CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

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1.1 Introduction:

In India, more than fifty per cent of the people live below the poverty line. The main cause of inequalities of income and poverty is the concentration of economic power and wealth in a few hands. Hence any attempt to reduce inequalities must touch both production and distribution. A well organised Public Distribution System plays a significant role in allivating the sufferings of the masses. Through the Public Distribution System the weaker sections of the society can also derive the benefit of obtaining a commodity at a price that is within their reach. If the essential commodities are sold in the open market, then their prices would be determined through the market mechanism and the resulting price would be beyond the purchasing power of the common man.

Till now India has not achieved self sufficiency in the production of essential commodities. Consequently, India is facing the problem of scarcity of essential
commodities. Further, the unscrupulous traders and black marketeers create artificial scarcity by resorting to hoarding and other unethical practices. In India, the Public Distribution System was introduced during the Second World War with a view to ensuring the supply of essential commodities at reasonable prices to the public.

1.1.2 Rising Prices:

The basic problem of India is rising prices. If the price index is analysed, the continuous increase in price could be understood. The following table shows the increase in the wholesale price during 1983-84 to 1987-88.

<table>
<thead>
<tr>
<th>Year</th>
<th>All Commodities (in million tonnes)</th>
<th>Food Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971 - 72</td>
<td>105.6</td>
<td>101.1</td>
</tr>
<tr>
<td>1983 - 84</td>
<td>316.0</td>
<td>283.1</td>
</tr>
<tr>
<td>1984 - 85</td>
<td>338.4</td>
<td>297.4</td>
</tr>
<tr>
<td>1985 - 86</td>
<td>357.8</td>
<td>317.7</td>
</tr>
<tr>
<td>1986 - 87</td>
<td>376.8</td>
<td>338.7</td>
</tr>
<tr>
<td>1987 - 88</td>
<td>405.4</td>
<td>367.3</td>
</tr>
</tbody>
</table>

From the above table it could be seen that the wholesale price index for all commodities is on the increase. The wholesale price of food articles also shows an increasing trend. Thus the wholesale price of all commodities and food articles during the period under review showed a continuous increase.

The wholesale price influences the consumer price. Hence the consumer price index also shows an increasing trend during the period under review. The following table shows All India consumer price index from 1983-84 to 1987-88.

TABLE 1.2

All India Consumer Price Index
(Base year 1960 = 100)

<table>
<thead>
<tr>
<th>Year</th>
<th>For Industrial Workers</th>
<th>Urban non-manual Employees</th>
<th>Agriculture Labourers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970 - 71</td>
<td>186</td>
<td>174</td>
<td>192</td>
</tr>
<tr>
<td>1983 - 84</td>
<td>547</td>
<td>492</td>
<td>522</td>
</tr>
<tr>
<td>1984 - 85</td>
<td>582</td>
<td>532</td>
<td>525</td>
</tr>
<tr>
<td>1985 - 86</td>
<td>620</td>
<td>568</td>
<td>555</td>
</tr>
<tr>
<td>1986 - 87</td>
<td>674</td>
<td>613</td>
<td>578</td>
</tr>
<tr>
<td>1987 - 88</td>
<td>736</td>
<td>656</td>
<td>650</td>
</tr>
</tbody>
</table>

The consumer price index showed a continuous increase. Urban non-manual employees' price index showed an increase as compared with the industrial workers' and agricultural labourers'. Among urban non-manual employees' and agriculture labourers, urban non-manual employees' consumer price index increases more in every year than agriculture labourers'. But the consumer price index of industrial workers, urban non-manual employees and agricultural labourers showed a continuous increase.

1.1.3 Food grain surplus:

It is very interesting to note that even during the period of production surplus, the price is on the increase. This is due to the artificial scarcity created by the middlemen who hoard commodities. Table 3.1 shows the period of production surplus and the consumer price index.
### TABLE 1.3

**Foodgrain Surplus from 1965 - 66 to 1974 - 75**

<table>
<thead>
<tr>
<th>Year</th>
<th>Requirement</th>
<th>Production</th>
<th>Production surplus (million tonnes)</th>
<th>Consumer Price Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965-66</td>
<td>72.37</td>
<td>63.0</td>
<td>--</td>
<td>174</td>
</tr>
<tr>
<td>1966-67</td>
<td>73.91</td>
<td>64.9</td>
<td>--</td>
<td>198</td>
</tr>
<tr>
<td>1967-68</td>
<td>75.46</td>
<td>83.6</td>
<td>8.1</td>
<td>228</td>
</tr>
<tr>
<td>1968-69</td>
<td>77.05</td>
<td>83.2</td>
<td>6.1</td>
<td>223</td>
</tr>
<tr>
<td>1969-70</td>
<td>78.66</td>
<td>87.1</td>
<td>8.4</td>
<td>223</td>
</tr>
<tr>
<td>1970-71</td>
<td>80.31</td>
<td>94.3</td>
<td>14.0</td>
<td>233</td>
</tr>
<tr>
<td>1971-72</td>
<td>81.99</td>
<td>92.8</td>
<td>10.8</td>
<td>237</td>
</tr>
<tr>
<td>1972-73</td>
<td>83.71</td>
<td>83.0</td>
<td>--</td>
<td>258</td>
</tr>
<tr>
<td>1973-74</td>
<td>85.47</td>
<td>93.6</td>
<td>8.1</td>
<td>323</td>
</tr>
<tr>
<td>1974-75</td>
<td>87.27</td>
<td>91.0</td>
<td>3.7</td>
<td>414</td>
</tr>
</tbody>
</table>

Total 59.2


It is evident from Table 1.3 that the aggregate surplus during the period amounted to 59 million tonnes as against the shortfall of only 19 million tonnes and
this works out to an overall surplus of 40 million tonnes in the 10 years- 1965-75. Inspite of the abundance of foodgrains production, there is a continuous rise in price. This is due to the hoarding, black marketing and the like.

Public Distribution System - A component of state policy

Public Distribution through fair price shops and co-operative stores has become now essential component of the state policy because of the following reasons:

1. attainment of social justice and socialist pattern of society as laid down in the Five Year Plan Document.

2. the rising price of agricultural commodities more particularly food articles due to shortfalls, and

3. the artificial scarcity that is the result of hoarding and other operations both by the producers and the middlemen or wholesalers.3

The public distribution system should be designed to cover not only the bulk of the urban population but also all the non-cultivating population in rural sector.4
quantity of 280 grammes per capita per day is the minimum amount of cereals that needs to be distributed to achieve this objective. According to the norms laid down by the Indian Council of Medical Research for a balanced diet, the per capita daily requirement of cereals is 370 grammes.  

1.1.4 Definition and scope of public distribution system:

"A Public Distribution System is the whole or part of distribution system in principle owned and controlled by the public authorities on behalf of the general public and run by them for the good of the general public, or of specific groups thereof".  

The concept of Public Distribution System in India has some specific connotations. It is neither system of distribution under complete ownership of Government nor an independent consumer co-operative system. Public Distribution system in India is a retailing system supervised and guided by the state. The Government has intervened in the distributive mechanism in order to ensure the distributive justice to weaker sections of the society. This took the form of essential commodities through Fair Price Shops, at
lower prices than the ruling market price of a given quantity per family.

Although under the Essential Commodities Act, the Government has earmarked certain commodities like rice, wheat, sugar, kerosene controlled cloth, imported edible oils and soft coke to be made available to the public, the Act does not preclude the State Government from bringing under the ambit of Public Distribution System any other commodity as they deem fit from the point of view of ensuring price stability and availability thereby avoiding scarcity conditions and profiteering.

Broadly the Central Government has taken upon itself the responsibility of the procurement and storage for buffer stock operations while the states have the responsibility of whole operations and ensure distribution of these commodities. However, the states are also allowed to have their own procurement and buffer stock operations. Thus broadly procurement and buffer stock operations become the role of the Central Government whereas storage and distribution has become the role of the respective State Government.
There are wide variations in the Public Distribution System from State to State. This is due to the regional variations in prevailing conditions of market, enthusiasm and ability of the administration at the State level, stage of development of infrastructure, use of Public Distribution System by the public and consumers' sensitivity and awareness.

1.1.5 Central agencies:

The Government of India lays down broad policies at the start of the season regarding procurement, support prices, imports and the like and translates these policies into action through the following agencies such as Food Corporation of India, warehousing Corporation of India, National Agricultural Co-operative Marketing Federation of India Limited, National Textile Corporation, State Trading Corporation and Hindustan Vegetable Oil Company Limited.

The Government of India lays down policies on distribution of each commodity to form a basis for estimation of demand through Public Distribution System by each State.
The Government then decide the quantum of release of each commodity to each state through Public Distribution System. In addition, the Government of India also releases special quotas in times of natural calamities like drought, flood and the like.

There are seasonal variations in demand for essential commodities particularly for sugar, which is directly related to the festival seasons. The Government of India releases special quotas during festival seasons. In addition, the Public Distribution System also caters to special welfare schemes such as Food for Work Programme, Integrated Child Welfare Programme, Family Welfare Programme and the like. The States have their own special schemes which they operate as their own, without any support from the Central Government. Therefore, in order to understand the Public Distribution System, in general one has to understand the role of the Central Government and its agencies on the one hand and the role of the State Governments and the structure of Public Distribution System at the State level on the other.
1.1.6 Role of Central Government:

The Management of the country's food economy is the primary responsibility of the Department of Food in the Ministry of Food and Civil Supplies. The Department of Food plays a predominant role in taking the following major decisions in relation to supply management system.

1.1.6-1 Production and procurement of foodgrains:

The Department of Agriculture, Government of India prepares some estimate of marketable surplus of foodgrains and also prepares crop-wise estimate of total production of foodgrains in different parts of the country. Food department proposes a procurement plan based on such data and the Food Corporation of India implements this plan. Thus Food Corporation of India acts as an operative hand of the Department of Food. In fact, Food Corporation of India is the sole agent of the Government of India in the procurement of wheat, paddy and rice. The systems of procurement generally adopted are:

a) Levy on rice millers/traders and

b) Aggregate levy on producers.
There is regional concentration with regard to the task of procurement. There are also specific patterns of movement of foodgrains in the context of overall allocation of foodgrains to various states. The State Governments have a number of state agencies and co-operatives which are involved in the procurement of rice and wheat. In most of the States, the entire procurement is done by the State Government agencies. Thus the key managerial issue in the procurement is co-ordination among the various procuring agencies. It is interesting to note that the procurement and public distribution during the last several years accounts for only 11.2% in procurement of rice and 14.4% in distribution of rice. In case of wheat, the procurement of wheat was 19% whereas the distribution of wheat amounted to 21.2%. The gap between procurement and distribution was adjusted by the buffer stock operations of the Government. Whenever necessary the government also imported the required commodities considering the local demands.

1.1.7 The organisational set up for Public distribution system:

The organisational set up for the Public Distribution System varies from State to State, depending upon the
broad objectives and tasks assigned to it basically, the focal point in the organisation of Public Distribution System at the State level has been the State Government departments concerned, dealing with civil supplies. This department is generally known as Department of Food and Civil Supplies. It is headed by a Secretary or Secretary Cum Commissioner of Civil Supplies. The Secretary is supported by Additional / Deputy Secretaries and / or the Directors of specified wings of the department.

The organisational set up of Public Distribution System in Tamilnadu is as follows:

The Commissioner of Civil Supplies and Consumer protection is the head of the department. In the head quarters, he is assisted by Joint Commissioner, an officer of I.A.S. cadre and two Deputy Commissioners in the cadre of District Revenue Officer, one special Officer, two Assistant Secretaries in the cadre of Deputy Collector and one Accounts Officer. In the matter of supervision of Public Distribution System in the city of Madras and its surrounding areas and management of various control
orders issued under the Essential Commodities Act, the Commissioner of Civil Supplies is assisted by two Deputy Commissioners (city) ten assistant commissioners. The Government of Tamilnadu operates the Public Distribution System through the Civil Supplies Corporation and the Tamilnadu Consumer Co-operative Federation.

1.2 Statement of the Problem:

The working of the public distribution system is subject to scathing criticism from many quarters. It is not able to achieve its social and economic objectives. There are numerous complaints from many quarters regarding the mismanagement, improper behaviour and malpractices adopted by the Fair Price Shops. Irregularities in maintaining regular supply, adulteration, black marketing, cheating in weighment and the like are the few of the many charges levelled against the Fair Price Shops.

The Public Distribution System which is designed for social benefit must understand its problems that arise from time to time in the implementation, otherwise the objectives of the system will remain only on paper. In
spite of sizable growth in the Public Distribution System, the bulk of retail trade or distribution is still in the hands of private traders. A private trader is financially strong enough to make his product available at all places and at all times so that the customer will not be at inconvenience, whereas the Public Distribution System fails to cater to the needs of common man and thus fails to fulfil its objectives.

The aim of establishing Public Distribution System is to ensure protection to the consumers from the artificial market conditions created by private traders such as increasing prices, shortage of commodities, and operational cheating like underweighment, poor quality, adulteration and the like. But even Fair Price Shops established under Public Distribution System are not able to remedy the above defects. Why? Where does the fault lie? This requires empirical study.

The Tamil Nadu Civil Supplies Corporation incurs losses to the tune of Rs.45 crores annually for undertaking paddy procurement at Government fixed rate and selling rice in Public Distribution System at Government fixed issue rate
The difference works out to Rs.600/- per tonne of rice distributed under Public Distribution System.10

The Government of Tamilnadu pays to the Tamil Nadu Civil Supplies Corporation and Co-operatives a sum of Rs.1,250/- as non-recurring subsidy and Rs.3,000/- an annual recurring subsidy for each fair price shop. In spite of this the fair price shops are incurring losses.11

According to the norms laid down by the Indian council of Medical Research for a balanced diet, the 'per capita' daily requirement of cereals is 370 grammes. A quantity of 260 grammes per capita per day is the minimum amount of cereals that needs to be distributed to achieve the object of covering urban population and non-cultivating population in rural sector. The corresponding total quantity required for Public Distribution would amount to 30.1 million tonnes per annum.12 But fair price shops distribute only certain essential commodities. Hence it is clear that the public distribution system is not able to satisfy the needs and requirements of the consumer. With a view to ascertaining the consumers' opinion regarding the working of
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the fair price shops, the study has been undertaken with reference to Tuticorin.

Tuticorin town is the headquarters of Chidambarnar District. It is a developing town. In Tuticorin all kinds of people like educated, uneducated, employed, wage earner, rich and the poor people reside. It is an important business centre where import and export are carried on. As Tuticorin is a developing industrial town, a study in this field may contribute to the proper shaping up of the Public Distribution System. Because of this special feature the researcher was very much interested in studying consumers' attitude towards fair price shops in Tuticorin.

1.3 Review of the Literature:

Thiru K.P.K. Unni, Member of the State consumer protection council in his article on "What ails public distribution system viewed" that "not adhering to the business hours, not selling all commodities in the same day, non-display of board informing the stock, price and black marketing are the inherent weaknesses that exist even from independence and not rectified till date".13
Mr. Bhaskaran, Indian Institute of Management, Bangalore in his work on "A comprehensive report of the Exploratory Survey of the Public Distribution System in Tamilnadu" has analysed the various problems faced by the Fair Price Shops. Public Distribution System through fair price shops has the problem of poor quality food, inconvenient timing of distribution and labour problems.\textsuperscript{14}

An Empirical Assessment of Public Distribution System at Warangal by Prof. Shankariah and Mr. Sudarshan of Kakatiya University, came to the view that the 'Public Distribution System is used as a device for making private profit by unfair means, and consumers are helpless even to assert their right of drawing monthly ration from their Fair Price Shops.\textsuperscript{15}

Dr. K. Ramamohana Rao and Ch. Rama Prasad Rao, in their case study of consumer attitude towards fair price shops, discuss the consumers attitude towards the working of the fair price shops and the problems of the consumers. They viewed that though public distribution system performs the important function of distributing essential commodities
to the vulnerable sections of the society, the distribution system has many weaknesses\(^{16}\).

1.4 Scope of the study:

The Study has been made to analyse the various problems of consumers in buying rationed articles from the Fair Price Shop in Tuticorin town. It is viewed that though Public Distribution System performs the important function of distributing essential commodities to the vulnerable section of the society, the distribution system has many weaknesses\(^{17}\). It also highlights the problems of Public Distribution System. It makes an attempt to study the influence of various factors on and the attitude of customers towards Fair Price Shops.

1.5 Objectives of the study:

The study has the following objectives:

1. to trace the origin and growth of Public Distribution System;

2. to find out consumers' attitude towards fair price shops:
3. to study the factors influencing the level of consumers' satisfaction regarding the services rendered by the fair price shops and
4. to offer suggestions to improve the working of the fair price shops.

Limitations of the study:

1) The present study is made with the available data from books, consumer co-operative Societies, fair price shops and from sample consumers. As such the study is a limited one.

2) The study has not taken into account the fluctuations in Government policy with regard to quantum of supply, inclusion and exclusion of commodities supplied to consumers.

1.7 Hypotheses of the study:

The study aims at testing the following hypotheses in line with the objectives of the study.

Age of the consumers influences the level of satisfaction with regard to the services of Fair Price Shops.
Sex of the consumers influences the level of satisfaction with regard to the services of Fair Price shops.

Marital status of the consumers influences the level of satisfaction with regard to the services of Fair Price Shops.

Literacy level of the consumers influences the level of satisfaction with regard to the services of Fair Price Shops.

Income of the consumers influences the level of satisfaction with regard to the services of Fair Price Shops.

Size of the family influences the level of satisfaction with regard to the services of Fair Price Shops.

1.8 Operational definitions of concepts:

1.8.1 Fair Price Shops:

In the study Fair Price Shops mean those shops which distribute rationed commodities, at the price fixed by the government.
1.8.2 Age of Consumers:

Age of the consumers in this study refers to the age of consumers interviewed by the Researcher and not the age of leader of the family mentioned in ration cards.

1.8.3 Income:

Income refers to monthly income of the family.

1.8.4 Small size family:

Small size family refers to the family consisting of four members.

1.9 Methodology:

The study is an empirical study based on survey method. The primary data were collected from consumers of Fair Price Shops in Tuticorin town, with the help of an interview schedule. Secondary data have been collected from the books, articles, journals and Training manual on Public Distribution System, Annual reports of the Tamilnadu Civil Supplies Corporation, etc.
1.0 Construction of tools:

The interview schedule used in the study has been drawn up by the researcher herself with the help of the guide. The variables of the schedule have been identified by consulting the officials of Fair Price Shops and consumers. The variables thus identified have been used in designing the interview schedule. Having designed the schedule a rough draft was prepared. The draft was revised in the light of suggestions from the guide and the fellow researchers and thus the interview schedule was finalised. The final draft was pretested with 10 consumers of Fair Price Shops. In the light of pretest, the interview schedule was modified and the schedule in the present shape has been brought out.

1.11 Sampling design:

On the basis of the information provided by the Public Distribution Department, Chidambaramar District, the researcher has identified that there are 61 Fair Price Shops in Tuticorin town. Out of 61 Fair price shops, 15 Fair price shops were selected by adopting convenience
sampling technique. From each Fair Price Shop 10 consumers were selected on the basis of convenient sampling technique. Thus a total of 150 sample consumers were selected for the study. However care has been taken to include all types of consumers such as professionals, business people, housewives and the like.

1.12 Geographical coverage:

The study area consists of Fair Price Shops situated in Tuticorin town only.

1.13 Field Work:

Field work for this study was carried out by the researcher herself for a period of four months from January to April 1990. The researcher has visited the sample Fair Price Shops and obtained the opinion of 10 consumers from every Fair Price Shop selected.

1.14 Data Processing:

After the completion of the data collection, the filled up schedules have been edited properly to make them
ready for coding. A master table has been prepared to sum up all the information contained in the interview schedules. With the help of the master table, classification tables have been prepared, and the latter have been taken directly for analysis.

1.15 Framework of Analysis:

The main theme of the study is to assess the attitude of customers towards Fair Price Shop. The level of satisfaction of customers has been measured through 20 factors. (Vide Appendix 'B') The extent of variation in the level of satisfaction of the customers has been analysed with the help of standard Deviation and co-efficient of variation.

1.16 Scheme of report:

The report of the study has been presented in six chapters.

The first chapter deals with the design of the study. It includes Introduction, Statement of the Problem, Review of Previous Studies, Scope of the Study, Objectives of the study, Hypotheses, Operational definition of concepts,
Methodology and Tools, Construction of tools and pre-test, sampling design, geographical coverage, field work and collection of data, data processing, framework of analysis and scheme of report.

The Second chapter deals with the origin and growth of Public Distribution System.

The Third chapter explains the consumers' attitude towards Fair Price Shops.

The Fourth chapter deals with the factors influencing the level of satisfaction of consumers with regard to services of Fair Price Shops.

The Fifth chapter highlights the basic issues of Public Distribution System.

The Sixth chapter presents a summary of findings, and suggestions for solving problems of consumers and improving Public Distribution System.
FOOT NOTES


4. R. Shanmugasigamani I.A.S., Commissioner and Secretary to Government, Department of Co-operation Food and consumer protection, Text of talk of the Secretary broadcast, All India Radio, Madras on 7.11.1988.

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