

Evolution of Public Distribution System in India, 1939-2013

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Abstract: *The present article explores the evolution of Public Distribution System in India from its initiation in 1939 to 2013. Up to the mid-sixties the PDS was seen as a mere rationing system to distribute the scarce commodities. Later it was seen as a Fair price system and imports constituted a major proportion in the supplies for PDS. After 1978 there was a large-scale expansion of the PDS supported by domestic procurement and stocks. In 1992 the targeted PDS was transformed from a general and universal scheme to a scheme targeting food subsidy to BPL households. After the enactment of National Food Security Bill (2013), the TPDS is now being transformed into a legal entitlement based food security system.*

Keywords: *PDS, Fair Price Shops, BPL, Antyodaya Anna Yojana, National Food Security Bill.*

Introduction

India's Public Distribution System (PDS) is the largest distribution network of its kind in the world. PDS was introduced around World War II as a war-time rationing measure. The PDS evolved as a system of management of scarcity and for distribution of foodgrains at affordable prices. Over 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 it to a household or a section of the society.¹

According to Dholakia and Khurana, PDS is "a retailing system supervised and guided by the State".² Progress Evaluation Organisation, Government of India (1985) defined PDS as a "set up under which specified commodities of everyday use are procured and made available to consumers through a network of FPS in urban as well as in rural areas". The scheme is operated under the joint responsibility of Central and State Governments. The Central Government is responsible for procurement, storage, transportation and bulk allocation of food grains, while state governments are responsible for distribution to consumers through the network of Fair Price Shops (FPS). States have the operational responsibilities including allocation within the State, identification of families below poverty line, issue of ration cards, supervision and monitoring the functioning of FPS. Under the PDS, presently the commodities namely wheat, rice, sugar and kerosene are being allocated to the States/UTs for distribution. Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oils, iodized salt, spices, etc. In its narrow connotation, PDS is identified with fair price shops.

Phases of PDS in India

The PDS, as it is known in India, has evolved over a long time. Famines and droughts causing acute scarcity conditions and the measures taken by the government to help the victims has been the typical way in which the food security system began to take shape. Thus, the measures have been in the nature of the fire-

fighting operation “concerned only with putting out the flames and providing a modest measure of temporary relief to the affected population”.³ An effort of this sort 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, which were facing severe scarcity conditions, and also a situation where the private trade failed to provide commodities affordable by the poor.

Later, in 1943, after the great Bengal Famine, this distribution system was extended to some more cities and towns. Prolonged periods of economic stress and disruption like wars and famines gave rise to a form of food security system. Initially it concerned itself primarily with management of scarce food supplies, and subsequently found it necessary to use a more organised and institutionalised approach including measures suspending normal activities of markets and trade. This form of providing food security existed in India for long years, in the shape of statutory rationing in selected urban areas and continues to be present even today in a few urban centres.⁴

Up to the mid sixties, the first phase of PDS in India, the PDS was seen as a mere rationing system to distribute the scarce commodities and later it was seen as a Fair price system in comparison with the private trade. Rice and wheat occupied a very high share in the food grains distribution. Need for extending the PDS to rural areas was realised but not implemented at this time. The operation of PDS was irregular and dependent on imports of PL-480 food grains with little internal

procurement. In effect, imports constituted major proportion in the supplies for PDS during this period.⁵

By the mid 60's the decision had been taken to look much beyond management of scarce supplies in critical situations. Stoppage of PL-480 imports forced the government to procure grains internally. In effect, India took a quantum leap in the direction of providing a more sustainable institutional framework for providing food security. The setting up of the Food Supply Corporation of India (FCI) and the Agricultural Prices Commission (APC), now known as the Bureau of Agricultural Costs and Prices (BACP)⁶ Commission, in 1965 marked the beginning of the second phase of PDS in India. On the basis of BACP's the prices recommended by the FCI procure the food grains that were to be distributed through the PDS. A part of the procured quantity is kept as "buffer stocks" to meet any unforeseen crisis. The key components of this system were institutionalised arrangements and procedures for procurement, stocking and distribution of food grains. What is more important to note is that the food security system during this period evolved as an integral part of a development strategy to bring about a striking technological change in selected food crops, especially rice and wheat. It provided effective price and market support for farmers and deployed a wide range of measures to generate employment and income for the rural poor with a view to improving their level of well-being including better physical and economic access to food grains.⁷

The national agricultural production rose in the aftermath of the Green Revolution. The buffer stock accumulation too increased heavily. With this, the initial emphasis on buffer stock maintenance and price stabilisation shifted to increase in PDS supplies. The fourth plan (1969-74) report stated that "in so far as food grains are concerned the basic objective is to provide an effective PDS". The procured quantities were in excess compared to the PDS needs and no minimum reserve was maintained.

During the fifth five year plan, programmes such as Food for Work were started with a view to alleviate poverty as well as to reduce the overstocking of FCI godowns. The imports gradually declined in this period and during the year 1975; there was a net export of food grains though it was a small quantity.

Imports were continued with relatively very less quantities to maintain level of buffer stocks. The government strengthened the PDS in this period, so that it remained a "stable and permanent feature of our strategy to control prices, reduce fluctuations in them and achieve an equitable distribution of essential consumer goods".⁸ Till late seventies, the PDS was largely confined to urban population and did not guarantee adequate food to the rural poor in times of crisis.⁹

During the late 1970's, and early eighties some state governments extended the coverage of PDS to rural areas and also introduced the target grouping approach. These states are Kerala, Gujarat, Tamil Nadu, and Andhra Pradesh. This was also because there was a marked 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). Thus, while the PDS was started initially to meet the crisis situation, by the Sixth Five Year plan, the PDS was viewed "as an instrument for efficient management of essential consumer goods necessary for maintaining stable price considerations". V. M. Rao (1995) pointed out that "from a situation where the policies remained pre-occupied with management of scarce supplies, the economy has now seems to have reached a stage where the food grain sector could provide a powerful stimulus to overall growth and development".¹⁰ The period 1978 to 1992 is the third phase of PDS and marked by large-scale expansion of the PDS supported by domestic procurement and stocks. PDS, till 1992, was a general entitlement scheme for all consumers without any specific target.¹¹

The Revamped Public Distribution System (RPDS) had been launched in June 1992 in 1775 blocks throughout the country and continued up to 1997. This is the fourth phase of PDS in India. The area specific programmes such as the Drought Prone Area Programme (DPAP), Integrated Tribal Development Projects (ITDP), Desert Development Programme (DDP) and Designated Hill Areas (DHA) were identified in consultation with State Governments for special focus to improve the PDS infrastructure. Under the scheme of RPDS, foodgrains (rice and wheat) are allocated to states and union territories for revamped Public Distribution System blocks at lower prices; Rs. 50 per quintal lower than Central Issue Prices (CIPs)

for normal PDS blocks. The State Governments are required to ensure that the retail prices of these commodities in these blocks are not higher than CIPs by more than 25 paise per Kg. Sugar is also distributed at lower prices.¹² The Central Issue Prices (ex-FCI godowns) are fixed by the Central Government for PDS as well as RPDS. The retail end prices for PDS and RPDS are fixed by the State Governments, taking into account the transportation cost and the dealer's commission.¹³

The fifth phase of PDS in India started with the introduction of Targeted Public Distribution System (TPDS) in June 1997. The focus of the TPDS is on “poor in all areas” and TPDS involves issue of 10 Kg of food grains per family per month for the population Below Poverty Line (BPL) at specially subsidized prices. The TPDS requires the states to formulate and implement foolproof arrangements for identification of poor, effective delivery of food grains to Fair Price Shops (FPSs), its distribution in a transparent and accountable manner at the FPS level. The “Targeted” means that the focus is really poor and vulnerable sections of society.

It transformed from a general and universal scheme to a scheme targeting food subsidy (in proportion to state poverty levels estimated by the Planning Commission) to BPL households and it is called the Targeted Public Distribution System (TPDS). In 1997, following the advice given in an influential World Bank document¹⁴ the Government of India introduced the TPDS in order to curtail the food subsidy. The policy initiated targeting of households on the basis of an income criterion, that is, used the income poverty line to demarcate ‘poor’ and

‘non-poor’ households. The TPDS has a 2-tiered pricing structure for Below Poverty line (BPL) and Above Poverty Line (APL) households. In addition, the Antyodaya Anna Yojana (AAY) introduced in December 2000, as a sub-scheme to benefit the poorest of the poor.

The entitlements for the BPL and AAY households are fixed (cereals per household per month) as also the issue prices. Although these are revised from time to time, the subsidy transfer per household has been rising over time. The APL allocation and prices depend on the availability of grain stocks and the economic cost, and are changed more frequently. The two main problems with the TPDS are related to delivery and targeting errors. These add to the “cost” of delivering one rupee of subsidy to a “poor” household.¹⁵

The beneficiaries are classified into three categories, viz. the general households, the Antyodaya households and the priority households. Though the identification criteria for these three groups are not mentioned in the Act, but the following sections of the population: landless labourers, small and marginal farmers (with land up to two hectares), workers in urban informal sector and households of construction workers are to be included in the Priority category while the Antyodaya category will comprise of Vulnerable Tribal Groups, households headed by terminally ill persons, widows or single women, physically challenged persons; households headed by a person aged 60 years or more with no means of subsistence, persons freed from bonded labour and those who are entitled

to the Mukhyamantri Khadyanna Sahayata Yojana. The general households are regarded as a default category.

The new phase (sixth phase) of PDS is observed in India after the enactment of National Food Security Bill (2013). The TPDS is now being transformed into a legal entitlement based household and individual food security system. The National Food Security Act, 2013 (NFSA) has been notified on 10.09.2013. The coverage, entitlements of foodgrains, etc. under the NFSA, 2013 have undergone change as compared to those under the existing TPDS referred above. NFSA, 2013 inter alia provides for coverage of upto 75% of the rural population and upto 50% of the urban population at the all India level under TPDS. Under the NFSA, 2013, the priority households are entitled to receive foodgrains @ 5 kg per person per month at the issue prices of Rs.3.00, Rs.2.00 and Rs.1.00 per kg for rice, wheat and coarse grains respectively. The existing AAY households, however, will continue to receive 35 kg of foodgrains per households per month.

Objectives of PDS in India

Historically, the objectives of the PDS have been:

- Maintaining price stability,
- Provisioning subsidized foodgrains to poor households,
- Increasing the welfare facilities for the poor (by providing access to basic foods at reasonable prices to the vulnerable population),
- Rationing during situations of scarcity, and
- Keeping a check on private trade of foodgrains.

It is clear that some of these objectives are less important today than in the past. The first two objectives remain very important. In fact, maintaining price stability is crucial in the post-liberalization period when private traders have been given a freer hand and when international price fluctuations can more easily affect domestic prices. In the context of widespread malnutrition and inflation in food prices, access to basic foods at reasonable prices remains an important policy intervention.

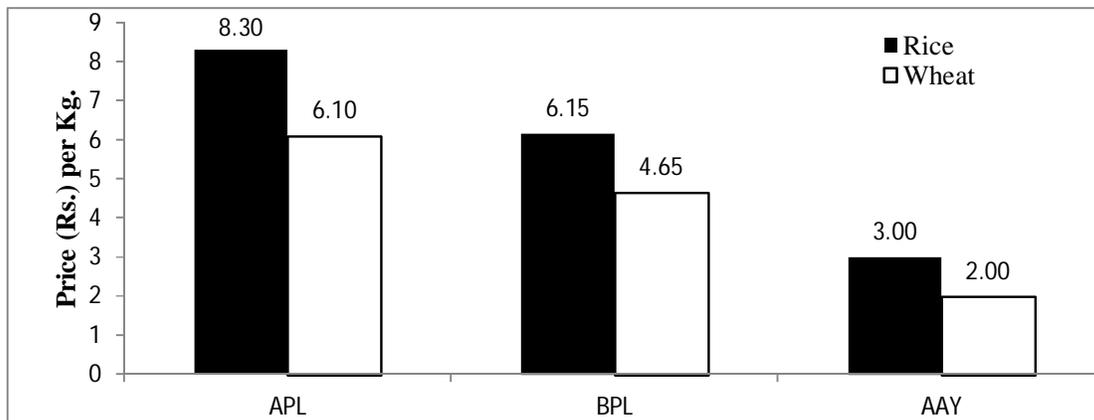
Present Status of TPDS in India

Target Groups: The most distinctive feature of the TPDS in relation to previous policy in India is the introduction of targeting, specifically, the division of the entire population into below-poverty line (BPL) and above poverty line (APL) categories, based on the poverty line defined by the Planning Commission. These two groups are treated differently in terms of quantities and prices. Government of India introduced the Antyodaya Anna Yojana (AAY) as a sub-scheme to benefit the poorest of the poor at very low cost who does not get two square meals a day. In addition to this Annapurna (AP) is central government sponsored scheme introduced to provide food security for the senior citizens of 65 years of age or above having no or little income.

Provision of Benefits: Dual (multiple) price is the key distinguishing feature of TPDS. TPDS has dual central issue prices: prices for BPL consumers and prices for APL consumers. A third price, introduced in 2001, is for beneficiaries of the Antyodaya Scheme (a scheme for the 'poorest of the poor', in which foodgrains is

distributed with an additional subsidy). In March 2000, a major policy change occurred when it was announced in the budget that central issue prices—that is, prices at which the FCI sells grain for the PDS to State governments— will be set at half the ‘economic cost’ incurred by the FCI for BPL households and at the full ‘economic cost’ for APL households. In short, there was to be no subsidy for APL households. The benefits for three sub-categories are shown in Figure 1.

Figure 1 The Central Issue Price (CIP) of Foodgrains being supplied under TPDS.



The above poverty level (APL) people can purchase food grains from FPS as per their entitlement at the subsidized rates of Rs. 6.10 per kg. and Rs. 8.30 per kg. for wheat and rice respectively. It involves subsidy of more than Rs.9 per kg. on wheat and Rs. 12 per kg. on rice. BPL beneficiary (BPL card holder) gets Food-grains at subsidized rate of Rs.4.65 per kg. for wheat and Rs. 6.15 per kg for rice. AAY beneficiary gets Food-grains at a highly subsidized rate of Rs.2/ per kg. for wheat and Rs. 3/per kg for rice. The scheme ensures 35 kg of food-grains per

family per month since April 2002. The kerosene and sugar are also available for them at subsidized cost.

Another scheme (Annapurna Scheme) aimed at providing food security to meet the requirement of those senior citizens who, though eligible, have remained uncovered under the National Old Age Pension Scheme (NOAPS). Under the Annapurna Scheme 10 kgs of food grains per month are provided free of cost to the beneficiaries.

Fund allocation: The important feature of the TPDS is that it has changed centre-state responsibilities with respect to entitlements and allocations to the PDS. PDS is designed and managed by State governments, and state governments differ with respect to entitlements, the commodities offered, the retail price (state issue price) and so on. In the past, the State governments demanded a certain allocation from the central pool, and based on certain factors, most importantly, past utilization and the requirements of statutory rationing, the central government allocated grain and other commodities to States for their public distribution systems. With the TPDS, the size of the BPL population and the entitlements for the BPL population are decided by the central government. The allocations for APL populations or additional allocations for BPL and APL populations are decided somewhat arbitrarily based on past utilization and demands from States .¹⁶

Coverage: The programme was spread all over the country and entitled all section of the people. But due to increasing pressure of budget deficit, government introduced TPDS. Now all BPL households are covered under TPDS. At present

total number of BPL identified families under TPDS is 649.75 lakhs out of which 249.39 lakhs are eligible for AAY. Among the eligible AAY families 242.18 families are identified and issued the ration cards. The number of BPL families and estimated number of AAY families across states are given in Table 1. Most of the states have been indentified the AAY families and issued the ration card. The only exception is West Bengal – out of 19.86 lakhs estimates AAY families only 14.8 lakh families have been identified and issued the ration card.

Table 1

Status of Identification of Households (in Lakhs) under AAY, 2013

States	No. of BPL families as	Estimated No. of AAY Families	Families Identified & Ration Card Issued	Gap of Ration card Issued
Andhra Pradesh	40.63	15.58	15.58	0.00
Arunachal Pradesh	0.99	0.38	0.38	0.00
Assam	18.36	7.04	7.04	0.00
Bihar	65.23	25.01	25.01	0.00
Chhattisgarh	18.75	7.19	7.19	0.00
Delhi	4.09	1.57	1.04	0.53

Goa	0.48	0.18	0.15	0.04
Gujarat	21.20	8.13	8.10	0.03
Haryana	7.89	3.03	2.68	0.35
Himachal Pradesh	5.14	1.97	1.97	0.00
Jammu & Kashmir	7.36	2.82	2.56	0.27
Jharkhand	23.94	9.18	9.18	0.00
Karnataka	31.29	12.00	11.38	0.62
Kerala	15.54	5.96	5.96	0.00
Madhya Pradesh	41.25	15.82	15.82	0.00
Maharashtra	65.34	25.05	24.85	0.20
Manipur	1.66	0.64	0.64	0.00
Meghalaya	1.83	0.70	0.70	0.00
Mizoram	.0.68	0.26	0.26	0.00
Nagaland	1.24	0.48	0.48	0.00
Orissa	32.98	12.65	12.53	0.11
Punjab	4.68	1.79	1.79	0.00
Rajasthan	24.31	9.32	9.32	0.00
Sikkim	0.43	0.17	0.17	0.00
Tamil Nadu	48.63	18.65	18.65	0.00

Tripura	2.95	1.13	1.13	0.00
Uttar Pradesh	106.79	40.95	40.95	0.00
Uttarakhand	4.98	1.91	1.91	0.00
West Bengal	51.79	19.86	14.80	5.06
Total	649.75	249.39	242.18	7.20

Sources: Government of India, Ministry of Consumer Affairs Dept of Food and

Public Distribution <http://dfpd.nic.in/?q=node/101> dated 22.05.2014

Table 2

Allocation and Off Take of RICE (in thousand tons) for the Year 2012-2013

Under TPDS

STATES/UTs	ALLOTMENT				% OFF TAKE			
	BPL	AA Y	APL	TOTA L	BPL	AA Y	APL	TOTA L
Andhra Pradesh	1052.1	654.3	2073.0	3779.4	100.2	98.4	67.7	82.0
Arunachal Pradesh	22.5	16.0	53.7	92.1	99.3	99.2	96.8	97.8
Assam	475.2	295.7	721.9	1492.8	99.2	99.3	93.1	96.3
Bihar	1253.8	630.3	1.3	1885.4	82.6	95.6	12.5	86.9

					100.	100.		
Chhattisgarh	427.9	301.9	306.5	1036.4	5	0	96.7	99.2
Delhi	33.2	18.0	97.5	148.7	98.7	71.3	88.3	88.6
Goa	5.5	6.1	41.9	53.6	6	0	99.8	99.9
Gujarat	173.8	155.6	0.0	329.4	0	96.3	0.0	98.3
Haryana	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HP	57.1	35.4	102.8	195.3	98.1	99.7	99.2	99.0
J & K	151.5	86.2	295.4	533.2	7	9	98.8	99.9
Jharkhand	620.0	385.5	176.6	1182.1	95.4	96.2	8.3	82.6
Karnataka	691.4	395.0	1337. 9	2424.3	97.5	91.1	71.7	82.2
Kerala	318.8	250.3	618.2	1187.2	99.8	99.9	100.6	100.2
Madhya Pradesh	213.6	104.1	0.0	317.7	158. 0	111. 8	0.0	142.8
Maharashtra	824.1	510.2	553.4	1887.6	94.9	93.9	57.8	83.8
Manipur	41.7	26.7	69.4	137.9	101. 0	99.9	103.7	102.2

					100.			
Meghalaya	47.4	29.5	84.5	161.4	0	99.8	100.5	100.2
Mizoram	17.6	10.9	34.1	62.7	95.2	93.1	95.2	94.8
Nagaland	25.9	16.1	52.3	94.3	109. 4	114. 1	104.1	107.3
Orissa	1165.6	531.1	35.2	1731.9	100. 5	97.6	45.6	98.5
Punjab	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rajasthan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sikkim	11.3	6.9	23.1	41.3	107. 9	99.6	99.6	101.9
Tamil Nadu	1259.2	783.1	1515. 1	3557.4	101. 5	99.6	98.0	99.6
Tripura	76.4	47.5	152.7	276.6	97.5	100. 7	91.5	94.7
Uttar Pradesh	1567.4	1153. 6	0.0	2721.0	100. 5	98.0	0.0	99.5
Uttarakhand	85.5	56.2	144.2	285.9	100. 4	99.6	89.7	94.8
West Bengal	956.5	349.1	125.6	1431.1	103.	98.6	84.3	100.3

					0			
TOTAL	11610.8	6874.2	8655.3	27140.3	99.0	97.6	81.2	93.0

Sources: Government of India, Ministry of Consumer Affairs Dept of Food and Public Distribution <http://dfpd.nic.in/?q=node/101> dated 22.05.2014

Table 3

Allocation and Off Take of Wheat (in thousand tons) for the Year 2012-2013

Under TPDS

STATES/UTs	ALLOTMENT				% OFFTAKE			
	BPL	AA Y	APL	TOTAL	BPL	AA Y	APL	TOTAL
Andhra Pradesh	0.0	0.0	43.5	43.5	0.0	0.0	67.9	68.0
Arunachal Pradesh	3.1	0.0	6.4	9.4	89.0	0.0	86.7	87.4
Assam	0.0	0.0	394.1	394.1	0.0	0.0	100.0	100.0
Bihar	435.6	420.2	962.7	1818.5	94.2	97.5	18.8	55.0
Chhattisgarh	57.8	0.0	150.0	207.8	89.3	0.0	65.6	72.2

					104.			
Delhi	75.5	45.1	329.7	450.3	6	71.8	98.2	96.6
Goa	0.0	0.0	9.5	9.5	0.0	0.0	99.3	99.3
Gujarat	376.5	184.5	1194.7	1755.7	90.6	91.1	36.2	53.6
					104.			
Haryana	208.6	122.8	424.6	756.0	1	98.9	29.9	61.6
						100.		
HP	76.1	47.3	209.3	332.6	96.3	9	100.6	99.7
Jammu & Kashmir	50.2	21.1	152.3	223.6	96.2	97.8	104.3	101.9
Jharkhand	0.0	0.0	176.6	176.6	0.0	0.0	0.4	0.4
Karnataka	145.1	82.9	154.7	382.6	99.9	89.6	59.6	81.4
Kerala	83.6	0.0	201.9	285.5	98.7	0.0	99.4	99.2
Madhya Pradesh	854.5	560.2	1004.0	2418.7	190. 4	124. 6	77.0	128.1
Maharashtra	885.3	524.7	1521.4	2931.4	93.6	89.6	55.5	73.1
					100.			
Manipur	1.3	0.0	31.8	33.1	0	0.0	96.0	96.2
Meghalaya	0.0	0.0	27.2	27.2	0.0	0.0	102.5	102.5
Mizoram	0.0	0.0	7.5	7.5	0.0	0.0	95.0	95.0

					108.	108.		
Nagaland	6.2	3.9	22.5	32.6	3	3	106.2	106.9
Orissa	0.0	0.0	462.4	462.4	0.0	0.0	89.6	89.6
Punjab	121.2	75.4	631.4	828.0	87.1	67.7	72.4	74.2
Rajasthan	629.5	391.5	1158.5	2179.5	98.9	97.7	98.8	98.6
Sikkim	0.0	0.0	3.0	3.0	0.0	0.0	100.0	100.0
Tamil Nadu	0.0	0.0	165.4	165.4	0.0	0.0	55.7	55.7
Tripura	0.0	0.0	28.2	28.2	0.0	0.0	96.8	96.8
	1198.				101.	100.		
Uttar Pradesh	3	565.9	2783.3	4547.6	5	2	74.6	84.9
Uttrakhand	43.5	24.0	264.6	332.1	99.6	98.8	97.6	98.0
West Bengal	597.1	272.6	1556.4	2426.1	95.2	86.3	88.5	89.9
	5850.	3342.	14135.	23328.	110.			
TOTAL	5	4	4	2	6	98.9	69.8	84.2

Sources: Government of India, Ministry of Consumer Affairs Dept of Food and

Public Distribution <http://dfpd.nic.in/?q=node/101> dated 22.05.2014

The total off take and allotment of Rice and Wheat under TPDS are shown in Table 2 and Table 3 respectively. In the year 2012-13 the allotment of rice and wheat for PDS are 21140.3 and 23328.2 thousand tons respectively. For BPL the allotment of rice is 99 per cent of off-take and the allotment of wheat is more than

the off-take (110.6 per cent). The allotment for AAY is marginally longer than the off-take. But for APL families the allotment is substantially lagging behind the off-take. The off take of foodgrains and their allotment widely varied across states. In most of the states the BPL and AAY the allotment of foodgrains are marginally lagging behind the off take of the state. In some other states the allotment is more than the off take.

Evaluation of PDS in India

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, where the beneficiary buys the food grains at the lower central issue price. Many states further subsidize 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.

The Central Government takes 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.

Dev and Suryanaryana (1991)¹⁷ made an evaluation of the performance of PDS on the basis of the National Sample Survey (NSS) data. Their findings showed that the relative dependence on the PDS was much higher in rural areas as compared to those of urban areas. The NSS data at the all-India level showed that the PDS was not favoring the middle or richer groups. But it may be noted that although the PDS objective to help vulnerable sections of the society, in the absence of a means test, the rich are getting about 20-50 percent of their purchases from the PDS particularly for commodities such as rice, sugar and kerosene.

Radhakrishnan et al (1997)¹⁸ and Deaton (1999)¹⁹ have quantitatively evaluated the extent to which PDS alleviate poverty. The PDS had been criticized for its urban bias and its failure to serve effectively the poorer sections of the population. But these evaluations of PDS failed to consider the counterfactual and take the fiscal transfer as the net gain accruing to the poor using PDS.

Himanshu and Sen (2011) showed that the TPDS did improve targeting but not significantly. While the targeting halved the richest quintile's access to PDS, the poorest quintile's access did not improve much²⁰ this may in part be due to exclusion and inclusion errors, i.e., many poor people are not covered and many covered are not poor. There is no definitive information on the extent of mis-targeting. According to one estimate, almost half the poor are identified as non-poor and almost half the non-poor as poor²¹. Another estimate indicates that about 18 per cent of BPL households do not have ration cards.²²

As much as 58 per cent of subsidized grains failed to reach the target group.²³ This high leakage comprised an estimated 21 per cent diversion to APL households and 36 per cent siphoned off the supply chain. Inefficiency, corruption and leakages became rampant, often resulting in uncertain and irregular availability of food. Poor northern and eastern states which performed badly under universal PDS continue to perform badly under TPDS with very low per capita PDS purchase and highest leakage due to dysfunctional delivery systems. The poor in these states clearly are not benefitting. In Bihar, for example, households in the bottom quintile purchased only 2 per cent of the per capita foodgrain consumption through PDS as compared to 68 per cent in Karnataka and 50 per cent in Tamil Nadu.²⁴ Taking primary data Khera (2008)²⁵ showed that in Rajasthan only about one-third households have accessed to the PDS. In West Bengal there is a significant gap between identification and issued of AAY

entitlement card though the state government has extended the PDS to cover most of the families in the backward regions of the State.

By 2009-10 the diversion of foodgrains declined to an estimated 41 per cent at the national level, reflecting an improvement in almost all states, but particularly so in certain states, such as Andhra Pradesh, Jharkhand, and Orissa.²⁶ A few states, such as Tamil Nadu and Chhattisgarh pioneered reforms to improve access and reduce leakages. TPDS did not address nutritional security as there was a continued emphasis on rice and wheat without diversification into coarse cereals, pulses and edible oils.

Although the TPDS is the most important food security programme at the national level, it is however not the only form of food security scheme implemented by the states nor is it that its coverage is similar across states. Tamil Nadu provides an interesting case due to its universal access policy for subsidized grains even after introduction of TPDS. In recent years, a number of states such as West Bengal, Chhattisgarh, Himachal Pradesh, Andhra Pradesh and Karnataka have implemented near universal food security schemes. The state of Chhattisgarh has also enacted a legislation to include food as a legal entitlement. Apart from the TPDS and the Mid-Day Meal, Kerala has implemented two schemes which have been funded by the state government. The first is called Annadayini and the second is called the Hunger Free City Programme. The Annadayini provides lunch to all malnourished tribals in remote areas. The Hunger Free City Programme provides subsidized meals once a day to the public at designated centers in a city

and it is aimed at ensuring that no person in the city goes without at least one square meal a day. Anyone is free to come to these centers to take food during lunch time.

Limitations of PDS in India

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, bogus supply entries in ration cards, diversion of commodities for sale to open market. Public Distribution System suffers from irregular and poor quality of food grain made available through fair price shops. Many allegations are raised against PDS. In general, the public distribution system has following limitations.

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. For reasons of political expediency, the government in recent years has systematically increased the price paid to farmers by the Food Corporation of India in the form of Minimum Support Prices (MSPs). As a result, one option of the government is to absorb the extra cost as a subsidy burden on the government, but there are fiscal constraints on the state governments to do so.²⁷ Fair Price Shop owner gets bogus ration cards and sell the food grains in the open market. People do not get the entitled amount of food grains from the Fair Price Shop.

The illegal diversion of PDS commodities to the open market, through a highly institutionalized network of agents and other middlemen is a routine practice and severely undermines the capacity of the system to serve the needs of the poor. Diversion of PDS Commodities to the open market is an important problem—corruption, poor monitoring plus market pressure are responsible for such diversions. In most debates around the PDS in India, the large scale “diversion” of grains has been a major cause of concern. Diversion (or, “leakage”) from the PDS as has been estimated periodically refers to the proportion of grain that does not reach beneficiary households. While there could be several reasons for these losses (e.g., during transportation or due to poor storage), the general practice has been to attribute all such losses to the illegal sale of PDS grain, meant for ration card holders, on the open market.²⁸

Many times good quality food grains are replaced with poor quality cheap food grains. Physical access to PDS for the poor is quite difficult. The poor people have to fight at every stage to get a ration card, obtain the entitlement to supply, to retain their cards and so on. Life for the poor is a daily struggle. The delivery mechanism works better in urban rather than rural areas.²⁹ The implementation of TPDS is plagued by large Errors of Exclusion (of BPL families) and Inclusion (of APL) and by the prevalence of ghost BPL cards. The problems of ghost cards have serious implications for the performance, impact and delivery cost of TPDS.

Conclusion

India's Public Distribution System is the major distribution network of its kind in the world. It is a crucial resource for the food security of the poor people. 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, yet the fact of the matter is that it provides only a temporary relief. For the purpose of providing enduring food subsidy to the poor, it has been suggested that it would be more appropriate to increase the capability of the households to overcome poverty.

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