

UNIT 163 – UPSC - Public Distribution System

Public distribution system is a structure that is sponsored by a government and includes chain of shops trusted with the work of distributing basic food and non-food commodities to the disadvantaged group of the society at very low prices. The central and state governments shared the accountability of regulating the Public distribution system. 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 system of Fair Price Shops. 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 system (PDS) is an Indian food security system. Established by the Government of India under Ministry of Consumer Affairs, Food, and Public Distribution and managed cooperatively with state governments in India, it distributes sponsored food and non-food stuffs to poor community of India. Some of the commodities distributed by food department include staple food grains, such as wheat, rice, sugar, and kerosene, through as ration shops established in several states across the nation. Food Corporation of India, a Government-owned corporation, acquires and maintains the Public distribution system.



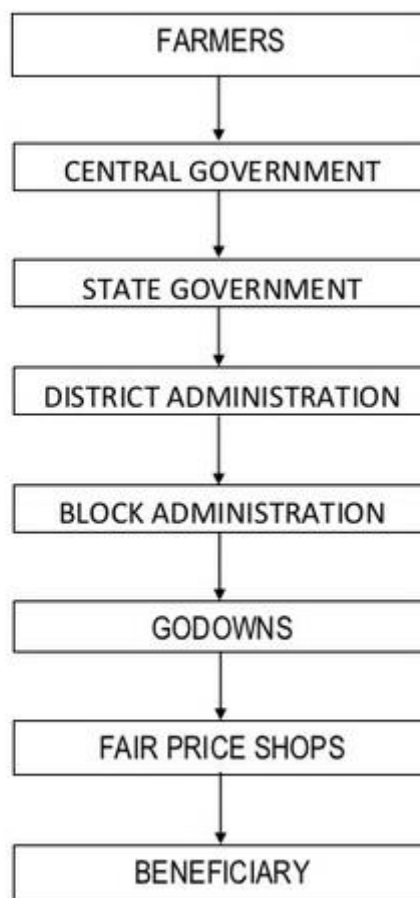
It is whispered that Public distribution system can be differentiated from private distribution in terms of control exercised by public authority and the intention primarily being social welfare in contrast to private gain. In broad sense, the system includes all the agencies that are involved from procurement stage to the final delivery of goods to the customer. The agency that is involved in the process of procurement, transportation, storage and distribution are Food Corporation of India. At the state level, it is the civil supply departments/ corporations and fair price shops, which are the agencies, involved in provision of Public distribution system. The fair price shops are the last linkage in this process, which are generally owned by private individuals. Therefore, significant aspect that differentiates Public distribution system is the involvement of government agencies and government control over the whole distribution structure.

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.

The Public Distribution System has been premeditated and implemented by both the central and state governments. Central government primarily deals with the buffer stock operations (though FCI) and also controls the external and internal trade of food grains. The Central government through its procurement activity tries to even out the differences of surplus and deficit food grain producing states.

Public distribution system flow



Evolution of Public Distribution System

Public distribution system in India has developed since many decades. In Indian scenario, there is numerous natural disasters occurring and it results in famines and droughts that cause acute scarcity conditions. Government of India took various measures to help the victims in which the food security system was initiated. Such effort was taken up for the first time in 1939 under the British regime when the Second World War started. The government thought of distributing the food grains to the poor of some selected cities in which there was scarcity and also a situation where private, failed to provide commodities affordable by the poor.

In 1943, after the great Bengal Famine, this distribution system was stretched to some more cities and towns. Continued periods of economic stress and disturbance like wars and deprivations gave rise to a form of food security system. Originally, it concerned itself mainly with management of scarce food supplies, and afterwards it was found necessary to use a more organised and institutionalised approach including measures suspending normal activities of markets and trade. Such type of food security service existed in India for many years, in the shape of constitutional rationing in particular urban areas and continues to be present even today in a few metropolitan centres.

Reports signified that the development of Public Distribution System in India can be grouped into three time periods that include;

1. From 1939 to 1965
2. From 1965 to 1975
3. From 1975 onwards.

In the first period, the Public Distribution System was basically visualized as rationing system to distribute the scarce commodities and later it was seen as a Fair price system in contrast with the private trade. Rice and wheat occupied a very high share in the food grains distribution. Government was aware of extending the Public Distribution System to rural areas but it was not implemented. The operation of Public Distribution System was unbalanced and dependent on imports of PL 480 food grains with little internal procurement. In operation, imports constituted major proportion in the supplies for Public Distribution System during this period. Procurement prices offered were not remunerative.

In the middle period of 1960's it was decided to look much beyond management of scarce supplies in critical situations. Stoppage of PL 480 imports forced the government to obtain grains internally. In effect, India took a significant leap in the direction of providing a more sustainable institutional framework for providing food security. FCI and Agricultural Prices Commission (APC) were established at that time which are now known as Bureau of Agricultural Costs and Prices (BACP) Commission in 1965 marked the commencement of this phase. On the basis of BACP's recommended prices, the FCI procures the food grains to distribute through Public Distribution System and a part of the procured quantity is kept as "buffer stocks" to meet any unanticipated catastrophe situation. Major components of this system were traditional arrangements and procedures for procurement, stocking and distribution of food grains. The food security system during this period, progressed as a vital part of a development strategy to bring about a prominent technological change in selected food crops, especially rice and wheat. It delivered effective price and market support for farmers and organised range of measures to create employment and income for the rural poor in order to improve their level of happiness including better physical and economic access to food grains.

In the third period, there was an increase in the food grains production in the country. The buffer stock accumulation too increased greatly. With this, the initial stress on buffer stock maintenance and price stabilisation shifted to increase in Public Distribution System supplies. In the 4th plan 69-74, it states that "in so far as food grains are concerned the basic objective is to provide an effective Public Distribution System. The procured quantities were in excess as compared to the requirement of Public Distribution System needs and minimum reserve was maintained". In fifth

five year plan, programmes such as Food for work, Antyodaya were started with a view to lessen poverty as well as to reduce the overstocking of FCI godowns. The imports slowly degenerated in this period and during the year 1975, there was a net export of food grains though it was a small quantity. Imports were continuous with relatively very less quantities to maintain level of buffer stocks. The government strengthened the Public Distribution System in this period, so that it remained a "stable and permanent feature of strategy to control prices, reduce fluctuations in them and achieve an equitable distribution of essential consumer goods".

In the end of seventies, the Public Distribution System was basically confined to urban population and did not promise adequate food to the rural poor in crisis period. During the late 1970's, and in the beginning of eighties, some state governments extended the coverage of Public Distribution System to rural areas and also introduced the target grouping approach. These states are Kerala, Gujarat, Tamilnadu, and Andhra Pradesh. This was also because there was an obvious change in the food situation particularly in the later years, during 80's and early 90's. Thus the net availability of food grains which had increased from 74 million tons in 1968 to 99 million tons in 1977, witnessed a rapid rise in later years reaching 158 million tonnes in 1991 (Government of India, 1994).

Features of the Public Distribution System

Public Distribution System of food supplies began to relief victims affected by the famine and drought in 1939, and has increased its range of work to include a larger areas of operations for procurement, and distribution of food grains and other civil supplies, pricing policies. The indispensable features of the Public Distribution System are mentioned below:

1. Public Distribution System is a system of distribution of selected essential goods through the fair price shops (ration shops or co-operatives owned by the government) which are operated by private dealers under the government's control and direction.
2. Rice, wheat and sugar are main food grains throughout the period. The other important items are kerosene, edible oil which are distributed to disadvantaged group of society.
3. The working of the Public Distribution System did not hamper the functioning of the free market mechanism except in the limited statutory rationing areas but works along with it. Therefore, this could be observed as a "dual economy" in the vital commodities. Customers have liberty to either purchase through Fair Price Shops or from the open market.
4. The required amounts of food grains and other items are acquired by the government through internal procurement and or through imports and a buffer stock is maintained with meet the demand of shortage period. The government feeds the Public Distribution System with supplies, bears the cost of subsidy, and decides as to which goods to supply, at what rates, what amount to be sold per head or per family.
5. The purpose of Public Distribution System is to offer basic minimum quantity of essential commodities at lowest prices especially to poorer sections of society and also to stabilise their open market prices or at least to stop an unwarranted rise in such prices under crisis period. The prices charged are usually lower than open market prices and also lower than the procurement and other costs incurred by the government.

6. It has been principally an urban oriented system. Its origin as well as development has been in sensitive urban areas where a scarcity of food grains and other essential commodities could become political obligations of administration.

In exposure and public expenditure, it is reflected as significant food security network. However, the food grains supplied by the ration shops are not enough to fulfil the consumption necessities of the poor or inferior quality. The PDS has been condemned for its urban unfairness and its failure to serve the poorer sections of the population successfully.

Reforming the Public Distribution System

It has been observed that huge program was made by the ministry to modernise Public Distribution System. Government used advanced technology such as computerisation of Public Distribution System to accelerate the Project. All the ration shops across the country are to be automated. Government of Odisha and Gujarat took initiative to perform these activities. The draft food security Bill talks of local distribution of grains. Some states have implemented advanced ways to make sure that distribution of food grains must be in a transparent manner, involving panchayat leaders, village elders and gram sabha in monitoring.

The Indian government and the Department of Food and Public Distribution have identified critical facets of the public distribution system that need improvement, for the program to function more successfully. These domain include:

1. Beneficiary identification, and addressing inclusion/exclusion errors
2. Addressing diversions and leakages
3. Managing food grain storage and ensuring timely distribution
4. Effective accountability and monitoring, and enabling community monitoring
5. Mechanisms for grievance redressal
6. Ensuring food security

When evaluating this system in Chhattisgarh, there is a 'Chawal Utsav' on the 7th of every month when distribution of food grains takes place. In Nasik, a system of periodic distribution of grains through the village community has been implemented. The Centre is constantly involved to advise the states to approve decentralised procurement system, which ensures local preference for grains are met more economically. On local supply of food grains for government-sponsored programmes, it is said that under the Integrated Child Development Services Scheme, states have the choice to source the food-grain requirement from either the central pool or purchase it nearby. Statistical data indicated that more than 10 states and union territories are buying the grains locally. The draft National Food Security Bill also contains provision for support to local distribution models. After introduction of the food Bill in the Lok Sabha on December 22, 2011, it was referred to the Standing Committee on Food. It is difficult to fix a time frame for the Standing Committee. But there is no plan to include vegetables, milk and eggs in the domain of procurement and distribution.

Leveraging Aadhar

Aadhaar card is one of the major element to modernize the public distribution system. The Unique Identification number Aadhaar was considered by the Indian government for residents of India to clearly and exclusively verify their identity anywhere in the country. The mandate for the UIDAI includes defining the usage of the number across critical applications and services. The Public Distribution System is one application, and the UIDAI has accordingly laid out the vital role Aadhaar can play within the PDS. The recipients of public distribution system can be enrolled into the Aadhaar system. The use of the Aadhaar number in public distribution system will reduce duplicates, bogus and ghost beneficiaries in PDS databases which will result in reducing wastage and diversion in the system. An Aadhaar enabled system makes access to public distribution system benefits portable across a State and also the country. This would allow the PDS beneficiary due to portability of benefits and choice of the PDS shop. The bargaining power will move from the supplier to the recipient which will support empowerment and bring about improved responsibility. Applying Aadhaar authentication at every exchange point would enable governments to track the movement of food entitlements across the public distribution system chain, and identify blockages and diversions in real-time. In the case of centralized procurement, such authentication would begin at the FCI point.

Figure: Adhar card authentication at every stage:



Strengthening of public distribution system not only requires computerisation of operations but also an active involvement of Panchayati Raj Institutions and local community through transparent and open processes. An automated computerised system will monitor the movement of the grains as well as also ensure that there is no human interference in the maintenance of records. The objectives of computerisation are many, such are as follows:

1. To ensure that the lifting, and transport of the food grains to FPS and its delivery to the beneficiary is transparent and monitored at each stage
2. To eradicate diversion and leakages of the food grains
3. To ensure that the right kind of ration cards are issued to the public without delay
4. To eliminate bogus ration cards, and
5. To make the supervisory staff more accountable to the consumers and to the objectives of the public distribution system.

Modernization of Targeted Public Distribution System (TPDS) is the primary importance of Government of India. TPDS intends to provide subsidised food and fuel to the poor through a network of ration shops. Food grains such as rice and wheat that are provided under TPDS are procured from farmers, allocated to states and delivered to the ration shop where the beneficiary buys his entitlement. It is a multifaceted and challenging task as public distribution system operates in 35 States and UTs through more than 5 lakh Fair Price Shops across diverse operating environments. In order to make TPDS more focused and targeted towards population, the “Antyodaya Anna Yojana” (AAY) was initiated in December, 2000 for one crore poorest of the poor families. AAY anticipates providing them food grains at a highly subsidized rate of Rs 2/ per kg for wheat and Rs 3/ per kg for rice. The States/UTs are required to bear the distribution cost, including margin to dealers and retailers as well as the transportation cost. Therefore the whole food subsidy is being passed on to the customers under the scheme.

A strong community proprietorship would require the establishment of a responsive complaint redressal mechanism. While, the use of information and communication technology will assist this system. All States should assume transformation of public distribution system with in time frame.

Challenges before Public Distribution System

It was seen that since many decades, nation is hit by many natural disaster. The great "Bengal famine" in India is lively example. Nation have increased production significantly to ensure that they have enough food for all people. But still there is difficulty in exchanging this availability into effective accessibility to food in every corner of the country, and particularly in the region where food grain is most needed. Besides ensuring access to food for all people, it is must to ensure that Indian citizens get basic nourishment to become more dynamic and be able to take benefit of the opportunities that come from rapid economic growth. The consciousness of food security for all has to be the basic building block in efforts to navigate the economy in order to fulfil its development goals. Food and nutrition is certainly the most basic need without which education, work opportunities and wealth creation cannot achieved.

In India, the growth was fastest in Andhra Pradesh, 42 per cent and Odhisa, 33 per cent. Even in States like Bihar and UP, the real farm earnings went up by 19 and 20 per cent. This has augmented demand for certain goods and services, which has translated into persistent high inflationary pressures for those goods in the economy. The supply response has been insufficient and along with weather induced shortages in the food economy, have resulted in important challenges for inflation management. A country with growing population and a sustained growth impetus, food security challenge is also a challenge of improving agriculture efficiency. India has huge population therefore, it is necessary to build certain self-sufficiency in meeting basic needs of populace. It has been designated that government must concentrate in increasing production in the regions where land and productivity have lagged behind so far. The Government has introduced a programme to take the green revolution to the eastern part of the country. But, more investment in agricultural infrastructure is required.

Presently, major challenge before the Public Distribution System is reaching of the food grains to the actual recipients without leakages and diversion on the route to grass-root level. For this a huge modernization drive is required. There is also a need of digitizing the data base of beneficiaries and computerization of the entire food supply chain so that government can make the public distribution system more successful. These efforts would make the schemes clear, help

eradicate leakages and dishonesty and authorize the beneficiaries to get products as per their right and requirement.

It can be established after assessing the public distribution system, that this process faces numerous challenges such as leakages and diversion of food-grains, inclusion/exclusion errors, bogus ration cards, lack of transparency; weak grievance redressed and social audit mechanisms, and practicality of Fair Price Shops.

To summarize, The Public Distribution System in the nation expedites the supply of food grains and delivery of necessary merchandises to poor people through a network of Fair Price Shops at a subsidized price on a regular basis. It is an important part of Government's policy for management of food economy in the country. This scheme was introduced with an intent to control the rising food subsidy bill borne by the Government as well as to confirm a more pointed targeting of the poor and disadvantaged group. PDS is functioned under the joint responsibility of the Central and the State Governments. The Central Government, through Food Corporation of India (FCI), has presumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments. The functioning responsibility including allocation within State, identification of suitable families, issue of Ration Cards and supervision of the functioning of Fair Price Shops (FPSs), rest with the State Governments. Under the PDS, the commodities namely wheat, rice, sugar and kerosene are being allocated to the States/UTs for distribution.