
13. Effectiveness of Public Distribution System in Jammu & Kashmir

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Abstract :

Public Distribution System (PDS) is a poverty alleviation programme and contributes towards the social welfare of the people. The study by focusing on the effectiveness of the PDS is of immense significance to the policy makers, Government and the Planning department by recognizing the rights of citizens and their entitlements for food grains, would suggest methods of ensuring food security especially among poor sections of the society. It identifies grey areas which would help CAPD officials to streamline the working of FPS so that distributional goals for welfare improvement are implemented and achieved. The PDS department implements the scheme of minimum support price to the producers of wheat, paddy and coarse grains and the distribution of food grains from the central pool. A close watch is kept on the stock and price levels of food grains and efforts are made to ensure their adequate availability at reasonable prices in different parts of the country.

Keywords: PDS (Public Distribution System), Fair Price Shop, Social Security, Essential Commodities

Full Text:

1. Introduction

The department of Public Distribution is charged with the prime responsibility of the management of the food economy of the country. The twin objectives of the Department are to ensure proper remuneration to our farmers and the supply of food grains at reasonable prices to the consumers through the public distribution system. The Department is concerned with the formulation of policies concerning the food grains sector - procurement, storage, movement and distribution. The department implements the scheme of minimum support price to the producers of wheat, paddy and coarse grains and the distribution of food grains from the central pool. A close watch is kept on the stock and price levels of food grains and efforts are made to ensure their adequate availability at reasonable prices in different parts of the country. The Public Distribution System (PDS) has existed in India since the Second World War and was established for ensuring food security. This is done by not only ensuring adequacy in supply of food grains, but also by distributing them at affordable prices. This study aims to assess the functioning of the PDS by taking a cross-sectional view of food security, whereby the functioning of this system is examined from the viewpoint of the poorest sections of the society (Sawant and Jadhav, 2013). The policy of Government of India in running the public distribution system (PDS) is to protect the poor and vulnerable sections of population from possible inflation due to frequent and relatively wide fluctuations in the supplies (Kabra and Ittyerah, 1992). Essential commodities like rice, wheat, sugar, kerosene and the like are supplied to the people under the PDS at reasonable prices through a network of more than 4,00,000 fair price shops (FPS). Public Distribution System (PDS) is a poverty alleviation programme and contributes towards the social welfare of the people. During 2007-2008, commodities worth more than Rs 15,000 crore were distributed through PDS to about 16 crore families (Jacob et al., 2008). 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 section of the society (Annual report, 2010-11). There is an increasing awareness

among the practicing administrators in India of the need for introducing modern management culture in the realm of public administration to make administration more active, sensitive and responsive. This is of particular value as it paves the way for greater professionalism in public administration and also facilitates development of an infrastructure for a dynamic system of organization, designed to make the administration more efficient. Effectiveness of the PDS and its capacity to serve the vulnerable sections depend, in addition to the macro aspects connected with the national food policy, on a large number of policy decisions regarding the operational and organizational aspects of the PDS.

1.1 PDS in India

Public Distribution System is considered as principal instrument in the hands of government for providing safety net to the poor and the downtrodden. The system serves triple objectives namely protecting the poor, enhancing the nutritional status and generates a moderate influence on market prices. The focus and coverage of PDS have changed widely over the years. Initially during world war civilian consumption was restricted so as to divert food items to meet the food requirement of defence forces. Subsequently frequent occurrence of drought throughout the country made the planners to think on food shortages. In order to overcome this shortage ration system was came in to existence. FPS was opened to distribute the items of mass consumption in urban areas. Thereafter, it was extended to rural areas. From the year 1992 Revamped PDS was introduced in those areas where Drought Prone Area Programme and Desert Development Programme were in operation. Under this system people were allowed to purchase essential items from the FPS at relatively much lower subsidized rates. After, the Chief Ministers Conference held in July 1996, a revised scheme known as Targeted PDS was introduced countrywide with a network of 4.74 lakh FPS. Under this system two-tier subsidized pricing system by classifying the cardholders is followed. Cardholders are classified as Above Poverty Line (APL) and Below Poverty Line (BPL). The BPL families are entitled to receive the essential commodities at a price, which is very closer to the economic cost. BPL families are identified based on the methodology

given by Lakdawala Exert Group on estimates of poverty. The TPDS was further liberalized in December 2000, and was renamed as Antyodaya Anna Scheme. Under this scheme the poor was further classified as the 'Poorest Among the Poor' and other living 'BPL'.

1.2 Goals of PDS

The goal of PDS does not restrict itself with the distribution of rationed articles. Making available adequate quantities of essential articles at all times, in places accessible to all, at prices affordable to all and protection of the weaker section of the population from the vicious spiral of rising prices is the broad spectrum of PDS. More specifically, the goals of PDS are:

- Make goods available to consumers, especially the disadvantaged / vulnerable sections.
- Check and prevent hoarding and black marketing in essential commodities.
- Rectify the existing imbalances between the supply and demand for consumer goods.
- Ensure social justice in distribution of basic necessities of life.
- Even out fluctuations in prices and availability of mass consumption goods.
- 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).

1.3 PDS under Five Year Plans

The real aim of First-Five year plan was essentially guided by the consideration of price stability for consumers in the urban areas. This trend continued in the Second-Five year plan which emphasized on building food reserve to moderate prices fluctuations and to meet emergencies. The Third-Five year plan recognized some of the factors inhibiting the implementation of the food policy specially storage and warehousing facilities etc. The Fourth plan continued the trend and further got caught up in ideology of cooperatives replacing Fair Price Shops (FPS) instead of

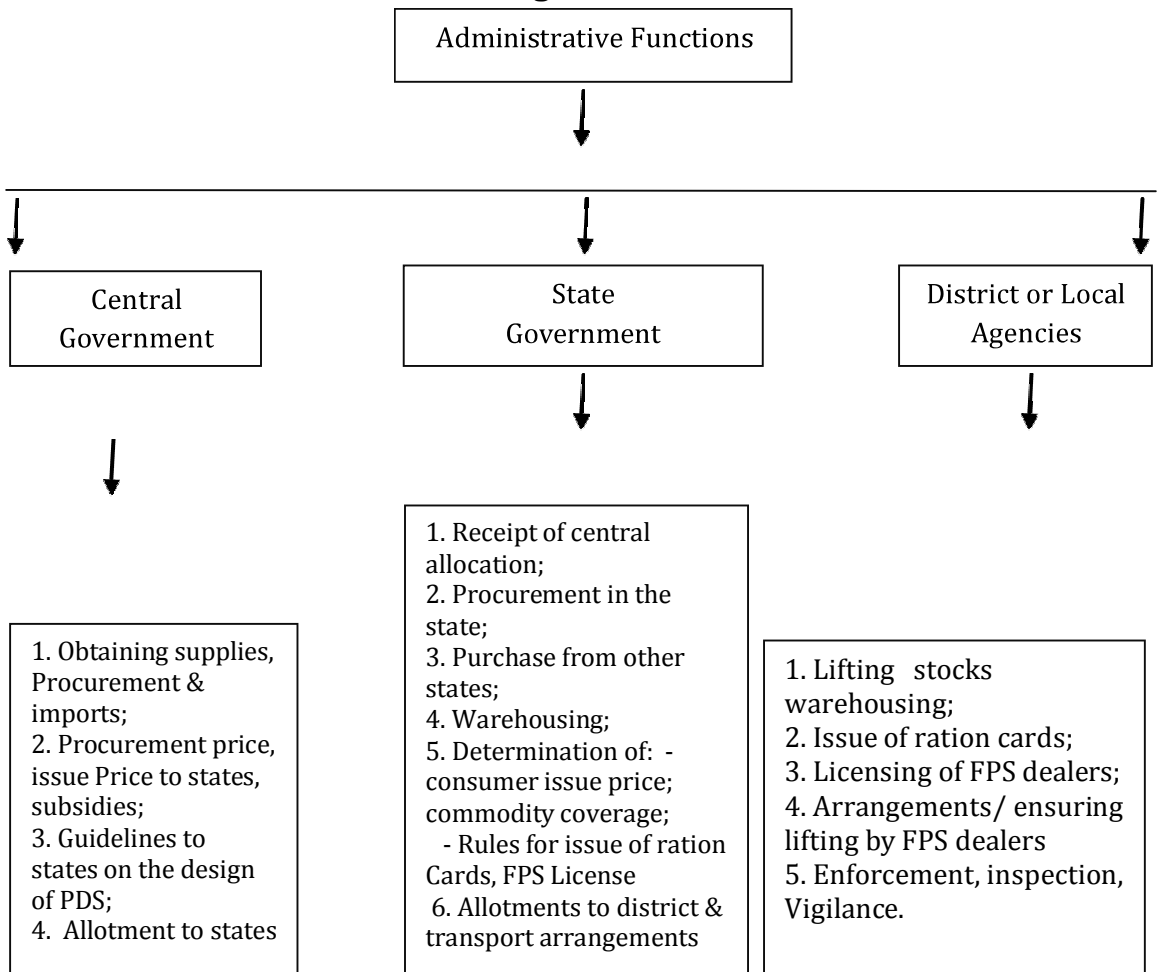
emphasizing the need for making food grains available to all the poor at affordable prices. The Fifth-Five year plan used PDS as an instrument to discourage speculative activities in the area of trading and minimizing any sizeable subsidy burden on the public exchequer. On July 1, 1979 the Union Government inaugurated the production-cum-distribution system. The Sixth-Five year plan (1980-85) made a general reference to the need for the PDS to play a major role in ensuring supplies of essential commodities to consumers at reasonable prices. It promised that the PDS would be so developed that it would remain a stable and permanent feature of the strategy to control prices and to achieve equitable distribution. The Seventh plan recognized the PDS as a permanent feature of the strategy to control prices, reduce fluctuations and achieve an equitable distribution of goods (Planning Commission, 1985). The Eighth plan focused to make PDS more efficient by proper targeting and exclusion of non-poor segments of the population (Planning Commission, 1992). The Ninth-Five year plan (1997-2000) aimed at achieving various objectives such as maintaining supplies in PDS, monitoring the prices of commodities of common consumption, enforcing various control orders under Essential Commodities Act, 1955 and strengthening the consumer movement in the country. The Tenth-Five year plan (2002-07) emphasized on introducing two-tier price scheme under public distribution system which will weed out bogus cards in circulation. The objective therefore, should be to reduce the subsidy burden of the Government without affecting the interests of the poor and downtrodden. It aimed at strengthening of price monitoring cell for supervision, scrutiny and reporting of the prices & trend analysis of price situation; monitoring cell for public distribution system for close monitoring of the functioning of the public distribution system & prevention of malpractices; analytical laboratory for improving quality control measures & analysis of food articles and assistance to voluntary consumer organization for consumer education and protection. Since then, the Indian government has been using the public distribution system as a deliberate policy instrument to overcome chronic food shortages apart from using it for stabilizing food prices and consumption in view of fluctuating food production in the country. A review of PDS programme indicates the effectiveness with which the programme is able to achieve

multiple objectives of reaching poor, regulate food grains markets, improved regional transportation etc. (Geetha and Suryanarayana, 1993).

1.4 PDS Management

Management structure of the PDS in India includes policy formulation, fixing of objectives, strategy for procurement and distribution of foodgrains and other essential commodities. The operational details of PDS differ from state to state. Though the policy of setting up Fair Price Shops owes its initiation to national food policy, its implementation remains the direct responsibility of the State Governments. The centre plays a prominent role in procurement, interstate movement of cereals and in determining the support prices which is the basic factor influencing the PDS issue price in the state. In order to operate the PDS effectively, the central government also issue from time to time guidelines to the states, regarding the operational details of the PDS. Of course, the central guidelines have been taken into account, but the decisions have been those of the state government. These include the commodities to be brought under PDS, ration scales, number, location and licensing of FPS, the terms and conditions for the FPS authorisation and methods of supplying, checking, remunerating FPS dealers etc. Setting up of an effective delivery system, granting fair and equitable access at a low administrative cost and in accordance with the needs of the local population at various places depends upon a large number of administrative and organisational details and many subsidiary policy decisions. Apart from the decisions taken at the state level, these decisions also taken at the district, block, at FPS level and play their part in determining the availability cost and benefits of access to the PDS (Figure-1.4)

Figure-1.4



Review of Literature

PDS is primarily a social welfare and antipoverty programme of the Government of India where essential commodities like rice, wheat, sugar, kerosene and the like are supplied to people at subsidized prices. It has remained one of the most important elements in India's safety net system for almost 50-years and also the most far reaching in terms of coverage as well as public expenditure on

subsidies. PDS provides rationed amounts of basic food items (rice, wheat, sugar, edible oils) and other non-food products (kerosene, coal, standard cloth) at below market prices to consumers through a network of fair price shops disseminated over the country. (Kumar & Gulati, 2008) .This distribution network has also supplied grains for the 'food for work' taken up on a large scale to fight the drought (Anuradha, 2002). It is, therefore, the need of the hour to review the research work and pertinent literature carried by different scholars, economists and policy makers in India and abroad. Most of the research on Public Distribution system focuses primarily on the functioning of PDS as it has failed to serve the population below poverty line, its urban bias, negligible coverage & lack of transparent & accountable arrangement for delivery (Iynger, 2003; Narayan, 2004 and Jacob, 1992. Sampark and Soman (2008) identifies weaknesses of schemes of PDS in India that it excludes a large number of deserving people & families for conceptual & operational reasons. Conceptual issues are the inappropriateness of using income to identify poor for PDS. Operational issues relate to problem of huge practical administration, non availability of identification cards by deserving families & supply of poor quality food grains. Srinivasan and Jha (2001) in their study found that ineffectiveness of the scheme due to inadequate and unreliable identification of beneficiaries, unviable operation of FPS, poor administrative arrangements for effecting recoveries on account of losses, unrecovered custom milled rice (CMR), annual verification of ration card holders, periodicals inspection of FPS etc. The share of PDS purchase in total purchase are very low implying that PDS not only meet significant requirements of the poor but also operate against their interest by raising the open market prices (Mahender and Suryanarayana, 1991). For the effective and successful functioning of PDS, various authors suggested that the vigilance committee should be made transparent, accountable and responsible. FPS should concentrate on non- controlled articles also, number of cards per FPS should be displayed at every FPS and enhanced production of cereals, supportive role of FCI, identifying the poor and redesigning PDS to improve food security of poor (Nakkiran, 2004; Ramaswami and Dutta, 2001 and Srinivasan and Jha, 2001).

3. Operational Bottlenecks of PDS

PDS has an obvious relationship with anti-poverty issues because only such a system can have the infrastructure to deliver essential commodities to meet the minimum food requirements of hungry households, to control prices in the open market and to deliver food grains to beneficiaries of welfare and anti-poverty programmes. Still perhaps the greatest weakness of our development management process has been the lack of a credible deliver system at the beneficiary level. The PDS is now a four decade old system. The Government of India as well as State Governments has incorporated various modifications from time to time to make its content and implementation more relevant for the masses and increase its effectiveness. The poor lifting of food grains stock by state food corporation against the allocation acts as an important constraint in the successful implementation of PDS (Saxena, 2000). It has been observed that on account of shortage of resources, there is considerably delay in lifting of food grains on the part of state agencies and fair price shops dealers. The consumers are generally not given the arrears of the previous month/fortnight thereby making a room for diversion and defeating the very purpose of the scheme. In view of several complaints made regarding the diversion of PDS grains in to open market, a study was conducted by Tata Economic Consultancy Services in 1998. It was found that at the national level, there was diversion of 36% of wheat grains and 31% of rice. It was found that the diversion is more in the northern- eastern and north-eastern regions. Though the number of Fair price shops is inadequate, yet many of them did not appear to be operational. One of the major complaints regarding PDS is the supply of poor quality of food grains (Bharat and Dutta, 2001). The lower quality of PDS wheat is evidenced of inefficiencies in the operation of the public sector. The appearance of quality differential at the retail outlet is due to inefficiencies in the marketing chain, such as bad purchase decision, lack of care in storage and handling and indifferent service at the ration shops. Another disturbing feature of PDS in India is the ground reality that a large portion of the subsidized food grains and other essential commodities meant for distribution do not reach the beneficiaries and find their way to the market. The difference between the open market price and subsidized prices of these commodities under PDS determine the attraction of the leakages. If calculation

is made between the figures of stocks lifted and actually sold to the consumers, there shall be a discrepancy, which could be said to be equal to leakages in the system. It is estimated that a little over one-third of the food grains, supplied to PDS do not reach the actual users of the PDS- it leaks out of the programme. While some part of these may be genuine losses incurred in storage and transport, a major part is diverted to open market (Sharma, 2007). Major reason for the diversion, besides the corruption prevalent in the system can be the arbitrariness of the authorities in not permitting any losses and lower margins to all in the chains, i.e. transporters and FPS dealers. For the dealers to compensate and make good the losses in PDS commodities, leakages are only the route. Estimates vary but nobody can deny its existence. The mischief has many stages and several areas, starting from legitimate loading charges, transportation rates are kept artificially low, at time, not revised for years, and again, not permitting any losses neither to him nor to FPS dealer and , in case of the latter, fixing margin at low unviable level (Tritah, 2003). From economic point of the view, it can be clearly stated that if the income grain of the poor under PDS (subsidy) is lower than the income loss (taxes to pay for subsidies) of the non-poor, the entire exercise, from a welfare point of view, might prove counterproductive, the hence to check leakages.

4. Suggestions to Make PDS Effective

The policy of Government of India in running the public distribution system (PDS) is to protect the poor & relatively wide fluctuations in the supplies, price stabilization and provide protection against unscrupulous traders. In the present study, an attempt has been made to assess the effectiveness of public distribution system in the Jammu West. On the basis of above analysis, some of the suggestions to improve the quality of PDS products are proper grading and standardization of ration commodities must be ensured so that quality services can be provided to consumers, minimize the presence of sand & pebbles in flour & rice, packed and labeled products should be provided to consumers, dealer must be provided with sufficient infrastructure facilities so that they can provide better quality services to consumers, periodical inspection of records maintained by FPS dealers must be

conducted by the competent authorities and those who violate rules & regulations must be penalized and debarred from continuing as a FPS dealers (Yesudian, 2007). The working hours of the FPS should take into account the convenience of the cardholder's e.g. working hours coinciding with office or factory working hours would not be convenient to many people. Advertisement in print and electronic media about enhancement of prices of PDS products can help in ensuring transparency in the system of public distribution, rate list of food grains must be displayed on notice board for the convenience of the consumers, pricing system in PDS should coincide with public interest and a suggestion box should be kept outside ration shops in which consumers can make the complaints or suggestions regarding products and dealers (Sharma, 2002). To make the public distribution system effective, the concerned authorities must introduce special measures such as improving the level of access to essential commodities especially for poor, strengthening & streamlining delivery system, initiate steps for proper grading, cleaning & standardization of food grains, information dissemination through media and periodical inspection of FPS. The findings revealed that an active and meaningful public participation is a pre-requisite for the effective and successful functioning of PDS.

5. Research Implications and Limitations

Public distribution system (PDS) is a poverty alleviation programme and contributes towards the social welfare of the people. The study by focusing on the effectiveness of the PDS is of immense significance to the policy makers, Government and the Planning department by recognizing the rights of citizens and their entitlements for food grains, would suggest methods of ensuring food security especially among poor sections of the society. It identifies grey areas which would help CAPD officials to streamline the working of FPS so that distributional goals for welfare improvement are implemented and achieved. This study by creating awareness among BPL families regarding existence of vigilance committee and food inspectors will help in eliminating business malpractices in the fair distribution of

food grains through PDS. Although the study adds to the existing literature but the conceptual nature of the study is the major limitation.

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