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PUBLIC DISTRIBUTION SYSTEM IN INDIA: AN ANALYSIS

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ABSTRACT

Public Distribution System is an important food security scheme implemented by the Government of India under Ministry of Consumer Affairs, Food and Public Distribution. PDS has played an important role in a country like India where a large section of population is still suffering from malnutrition. A survey conducted by National Nutrition Monitoring Bureau (NNMB), it was found that the rates of micronutrient deficiencies in the Indian households are ranging from 56% in case of Iran, 81% in case of Vitamin C and 50% for Folic Acid. Moreover, a significant proportion of Indian children also show symptoms of Vitamin A deficiency (0.8%), Iodine deficiency (4%), and Anemia (67%) (National Institute of Nutrition 2003, 2006). In this context, the importance of PDS is in great demand for ensuring food security among Indian households.

KEYWORDS: *PDS, FCI, Food Security etc.*

INTRODUCTION

Public Distribution System (PDS) is an important food security scheme implemented by the Government of India under Ministry of Consumer Affairs, Food and Public Distribution. PDS has played an important role in a country like India where a large section of population is still suffering from malnutrition. A survey conducted by National Nutrition Monitoring Bureau (NNMB), it was found that the rates of micronutrient deficiencies in the Indian households are ranging from 56% in case of Iran, 81% in case of Vitamin C and 50% for Folic Acid. Moreover, a significant proportion of Indian children also show symptoms of Vitamin A deficiency (0.8%), Iodine deficiency (4%), and Anemia (67%) (National Institute of Nutrition 2003, 2006). In this context, the importance of PDS is in great demand for ensuring food security among Indian households.

OBJECTIVES

The main objectives of this paper are-

1) To make a study of the existing Public Distribution System in India.
2) To observe the role of PDS for ensuring food security in India.
3) To find out the loopholes in the system.
4) To recommend policy measures for PDS reforms and conclusion.

METHODOLOGY

The paper is completely based upon secondary data collected from various journals, books, published papers etc.

DISCUSSION

The Existing PDS in India, an outline:-

The origin of the public Distribution System dates back to the Second World War period when the

Government of India for the first time ordered the setting up of Fair Price Shops in several major states and undertook many steps to stabilize prices of foodgrains (Singh 2006; Swaminathan 2003). In the post-independence period the PDS initially focused on price stability in urban and food deficit areas and ensuring the standard of living of the emerging working class. It was only from the Sixth Plan that the Government laid emphasis on complete regional coverage (Geetha & Suryanarayana 1993). The Eighth Plan saw the introduction of the Revamped Public Distribution System, which focused on granting special privileges to people in 1775 blocks in tribal, hilly and drought prone areas. In 1997, the Government of India launched the Targeted Public Distribution System (TPDS) which sought to target the benefits towards the BPL households.

Public Distribution System is a completely government scheme under which subsidized food and non-food items are distributed among poor households. Major commodities distributed include rice, wheat, sugar and kerosene through a network of retail outlets called Fair Price Shops (popularly known as 'ration shops') established in several states across the country. Food Corporation of India, a Government-owned corporation, procures and maintains the PDS. Through the FoodCorporation of India (FCI) the government procures grain at the Minimum Support Price (MSP) and then stores and transports it to the various states. The state governments buy the foodgrains from the FCI based on their allocations at the Central Issue Price (CIP) and transport it to the Fair Price Shops (FPS). The central government allocates food grains from the central pool to the state governments for distribution to BPL, AAY and APL families. Allocation for BPL and AAY families is done on the basis of the number of identified households. On the other hand, allocation for APL families is made on the basis of: (i) the availability of food grains stocks in the central pool, and (ii) the past offtake (lifting) of food grains by a state from the central pool. Under TPDS CIP was initially fixed at 50 percent of economic cost for BPL households and 90 percent of economic cost for APL households. However, whereas the economic cost of rice and wheat has been rising APL and BPL prices have fallen or remained constant. For AAY households, CIP for rice and wheat has remained constant at Rs. 3 and Rs. 2 for rice and wheat respectively. Apart from the food grains requirement for immediate distribution under TPDS, the central government also maintains minimum buffer reserves of food stocks for emergencies.

Role of PDS for ensuring Food Security:-

The two interrelated objectives of the PDS are poverty reduction and improving food security.

PDS and Poverty Alleviation:-

Table 1: Value of Subsidy to the Poor as a fraction of MPCE (per Capita)

	2004-05			2009-10		
STATES	Rural	Urban	Total	Rural	Urban	Total
Andhra Pradesh	5.15%	3.09%	4.33%	9.90%	7.81%	9.32%
Assam	1.09%	2.74%	1.11%	3.78%	1.95%	3.61%
Bihar	0.11%	0.14%	0.11%	1.09%	1.11%	1.09%
Chhattisgarh	2.91%	1.75%	2.71%	16.41%	13.67%	16.22%
Himachal Pradesh	3.99%	5.43%	4.03%	9.43%	4.55%	9.03%
Odisha	1.85%	0.62%	1.67%	12.78%	5.83%	12.12%
Rajasthan	1.31%	0.13%	0.83%	1.64%	1.18%	1.56%
Tamil Nadu	10.06%	7.06%	8.90%	17.03%	16.13%	16.76%
Uttar Pradesh	0.77%	0.38%	0.70%	3.20%	1.88%	2.99%
Kerala	7.03%	3.07%	5.58%	8.82%	7.40%	8.46%
India	1.85%	1.38%	1.73%	5.28%	3.67%	4.96%

Source: Calculations based NSSO 2007; 2013.

Notes: The number of poor used in the above calculation is approximate. For example, the poverty rate for rural Andhra Pradesh for 2009 according to Tendulkar methodology is 22.8%. However we derive our estimates based on the lowest two deciles of households. Similarly, for urban Andhra Pradesh, our calculations are based on the lowest two deciles of households even though the poverty rate is 17.7%.Our calculations for 2004 and 2009 are based 0n MPCE URP criterion. We use Tendulkar Methodology poverty measures for 2009-10Lakdawala Methodology based poverty measures for 2004-05.

Table 1 depicts the income transfers from PDS as a fraction of MPCE. As seen from the table, PDS subsidy contributed a mere 1.73 percent of the average MPCE of the poor classes in 2004-05. This figure rose to 4.96 percent in 2009-10. Compared to 2004-05, the magnitude of the PDS subsidy has seen an increase for all the states and the country as a whole in 2009-10. Moreover, there are wide state level variations in the performance of the PDS. Whereas the PDS has generally performed well in states like Tamil Nadu and Kerala, the table reveals remarkable improvements in states like Chhattisgarh, Odisha, Himachal Pradesh and Andhra Pradesh. On the other hand, states like Bihar, Rajasthan and Uttar Pradesh continues to perform poorly. While the state of Assam has shown moderate improvements, its performance is still less than satisfactory. In states like Chhattisgarh, Odisha and Tamil Nadu, the PDS subsidy contributes a significant 12-16 percent of MPCE for the poor classes. In the light of these facts, the PDS can be said to be playing an important role in reducing poverty especially in the better performing states.

PDS and Food Security:-

The Public Distribution System also has an important role to play in respect to food security. Table 2 shows the role played by PDS in improving the food securitysituation in the country. For the country as a whole, PDS contributed 8.88 percent to total calorie intake in 2004-05, which almost doubles to 15.59 percent in 2009-10. The table also indicates the rising contribution of PDS to the food security situation for the country as a whole as well as for all states concerned notably Chhattisgarh and Odisha. However, there are large variations across states with the PDS contributing more than a third to total calorie intake in Tamil Nadu and Chhattisgarh and around a fourth in Andhra Pradesh, Himachal Pradesh, Odisha and Kerala, whereas states like Assam, Bihar, Rajasthan and Uttar Pradesh continue to lag behind in this field. Other studies similarly highlight the importance of PDS in improving food security in the country. Kaul (2014) report that although the elasticity for cereal consumption with respect to the value of the subsidy is small, the subsidy works by improving the overall calorie intake through the rise in consumption of all food groups. Kochar (2005) similarly find a low but positive elasticity of calorie intake with respect to food grain subsidy. Himanshu&Sen (2013b) report much higher elasticity of calorie intake with respect to income increases if it results from PDS food transfers rather than from equivalent out-of-pocket cash. Moreover just having access to PDS seems to result in a significant increase in calorie intake. Himanshu (2013b) based on NSS data from 1993 to 2009 find the extent of calorie intake decline to be lower among PDS users compared to non-users for all income classes.

Table 2: Contribution of PDS to the Calorie Intake of the Poor (per Capita)

	2004-05			2009-10		
STATES	**Rural**	**Urban**	**Total**	**Rural**	**Urban**	**Total**
Andhra Pradesh	328.24 (22.81)	258.99 (16.08)	300.46 (19.93)	402.87 (24.69)	364.48 (22.36)	392.27 (24.05)
Assam	96.10 (5.61)	169.27 (10.88)	97.32 (5.69)	234.61 (13.87)	156.37 (9.46)	227.60 (13.48)
Bihar	11.28 (0.64)	31.61 (1.82)	12.30 (0.70)	72.62 (4.19)	59.15 (3.31)	71.68 (4.13)
Chhattisgarh	225.53 (14.18)	219.83 (12.24)	224.52 (13.08)	682.32 (38.52)	611.69 (36.21)	677.38 (38.36)
Himachal Pradesh	513.22 (29.68)	453.69 (30.45)	511.90 (29.69)	545.05 (28.55)	369.58 (21.84)	530.90 (28.07)
Odisha	160.64 (9.54)	68.08 (3.66)	147.10 (8.60)	508.60 (27.82)	307.26 (16.13)	489.25 (26.65)
Rajasthan	156.45 (9.30)	23.15 (1.35)	102.00 (6.02)	148.76 (8.13)	109.74 (6.51)	141.67 (7.86)
Tamil Nadu	492.29 (34.87)	443.72 (28.59)	473.56 (32.31)	595.26 (38.84)	634.66 (39.32)	607.23 (38.99)
Uttar Pradesh	61.34 (3.47)	35.83 (2.13)	56.69 (3.23)	202.98 (11.32)	155.33 (9.55)	195.52 (11.07)
Kerala	407.72 (33.36)	314.32 (22.67)	373.48 (29.13)	362.38 (28.00)	349.84 (26.09)	359.17 (27.50)
India	154.16 (9.30)	129.28 (7.67)	147.78 (8.88)	272.18 (16.05)	221.06 (13.64)	262.04 (15.59)

Source: Calculations based NSSO 2007; 2013.

Notes: Figures in parenthesis indicate the contribution of PDS in total calorie intake.

Drawbacks of PDS:-

The Public Distribution System has come under severe criticism in recent years due to various reasons which are given below-

1) **Targeting error**: A major problem is associated with whole idea of 'BPL targeting'. Mahamallik&Sahu (2011) summarizes the critiques of the BPL criterion into four broad categories-(1) lack of clarity in the criterion, (2) methodological drawbacks in scoring and aggregation, (3) data quality and corruption, and (4) increasing probability of wrong selection. Considering the last of these criticisms, Mahamallik&Sahu (2011)based on NSS data for 2004-05 estimates that 26.3 percent of the non-poor households hold a BPL or AAY card (errors of inclusion) whereas around 60 percent of the poor households have neither (errors of exclusion).The problem is particularly serious in states like Bihar, Assam, Odisha and Madhya Pradesh. (Planning Commission 2008).
2) **Diversion of foodgrains form PDS**: Another area of concern is the large scale diversion of grains from the public distribution system. Planning Commission (2005a) based on primary data finds that nearly 40 percent of foodgrains are diverted from PDS. The extent of diversion is especially high in states like Bihar, Punjab, Haryana, Madhya Pradesh and Uttar Pradesh. While Assam, Himachal Pradesh, Karnataka, Maharashtra, and Rajasthan report moderate diversion, Andhra Pradesh, Kerala and Tamil Nadu are categorized as low-leakage states.
3) **Viability of Fair Price Shops**: With the introduction of the Targeted Public Distribution System (TPDS), the APL consumers have been virtually excluded from the PDS which appearsto have adversely affected the economic viability of FPSs. With a smaller number of ration cards to serve, and upper bounds on margins that can be charged to BPL consumers, the net profits of fair price shop owners/dealers are likely to be lower under the TPDS than before. Since some economies in costs are also likely, such as in the case of transport, the distribution of smaller quantities is likely to make many shops unviable. Lack of viability may induce the FPS owners to divert foodgrains or indulge in other related malpractices.
4) Lastly but not least the operational cost of PDS is also very high. Radhakrishna&Subbarao (1997) find the PDS operations to be very costly. An analysis of the components of costs reveals that labor charges, interest charges and administrative costs are comparatively higher for FCI whereas transport costs are relatively higher for private traders compared to FCI (Jha&Srinivasan 2004).

PDS Reform:-

Several measures have also been to strengthen the present structure of TPDS notable among them being the introduction of UIDAI Aadhaar and technology- based reforms initiated by the states. The government has proposed to link the TPDS with the UID Aadhaar scheme and expects that the scheme would play an important role in addressing inclusion/exclusion errors, checking diversion and leakages, assisting foodgrain management and ensuring accountability. (Planning Commission 2010). Several states have also undertaken various technology-based reforms to TPDS. We mention some of these below-

Table 3: Technology-based reforms to TPDS

Type of Reform	Benefits of Reform	States Implementing Reforms
Digitization of ration cards	• Allows for online entry and verification of data • Online storing of data related to beneficiaries	Andhra Pradesh, Chhattisgarh, Tamil Nadu, Madhya Pradesh, Karnataka, Gujarat, etc.
Computerized allocation to FPS	• Computerizes FPS allocation, declaration of stock balance, web-based truck challans, etc.	Chhattisgarh, Delhi, Madhya Pradesh, Tamil Nadu, etc.
Issue of smart cards in place of ration cards	• Secure electronic devices used to store beneficiary data • Prevents counterfeiting	Haryana, Andhra Pradesh, Orissa, etc.
Use of GPS Technology	• Use of GPS technology to track movement of trucks carrying food grains from state depots to FPS	Chhattisgarh, Tamil Nadu
SMS based monitoring	• Allows monitoring by citizens so they can register their mobile numbers and send/receive SMS alerts during dispatch and arrival of TPDS commodities	Chhattisgarh, Uttar Pradesh, Tamil Nadu
Use of web-based citizens? portal	• Publicizes grievance redressal machinery, such as toll free number for call centres to register complaints or suggestions	Chhattisgarh

Source: Balani (2013)

Another more recent and less widespread development is the inclusion of pulses, salt and edible oils among the commodities distributed at subsidized prices (Khera 2011a; Khera 2011b; Himanshu&Sen 2011). In the light of these facts, Dreze &Sen (2013) makes a distinction between 'old-style' PDS in operation in most states a few years ago and 'new-style' PDS in operation in the better performing states like Chhattisgarh, Tamil Nadu, and Kerala etc. While the old-style PDS suffered from a number of problems like large-scale diversion and exclusion errors, the new-style PDS has been able to tackle these interrelated problems through various state level initiatives notable among them being expansion of coverage, price reduction and the introduction of modern IT-based technology. Most importantly, people now are much more aware of their rights and entitlements and are more willing to defend them.

CONCLUSION

Despite receiving a high priority in the Constitution and policy objectives, the food security situation in the country has been more or less dismal. The Public Distribution System, being the largest food security scheme in the country has an important role to play in this direction. However the scheme has been plagued by a number of problems and has not been able to yield its intended benefits. Our analysis of NSS data however reveals a revival of the PDS in recent years especially in states that have taken a number of policy initiatives in this direction. However there is much that still needs to be done in this respect. It is high time that the lagging states take a cue from their better performing neighbors and undertake policy reforms on their own.

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