

Increasing the Effectiveness of Public Distribution System in India: A Comprehensive Study

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Abstract

The targeted public distribution system (TPDS) is one of the largest government funded food distribution schemes in India. The inefficiencies of the system give scope for siphoning of funds and diversion of public resources when beneficiaries of the system are not the target population. This study tries to understand the existing models of TPDS in India; the issues associated with the same and suggest the possible solutions for the issues.

Introduction

Of the 1.2 billion Indians, one fourth of them suffer from hunger. 'India indeed is the world's hunger capital' says Prasenjit Chowdhury in The Deccan Heraldⁱ.

Monthly stocks of food grains, as of January 1, 2013, stood at about 671 lakh tons for 2012, peaking at 802 lakh tons in June 2012; and it was 192 lakh tons in January 2008ⁱⁱ. This 250% rise to the record level of food grain stocks did not help to decrease the hunger and malnutrition affecting the population.ⁱⁱⁱ This establishes the need to provide for an efficient and effective distribution channel through which the poor can access food grains.

Public Distribution System

The Central government procures food grains, distributes it, sets up prices and stores the grains at different centres across India. The State government, then, executes the distribution systematically. Five main steps in the system are:

1. **Identification:** The Central government generates a count of poor people facing the problem of mal nutrition and those who cannot afford sufficient food at market prices. Most of these people are labourers, rickshaw pullers, landless farmers, etc. People living in slums and unemployed people residing on footpaths constitute a major chunk.
2. **Ration Cards:** These are identity cards provided to targeted people identified to avail the food grains at subsidized prices. This identified population segregated as Below Poverty Line (BPL) and Above Poverty Line (APL). Another category of such people who do not get even two square meals a day is AAY- Antyodaya Anna Yojana beneficiaries.

3. **Pricing:** Arriving at the prices and scales of food grains is a critical task as it affects the affordability and access to the targeted population.
4. **Distribution:** The actual last mile distribution of food grains takes place through various Fair Price Shops (FPSs) run by the state government across the country. FPSs are spread across small villages in rural areas to provide basic commodities at affordable prices.
5. **Monitoring and licensing:** FPS in different regions are licensed out to various cooperatives, local trusts, self-help groups and also local contractors or grocery shop owners. The process gets complicated due to lot of pressures created by this channel of middlemen engaging in malpractices and corruption. Area officers, secretaries of the government, do monitoring of the PDS. They are responsible to ensure smooth administration and functioning of the system at different hierarchical level. The feedback from such officials becomes important for the Central government to work on further improvements in the system.^{iv}

Value Chain

The TPDS value chain can be broadly studied under three headings viz. Procurement, allocation and distribution.

1. Procurement

The quantity of grains to be procured is determined by the central government considering the existing requirement and by allotting a buffer to meet any emergency arising out of flood, famine or other such natural calamities. The food grains are bought from the farmers through the purchase centres and then sent to FCI warehouse or FCI affiliated warehouse. The food grains are distributed across states depending on the productivity and climate of that state.

(Exhibit 1)

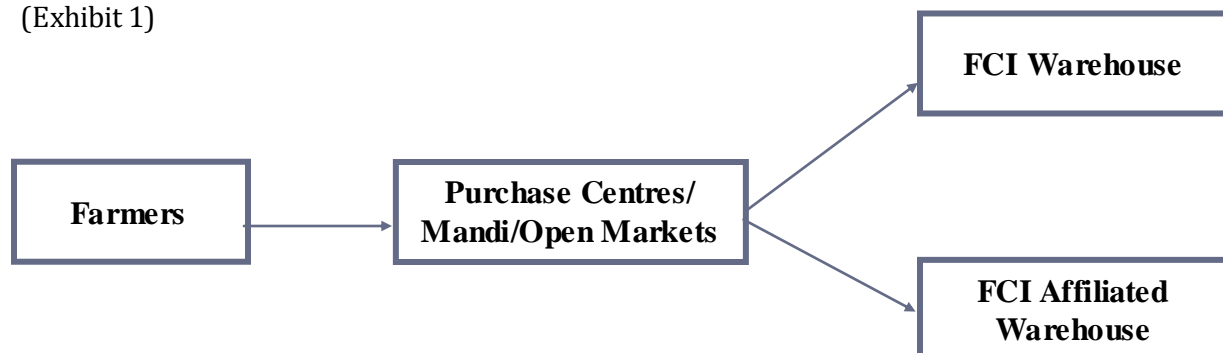


Exhibit 1: Procurement of food grains

2. Estimation and Allocation

The second phase of TPDS value chain is estimation of the number of beneficiaries and allocation of food grains and sugar across different states and further across districts and blocks in each state. Traditionally, the Planning Commission does the identification of the poor for TPDS. Each state has its own method for estimating beneficiary families in each state. (Exhibit 2)

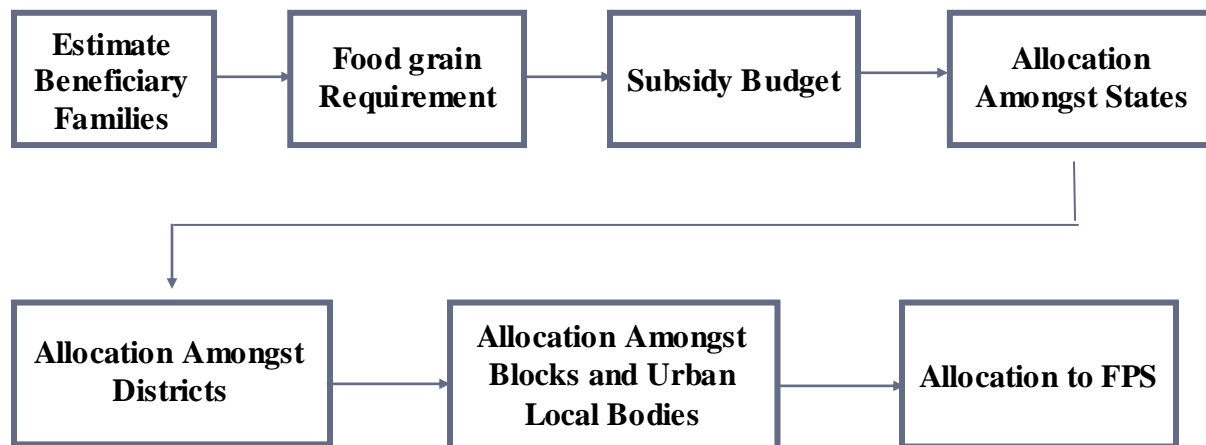


Exhibit 2: The estimation and allocation process

3. Distribution

The FPS owner collects the allotted food grains from a block warehouse on a monthly basis. Every month a fixed amount of food grains is taken from the warehouse and is distributed through Fair Price Shops (FPS). Once the beneficiary shows his/her ration cards and the employees at the FPS, food grains are distributed to him/her, verify the same. (Exhibit 3)

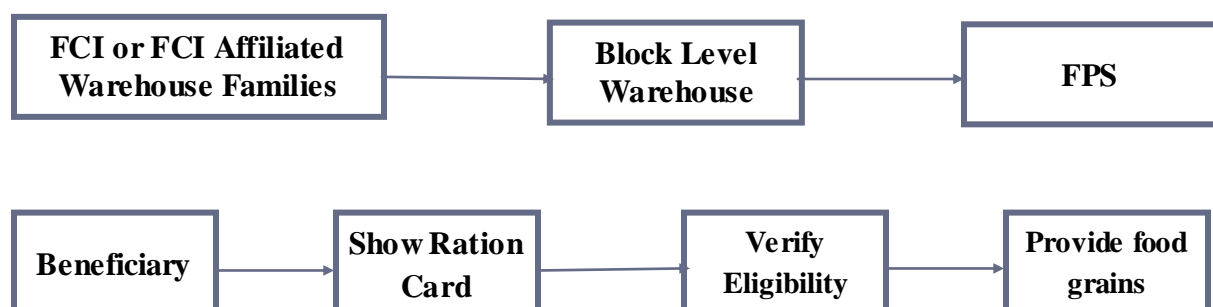


Exhibit 3: The distribution process

Problems in identifying the Target Population

1. Exclusion Error: This happens when eligible people cannot make it to the any of the beneficiary lists. It happens due to lack of information, migration, or local level

marginalization based on casteism. According to a study conducted in 2009, it is estimated that almost 61% of the population identified to be eligible was excluded from the BPL list^v.

2. Inclusion Error: The same study estimated that 25% of non-poor households, which were not supposed to be entitled to any benefit, were included in the BPL list^{vi}.
3. Ghost Cards: Bogus ration cards created in fictitious names pose a serious problem leading to high leakage from the system.
4. Shadow Ownership: This happens when families migrate in search of jobs and then they cannot access their stipulated quota. Also as some of the poor families have so less money that they pledge their ration cards with FPS owners or some local moneylender to obtain some cash.

Leakages from the System

The leaks in the system are from both sides: the system as well as the public.

1. Leakages from FPS

As all the leakage from the system need to be accounted for in the books, FPS documents more than the actual amount of grain distributed to beneficiaries. The FPS salesperson achieves this by:

1. Issuing excess ration cards to non-existent persons (ghost cards), multiple cards per person (duplicates) and to names which are not eligible
2. Shadow ownership of cards: keeping the cards with himself and not providing the entitlements to the beneficiary
3. Over-reporting: documenting more than is actually delivered every month, skipping delivery for months but still recording and under-weighing

2. Leakage from Beneficiaries

1. Obtaining cards using different names and addresses
2. Splitting families into more artificial units to obtain more entitlements
3. APLs getting off as BPLs

3. Major causes^{vii}

1. Incentives to get BPL cards: There is a significant incentive for people to be classified as BPL to get TPDS benefits to section of society.
2. Incentive for pilferage: the subsidized prices in FPSs are significantly lower than the market prices. So the commodities are leaked out and sold in the open market.
3. Poor economics for intermediary agents: The margin available for distribution across the system is limited and the entire system encourages pilferage of food grains.
4. Low remuneration for FPS salesman: The FPS is economically unviable at current margins and volumes of sale^{viii}. In some states, the salesman runs more than one shop to reduce the burden on each individual FPS.
5. Illiteracy: Many BPL and AAY beneficiaries who may not read get exploited by the FPS salesperson.

Government's Reforms in TPDS

In July 2006, a nine-point action plan was developed after consultation with all the States through Regional Conferences (five in number) and National Level Conference of State & UT Food Ministers and Secretaries. (Exhibit 4)

S. No.	Action Plan	Result
1	Review BPL/AAY list to remove ghost/bogus ration cards.	According to 2011 State /UT Governments' reports this has resulted in 208.58 lakh bogus/ineligible ration cards getting eliminated in 26 States.
2	Action against the persons guilty of leakages and malpractices.	action is being taken in 33 States/UTs
3	Involvement of elected PRI members in distribution to ensure transparency.	Involvement has been undertaken in 28 States/UTs.
4	Display BPL/AAY lists on all FPSs.	Available in 30 States/UTs.
5	Display District-wise and FPS-wise food grains allocation on websites allowing public scrutiny.	Action started in 20 States.

6	Doorstep delivery of food grains to eliminate middlemen in transporting goods.	Currently is being carried out in 18 States/UTs
7	Scheduling of availability FPSs and distribution to beneficiaries.	Progress shown in 32 States/UTs
8	Training of FPS operators & Vigilance Committees.	27 States / UT governments are carrying out different training programmers
9	Computerization of TPDS.	10 States have already computerized operation of TPDS.

Exhibit 4: Position of Nine Points Action Plan in 2011 ix:

Learnings from Practices in Various States

1. Tamil Nadu

Implementation of PDS in Tamil Nadu is among the best models in India. Tamil Nadu Government implements Universal Public Distribution System (UPDS) and the specialty is that income is not a criterion for exclusion.

One success factor of PDS in Tamil Nadu is the involvement of co-operative societies. There are **23109** full time FPS run by cooperatives i.e. about 93% of the FPSs are of Tamil Nadu run by Cooperatives. This shows the extensive involvement of Cooperative Societies in serving the rural people at affordable prices.

Cooperation has also been achieved on part time FPS in villages. They help the villagers to purchase the vital supplies in the nearby places. There are **7,967** part time FPS, **596** women shops and **14** mobile FPS functioning in Tamil Nadu.

2. Chhattisgarh

In Chhattisgarh, Civil Supplies Corporation (CSC) makes door step delivery to almost all the FPS of commodities at no extra cost. They have deployed 750 trucks for the same. They have also eliminated the involvement of multiple agencies in lifting and transportation of PDS commodities. Chances of pilferage of these commodities are reduced drastically once the commodity reaches the village. Whenever a truck is loaded with commodities for the CSC at the distribution centre, a *challan* is printed. Once the *challan* gets printed, an SMS message is sent to the FPS owner informing him that the truck is set for its delivery at the FPS. Also *panchnama* is carried out while the truck is getting unloaded at the FPS. This makes sure that there is diversion of the commodities on the route to FPS and hence serves the purpose of PDS.

3. Gujrat

'FPS - Card holder Transaction Centric' model^x: each card holder having a bar coded ration card containing basic information such as name of the head of the family, number of family members, card category, Elector's Photo Identity Card (EPIC), etc. This card is used to obtain bar-coded coupons sheet containing commodity-wise bar coded coupons along with details such as the name of the card holder, commodity name, quantity, price, month of entitlement, FPS name etc. In case of any misconduct, the card holder can register complaint using toll free Call Centre number as printed in the Ration Card book let.

Progress response seems positive for the project as a total 5,21,000 new bar-coded ration cards generated were till 19th June, 2012 and in May-2012, total 1,30,676 food coupons generated. More than 15 lakh duplicate & bogus ration cards constituting about 10% of the total cards were eliminated since 2011^{xi}.

Computerization of the TPDS

During the 11th Plan period, Department Food & Public Distribution started two pilot schemes for computerization of TPDSⁱⁱ:

- Smart Card based delivery of Essential Commodities: On pilot basis in Chandigarh UT and State of Haryana during 2008-09 and 2009-10, this plan aimed to make delivery of services under TPDS more efficient by introducing smart card based delivery of TPDS commodities to beneficiaries.
- Computerization of TPDS Operations: In 3 districts each of Assam, Andhra Pradesh, Chhattisgarh and Delhi, the scheme proposed to use Information-Communication-Technology tools to capture information and track foodgrains through the supply chain along with involvement of citizens and other stakeholders in the entire process.

Conclusion

PDS along with its extensions from the National Food Security Act presents itself as an effective institution to make India hunger free in foreseeable future. The mission of TPDS is well defined but the effectiveness of its implementation varies across different states. TPDS models implemented in states like Tamil Nadu, Chattisgarh, Maharashtra and Himachal Pradesh are comparatively more effective than those implemented in other states.

Even though there are many problems associated with delivery of affordable food grains to targeted section of the population, these problems are can be reduced if not solved completely by collective efforts from government, civil society and NGOs. Complete computerization of TPDS along with investment on RFID and barcode scanners is required to make sure that corruption and diversion of food grains is reduced, targeted population gets the food grains and thus the goal of TPDS is met.

Keywords

Public Distribution System, Leakages, Social Policy, Public Sector

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