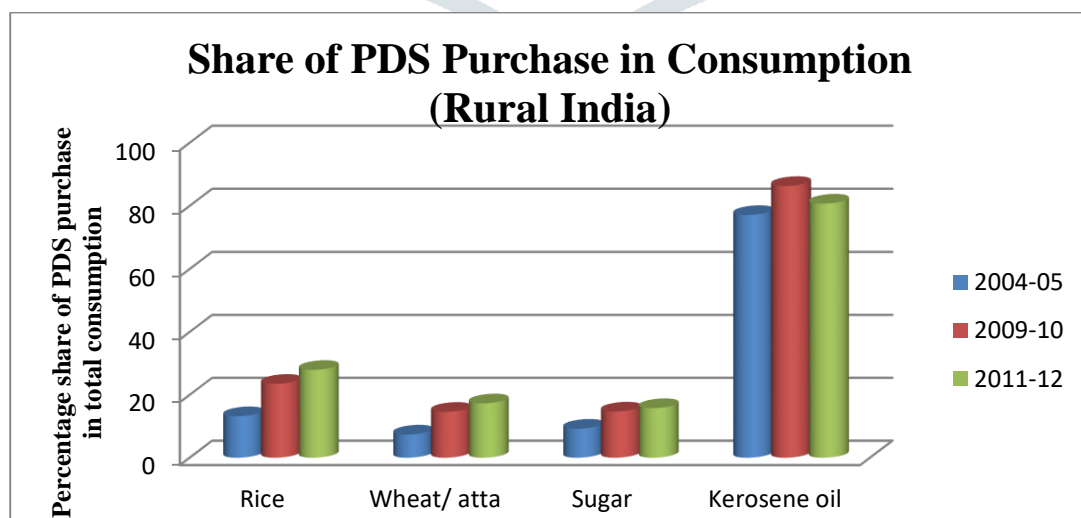


Figure 1.1

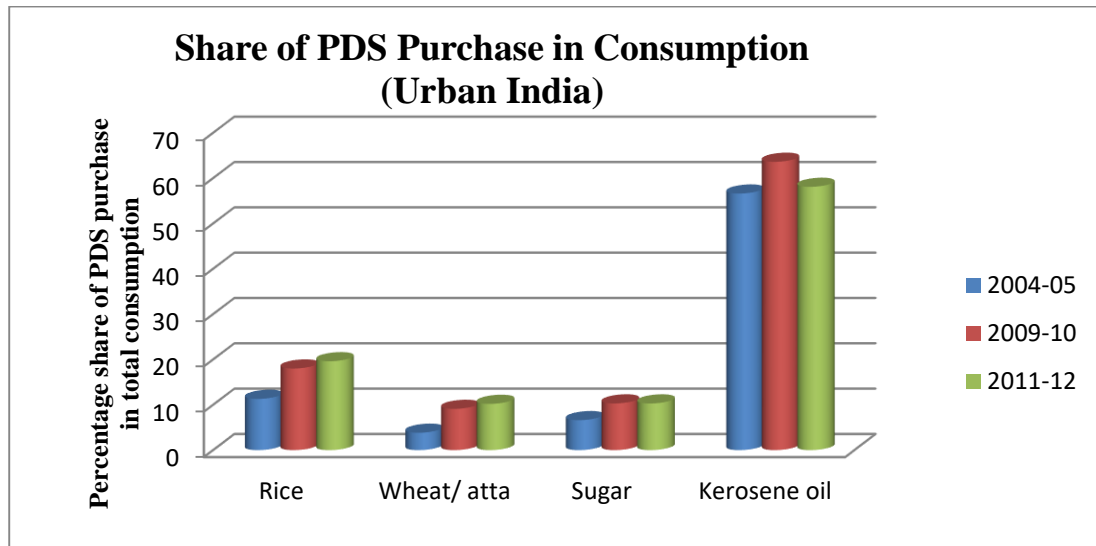


Figure 1.2

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Section III

Issue and Challenges in the implementation of TPDS under NFSA, 2013

Indian PDS has been always criticized for its poor targeting, large scale of exclusion and inclusion error, urban bias, diversion and black marketing etc. therefore if TPDS, under NFSA 2013 regime, is to be made successful these issues should be properly resolved.

- The biggest challenge faced by the country in terms of implementing the NFSA is to ensure an adequate supply of grains every year. (Saini and Gulati, 2015)
- The ambitious coverage of the Act has also invited wide criticism. In a country where less than 22 per cent people are below the poverty line, the coverage of 67 per cent of the population is not only unnecessary but also highly inefficient. (ibid)
- Identification of the beneficiaries – one of the most important issues is the appropriate identification of the genuine beneficiaries. Under NFSA, 75 per cent of rural households and 50 per cent of urban household are to be covered and the responsibility of identification lies with the states and UTs. Here the question arises, without any specific guideline what method will be appropriate for identification of priority households. Moreover there is no clear criterion of coverage of urban and rural population.

- Large scale of Inclusion and exclusion error – Improper identification calls for inclusion error i.e. inclusion of many unintended beneficiaries ,and exclusion error i.e. exclusion of many eligible households.
- Leakage and diversion- Though many researchers like Jean Dreze, ReetikaKhera, DeepankarBasu and Debarshi Das has documented that there has been decline in leakage over past decade and there is large variation in the leakage across states with some states Andhra Pradesh, Himachal Pradesh, Karnataka, Kerala and Tamil Nadu consistently reporting low leakage, yet leakage and diversion has been a big challenge in the way of successful implementation of TPDS. Another researcher has found out that at the all-India level it is observed that both leakages for foodgrains and Kerosene oil are between 40% (for food grains) and 45% (for kerosene) (Gupta 2014). Barring a few states (undivided Uttar Pradesh, Rajasthan, Gujarat and West Bengal), kerosene leakage is higher than food grain leakage.

Many other researchers have also documented the problems relating to implementation like irregular supply, corruption, poor quality of PDS articles, non viability or low profitability of Fair Price Shops, less cost effectiveness of PDS, lack of Infrastructure and shortage of funds with the governments of many states, weak monitoring, lack of transparency, faulty delivery mechanism, and less awareness among beneficiaries etc.

Section IV

Conclusion and Suggestions

The Public Distribution system has been a major policy Instrument of Indian government for providing certain basic commodities to the needy people. There has been severe criticism of the erstwhile PDS for its failure in achieving its targets, therefore the current NFSA 2013 was brought to reform the system. Though there has been some improvement in certain areas but still there are issues and challenges in way of its success. These problems can be solved out by improving the administration of PDS, minimizing targeting errors, improving identification procedure of beneficiaries, ensuring regular supply to the dealers and consumers, ensuring transparency in the system, check on the evil of diversion and leakage of supplies, strong grievances redressal system and involvement of Panchayati Raj Institutions. These procedural and policy reforms should be encouraged for better working of PDS.

At last, No doubt the coverage under TPDS under NFSA 2013 has increased but other issues are still prominent to be sort out.If the TPDS, which is one of the largest programme of world of this kind, is to be made a success, these issues or challenges should be handled with great concern.

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