

UNIT 60 – UPSC - Public Distribution System, functioning, limitations, revamping

The Public Distribution System contribute significantly in the provision of food security. Public Distribution System in the country enables the supply of food grains to the poor at a subsidized price. It also helps to control open - market prices for commodities that are distributed through the system. Government accords great importance to the objective of measuring outcomes of PDS so as to ensure that equal distribution system serves up the purpose for which it was set up.



India's Public Distribution System is a broad network. The concept of Public Distribution System in India emerged during 1942 for the first time in revised form as a result of shortage of food grains during World War. Subsequently, Government started intrusion in release of food to the people. Public Distribution System in India is more than half-a century old as rationing was first introduced in 1939 in Bombay by the British Government as a measure to ensure equitable distribution of food grains to the urban consumers as a result of increasing prices. Thus, rationing in crisis period particularly during shortage was the historical antecedent to the national policy of stabilization and management of food grains. After independence in 1947, major aim of Government of India has been to deliver food security to all the inhabitants of India. With this objective, Public distribution system was started by Ministry of Consumer Affairs, Food and Civil Supplies.

Public Distribution System is a network whereby accessibility of vital supplies is guaranteed which can be easily accessed by the consumers in every part of the country. This is a transaction system where food grain, sugar, and other needed items such as kerosene oil and edible oil are made available to the people of the state at fair price to meet their minimum needs. Regular and timely availability of supplies is assured through close monitoring system to make Public Distribution System an effective instrument against various forces in the open market and to keep under check the inflator tendencies. The main commodities are as follows:

- Wheat

- Rice
- Sugar
- Kerosene

Certain supply on fixed and affordable prices also keeps in control the variable trends of market due to vagaries of whether and subsequent changing prospects of crops. Public Distribution System serves as a steady stable check on market forces and work as an effective soothing factor.

In order to efficiently manage and distribute food grains, the government of India has created Ministry of Consumer Affairs, Food and Public Distribution. The ministry has been divided into two departments specifically Department of Food and Public Distribution and Department of Consumer Affairs. The department of food and public distribution is further divided into two parts for the purchase and storage of food grain. When appraising Public Distribution System in India, it has been found that among all states, Tamil Nadu has done marvellous job in implementing the PDS as universal system for the cause of eliminating poverty and improving standard of living of the people living below the poverty line. Timely supply of essential commodities is the basic element for the success of the Public Distribution System. Infrastructure i.e., Fair Price Shops (FPS), godown facilities and employees are other requisites of the PDS.

In 1997, the government launched the Targeted Public Distribution System (TPDS) to resolve the problems of poor communities. The prime aim of TPDS is 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. The centre and states share the responsibilities to identify the poor, procuring grains and delivering food grains to beneficiaries. In September 2013, Parliament passed the National Food Security Act, 2013. The Act relies largely on the existing TPDS to deliver food grains as legal entitlements to poor households. This made a shift by making the right to food a justiciable right. In order to understand the implications of this Act, the note maps the food supply chain from the farmer to the beneficiary, identifies challenges to implementation of TPDS, and debated alternatives to improve TPDS.

Timeline of Public Distribution System:

Evolution of PDS	Timelines	Details
PDS	1940s	Launched as general entitlement scheme
TPDS	1997	PDS was revamped to large poor households
<u>Antyodaya Anna Yojana</u>	2000	Scheme launched to target the poorest to poor
PDA 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 fundamental right
National food security act	2013	Act to provide legal right to food to the poor

There are several issues to consider while evaluating the implementation of TPDS such as

- Identification of eligible households.
- Trends in procurement vis-à-vis production of food grains.
- Storage space for food grains.
- Food subsidy.
- Leakage of food grains.

Objectives of Public distribution system:

The goal of Public Distribution System does not limit itself with the distribution of rationed articles. Making available sufficient quantities of essential commodities at all times, in places accessible to all, at prices affordable to all and protection of the weaker section of the population from the malicious spiral of rising prices is prime objective of public distribution system. Major goals of public distribution system are as under:

1. Make goods available to consumers, especially the disadvantaged /vulnerable sections of society at fair prices.
2. Rectify the existing imbalances between the supply and demand for consumer goods. Check and prevent hoarding and black marketing in essential commodities.
3. Ensure social justice in distribution of basic necessities of life.
4. Even out fluctuations in prices and availability of mass consumption goods.
5. Support poverty-alleviation programmes, particularly, rural employment programmes, (SGRY/SGSY/IRDP/ Mid-day meals, ICDS, DWCRA, SHGs and Food for Work and educational feeding programmes.

Functioning of PDS:

The central and state governments share responsibilities to provide food grains to the identified recipients. 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 hold 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 recipients. The Food Corporation of India (FCI) is the nodal agency at the centre that is responsible for transporting food grains to the state godowns.

State-level ministries of food and civil supplies control networks of ration shops within their authorities, and are responsible to allocate licenses to the private traders who operate the shops. State governments also issue 'ration cards' to their residents (at one time on a nominally universal basis, but more recently on a 'targeted' basis), and determine the quantities to which consumers are entitled. These differ from one commodity to the next. The prices are determined by state governments. Under Public Distribution System 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 food grain on a monthly basis. The Central Government take responsibility 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 such as Allocation and Identification of families below poverty line, Issue of ration cards, Supervision and Monitoring the functioning of Fair Price Shops.

Major functioning of Public Distribution System encompasses following (Logistical Management of PDS):

1. Procurement of Food Grains: The food grains offered to recipients under TPDS are procured from agrarians 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. It is done by the central government. They procure the food materials from the Food Corporation of India and the State Agencies at Minimum Prices which include wheat, rice, kerosene and sugar. Other essential commodities like iodized salt, Palm oil, candles, Ghee and cloth etc. have also been purchased.

Currently procurement is performed in two ways:

(i) Centralised procurement: Centralised procurement is done by the FCI, where FCI purchases crops directly from farmers.

(ii) Decentralised procurement: 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 inspire 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 shortage 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 fulfil the prescribed minimum buffer stock norms for food security, release food grains under TPDS on a monthly basis, meet emergency situations arising out of unexpected crop failures, natural disasters and sell through the Open Market Sale Scheme (OMSS). The central government introduced the Open Market Sale Scheme (OMSS) in 1993, to sell food grains in the open market; this was intended to increase the supply of grains to moderate or stabilise open market prices.

2. Identification of poor and needy: The centre and states identify eligible BPL households through a detailed process.

Table: Process of identification of BPL families: (Sources: Department of Food and Public Distribution; Planning Commission; Ministry of Rural Development; PRS).

Authority	Role	Details
National sample survey organization	Conduct sample survey of consumer expenditure every five year	Consumer expenditure is the expenditure of household on some basic goods and services. The expenditure on this basket of goods is the basis of poverty line.
Planning commission	Estimates state wise poverty such as number of people below the poverty line.	Uses NSSO household expenditure data
Central government	Allocates food grains to each states based on state wise poverty estimates of planning commission and population projections of the register general of India as March 2000	The number of BPL families has been calculated using 1993-94 poverty estimates by Planning commission. This number has not been revised despite the release of new poverty estimates by the planning commission in 2004-52011-12.
Ministry of rural development	Comes out with criteria for inclusion and exclusion from BPL list as part of its BPL census	Criteria for classification of BPL families, as per BPL census 2002, include parameters like size of land holding clothing owned, food security means of livelihood.
State government	Identify eligible households	Based on above criteria

The government does not identify APL households; therefore, any household above the poverty line is eligible to apply for a ration card. The centre allocates food grains to states for APL families in addition to BPL families. Nevertheless, this allocation is based on availability of food grains in the

central stocks and the average quantity of food grains bought by states from the centre over the last three years. Hence, the allocation to a state increases if its offtake increases over the previous years.

3. Issue of ration cards to poor people: A Ration Card is a file issued under an order or authority of the State Government, as per the Public Distribution System, for the purchase of essential commodities from Fair Price Shops. State Governments issue unique Ration Cards to Above Poverty Line, Below Poverty Line and Antyodaya families and conduct periodical review and checking of Ration Cards. An Indian citizen may get the application form for making a new Consumer (Ration) Card from any Circle Office. Person will require some documents to get ration card such as a photograph of the head of the family attested by a gazetted officer/MLA/MP/Municipal Councilor, proof of residence and the Surrender/ Deletion Certificate of the previous Ration Card, if there was any. In case, if person is not able to provide proof of his/her residence, the Circle FSO conducts spot inquiries by recording the statements of two independent witnesses in the neighbourhood. The standard prescribed time schedule for the preparation of a Ration Card is generally 15 days. However, the procedure and time limit may vary. In case, Ration card holders lost their card or it is stolen or burnt, they can also obtain a duplicate ration card if the same could not be traced out within one month after its loss by submitting applications, duly endorsed by the Fair Price Depot dealer, to the Deputy Director of the Tahsildar, as the case may be, by enclosing a passport size photograph of the applicant and a duplicate card will normally be issued within a week. If card holder has transferable job, within the District, the card could be transferred to the new place and if the place of residence happens to be outside the District, the card-holder will be issued a Surrender Certificate after surrendering it to the office so as to enable him/her to obtain a new ration card at the new place.

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4. Storage: Besides the food grains requirement for immediate distribution under targeted public distribution system, the central government maintains minimum buffer reserves of food stocks for emergencies. The food grains procured for targeted public distribution system and other contingencies are maintained and stored as the central pool stock. Food Corporation of India is the main government agency delegated with the storage of food grains in the central pool. According to the storage rules of the Food Corporation of India, food grains are normally stored in covered godowns, silos, and in the open, referred to as Covered and Plinth (CAP). However, FCI's own storage capacity has been inadequate to accommodate the central pool stock of food grains. Consequently, Food Corporation of India hires space from various agencies such as the central and state warehousing corporations, state government agencies and private parties. In an evaluation of the storage management of food grains by FCI, the Comptroller and Auditor General (CAG) noted that there is sub-optimum utilisation of the existing storage capacity available with FCI and states. It is apparent that inadequate storage will result in wastage of food. Therefore, proper Storage becomes an essential factor in Logistics Management. The Food Corporation of India has huge responsibility to perform job of storing the grains efficiently. There is a regular monitoring mechanism under which inspections at all levels are carried out to ensure safe preservations of food grains in Food Corporation of India.

The steps taken to monitor the warehouse are under:

- i. Food grains are to be stored by adopting proper scientific code of storage practices.
- ii. Adequate materials are to be used to prevent entering of moisture from the floor to the food grains.
- iii. Spraying of insecticides.
- iv. Effective rat control measures taken in godowns.
- v. Regular periodic inspections of stocks.
- vi. The principle of “First in First Out” (FIFO) is to be followed to the extent possible so as to avoid longer storage of food grains in godowns.

5. Allocation of food grains to states: 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 performed on the basis of the number of identified households. Conversely, allocation for APL families is made on the basis of:

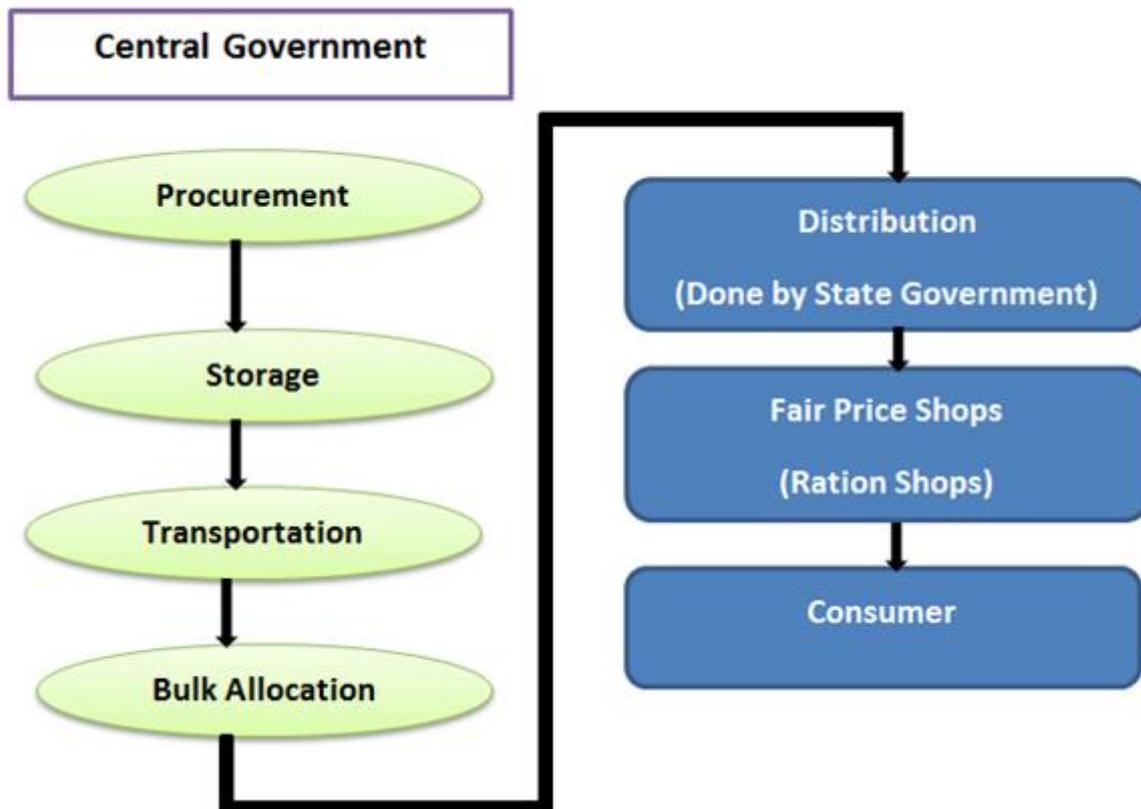
1. The availability of food grains stocks in the central pool.
2. The past off take (lifting) of food grains by a state from the central pool.

Given the food grains stocks in FCI, the centre has the discretion to allocate more grains to states on an ad-hoc basis. Earlier, ad-hoc allocations have been provided in the disaster of floods, droughts, and festivals.

6. Transportation of food grains to all Fair price shops: In India, food grains and other items are normally transported through Roadways and Railways. Choice of transport depends on volume of food grain. Through roadways, food grains are transported that are distributed at short distances. Railways deliver food items with high speed and suitable over long distances. This means of transportation have large carrying capacity, and can carry bulky goods.

7. Fair price shop (Ration Shops): Fair Price Shops (FPS) are called at ration shops in general way. In these centres, the consumer gets a Ration Card on the basis of which he is given food grains. The state government has given license to the Ration Shops to sell the food grains at comparatively lower price.

8. Consumer: Consumer are the people who buy the food grains from the Fair Price Shops at Minimum Market Price. They are availed to purchase food grains only if they own a ration card.

Logistic management of public distribution system

Recently Aadhaar (unique national identity card) can also be used in public distribution system to simplify a number of processes. The most frequent consumers belong to the BPL category. Which includes Marginal Farmers, Pottery, and Craftsmen.

Numerous reforms have been suggested to make the targeted public distribution system more effective. Major reforms include using information technology and leveraging Aadhaar to improve identification of beneficiaries.

There is immense role of Aadhaar card in public distribution system. It has been realized that one major problem in the implementation of the targeted public distribution system is the inclusion and barring errors in the identification of recipients. It has been proposed to integrate the Unique Identification or Aadhaar number with several government schemes, including TPDS to address this problem. The Aadhaar number would be used to precisely identify and authenticate beneficiaries entitled to receive subsidies under the targeted public distribution system and other government schemes. It has been documented that the Unique Identification Authority of India, using Aadhaar with TPDS would help remove duplicate and fake beneficiaries, and make identification of beneficiaries more accurate.

Technology-based reforms of the targeted public distribution system implemented by states: The Supreme Court appointed a committee under the chairmanship of Justice Wadhwa to look into reforms to the TPDS that have been implemented by various states. In its 2009 report, the Wadhwa Committee found that certain states had implemented computerisation and other technology-based improvements to the targeted public distribution system. Technology-based reforms helped plug leakages of food grains during TPDS. The Committee found that the current manual recording of suitability of beneficiaries and transactions was prone to human mistakes and tampering.

Additionally, there was pilferage through the distribution network and there is no central monitoring system to guarantee end-to-end delivery. The Committee observed that end-to-end computerisation could control large-scale diversion and help track the delivery of food grains from state depots to recipients.

Table: Technology based reforms in targeted public distribution system in several states of India (Source: Justice Wadhwa Committee Report on Computerisation of PDS Operations, 2009; PRS):

Type of reforms	Benefits of reform	States implement reforms
Delegation of ration cards	-Allows for online entry and verification of beneficiary data -Online store of monthly entitlement of beneficiary, number of dependants, offtake of food grains by beneficiary from FPS.	Andhra Pradesh, Chhattisgarh, Tamil Nadu, Madhya Pradesh, Karnataka, Gujarat.
Computerized allocation to FPS	Computerized allocation to FPS, declaration of stock balance, web based truck challans. -Allow for quick and efficient tracking of transaction.	Chhattisgarh, Delhi, Madhya Pradesh, Tamil Nadu
Issue of smart card in place of ration card	-Secure electronic devise to store beneficiary data -Stores data such as name, address, biometrics, BP/ APL category and monthly entitlement of beneficiary and family members. -Prevents counterfeiting.	Haryana, Andhra Pradesh, Orissa.
Use of GPS technology	Use of global positioning technology to track movement of trucks carrying food grains from state depots to FPS.	Chhattisgarh, Tamil Nadu
SMS based monitoring	Allow 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 citizen's portal	Publicizes grievances redressal machinery such as toll free number for call centres to register complaints or suggestions	Chhattisgarh
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Limitations of Public Distribution System:

The problems of Public Distribution System have not been undeviating in the nation. In some states, the administration is weak and dishonest. In these states, deficiencies regarding huge shortage of stocks, fake supply entries in ration cards, diversion of commodities for sale to open market and bogus ration cards are recorded. Public Distribution System suffers from irregular and poor quality of food grain made available through Fair Price Shops. In general, the public distribution system has following 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 fake cards are also issued.
2. Fair Price Shop owner gets fake Ration cards and sell the food grains in the open market.
3. People do not get the permitted amount of food grains from the Fair price shop.
4. Diversion of Food grains by Fair Price Shops holder and mediator.
5. Many times, good quality food grains are replaced with poor quality cheap food grains.
6. Public distribution system includes only few food grains such as 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.

Main problem involved in the operation of public distribution system is the issue of containing the food subsidy to reasonable levels. Other major issues which confront the system include the issue of targeting the system to benefit the actual poor and restricting the coverage of public distribution system to only the major commodities. De-centralization of operations and devolving to the states the key decision making powers as regards the operation of public distribution system are some major issues that needs to be addressed.

Government agencies can reform the system by introducing innovative ideas such as food stamps and food credit/debit cards to facilitate better working of the system with a view to reduce malpractices like diversion and reducing the costs of food delivered to the poor.

Though government has taken several measures to improve public distribution system like decentralised procurements, introduction of UIDAI etc. but still these measures are not completely espoused. More measures like universalization of public distribution system are need of the hour. Public distribution system can provide food security only when it covers wide range of food grains. With introduction of Food Security Ordinance, It is expected that public distribution system will be able to fulfil the long valued goal of Food security.

Revamping of Public Distribution System:

The scheme of Public Distribution System has immense importance in distribution of essential commodities to the weaker sections of the society since last four decades. However, it was found

in surveys that poor people are not getting full benefit of this scheme. It may be due to their disadvantageous geographical location, lower purchasing power, and lack of communication etc. (Deep and Deep Publications, 2001). Reports indicated that in country with sufficient production of food grains and large buffer stock, 200 million people remain hungry. This reflect poor functioning of public distribution system. There is a need to revamp the public distribution system scheme and then any tempering of the system in place should be dealt with severely. Instead of storing food grains in distant storage places, local food banks should be created so that the movement and utilization become easier and cheaper (G.N. Karalay, 2005).

To assure that the public distribution system reaches out to the farthest place of the country, the Revamped Public Distribution System (RPDS) was introduced in, 1992. According to this scheme families living below the poverty line are entitles to draw 10 Kg (20 Kg as per the proposal in Union budget, 2000) of food grains per month and that too at half of the central issue price. In Haryana state, this scheme is implemented with full swing (Deep and Deep Publications, 2001).

Details of targeted Public Distribution System in Haryana (Source: Deep and Deep Publications, 2001, Profile of food and supply department Haryana, 1989)

Total population: as per 1991 census	1.64 crores
Population as on 28. 2.98	1.96 crores (Approximately)
BPL Beneficiaries:	
Research estimates	7.33 lac families
As per local survey	7.20 lac families
APL families	27.2 lac families
Stamping done	5.62 lac families

With the implementation of this scheme, old schemes have been discontinued for the distribution of food grains (Deep and Deep Publications, 2001).

It is summarized that the Public Distribution System is a crucial resource for the food security of the poor people, particularly the urban poor, and women, who manage household food supplies. It is a major challenge for government to increase food availability to the poor. Public Distribution System has played vital role in serving the poor people as many people earlier died because of

malnutrition. When analysing in Indian context, India's Public Distribution System is the major distribution network of its kind in the world.