CHAPTER VI

SUMMARY

CONCLUSIONS

AND

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CHAPTER-VI

SUMMARY, CONCLUSIONS AND SUGGESTIONS

This chapter is designed to recapitulate the nature, method, content and results of our analysis as carried out in the preceding chapters, and to highlight some of the most significant conclusions, suggestions and policy implications emerging therefrom.

SUMMARY

Indian government has repeatedly stressed through its Five Year Plan documents from the beginning since independence that the PDS is a deliberate social policy instrument and is a part of the permanent strategy of the government to ensure adequate availability of foodgrains to the needy people within urban and rural areas. It was in fact an important component of the policy of economic growth with social justice. Revamping the PDS recently is another structural programme undertaken by the government with a view to strengthen the existing PDS. This is, undoubtedly, a very useful strategy and may lighten the burden of adjustment for the weaker sections. This is also in keeping with the basic thrust of the PDS, which is a complimentary element of the economy of food management, which attempts to supply essential goods to poorer sections of people at stable and affordable prices, particularly
in the view of the persistent inflationary pressures in the Indian economy.

India's Public Distribution System (PDS) is the largest single retail system in the world. Though the system is maligned on certain counts, yet it tends to serve the have-nots and the poor people in the country by ensuring them their essential fixed requirements at lower prices than in the open market. The system, therefore, works as a safety net for the weaker sections of the society in the country. The system becomes even more important in the wake of recent economic reforms and liberalisation of the Indian economy. The system is going to stay for quite some time. The World Bank has also observed in its recent report that poverty consideration may compel India to sustain publically sponsored foodgrain procurement, storage and distribution efforts.

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 operational and organisational aspects of the PDS. These issues largely fall in the preview of the state governments. Management structure of the PDS at the national level includes policy formulation, fixing of objectives, strategy for procurement and distribution of foodgrains and other essential commodities in order to operate the PDS effectively, the central government also issue guidelines to the states from time to time regarding
the operational details of PDS. In the states, it is Food and Civil Supplies Deptt. which looks after the PDS. The major decisions in the organisational and administrative setup of the PDS are: issue of ration card, commodity coverage, the ration scales, the periodicity of purchases, the PDS's issue prices and quality of its supplies.

Maintaining or improving the welfare of the poor, requires either increasing or targeting the present untargeted safety network through subsidising poor households, dual price system, food for work, identifying target families for PDS, quantity to be distributed and subsidy to be provided for targeted PDS.

In view of its crucial significance, the public distribution system has been extensively introduced in almost all nooks and corners of the country. The PDS, obviously, provides a vast and discrete scope of study in terms of its managerial and organisational imperatives vis-a-vis the social system dictating change. Admittedly, the PDS is not a perfect system as it has been facing several teething problems. This calls for indepth research to investigate the reasons for its sluggishness and requires to find solutions of these problems. The shortcomings of PDS are fairly well known. However, while there has been much debate and criticism of the effectiveness and the desirability of continuing with the PDS in its present form, there has been a little work on the operational aspects of the PDS.
In the light of these facts, it becomes imperative to make an indepth study of the managerial, organisational and other aspects of the public distribution system. This was with this intention that this comprehensive research work was undertaken by the researcher. The justification for taking Haryana state as a special case is that there exists no other comprehensive study on this theme. The present study analyses the policy frame-work and several managerial aspects of the PDS. Further, it also evaluates the working of the system from the feed back of consumers and beneficiaries looking at the programme in terms of the level of satisfaction or otherwise.

The present study has been undertaken with the following objectives in view: to examine the role of PDS in India with special reference to Haryana in the light of publically declared goals; to critically analyse and evaluate the operational efficiency of the PDS; to examine the level of benefits that the rural and urban dwellers get from this system; to assess the administrative capability of the state government to run this system effectively; to analyse the consumption patterns within the ambit of PDS; and to suggest suitable measures to revamp the PDS in the light of the problems so identified.

For carrying out any research, the research methodology serves as its backbone. For this purpose, the following methodology, delineated into
different parts, has been taken up for this study. Formation of a hypothesis is one such part. The following are the hypotheses postulated in this study—the PDS of foodgrains in Haryana state has been haphazard and has failed to meet the consumers' expectations; the role of various agencies involved in the PDS in Haryana has not been satisfactory in distributing foodgrains and building up of the buffer stock for price stabilisation programmes; and the administrative machinery charged with the responsibility of running the PDS is ill-equipped to handle the system effectively.

This study is largely based on primary data collected from different categories of respondents. The primary data have been elicited systematically through well structured and personally administered questionnaires from the officials of various agencies involved in PDS in Haryana, the dealers of fair price shops and the consumers/beneficiaries both from urban and rural areas. The primary data was further supplemented by discussion and observations whenever it was necessary to do so. The secondary data have been collected from the Directorate of Food and Supply, Haryana, books, journals, magazines, newspapers and reports.

The primary information relating to consumers was collected on the basis of sampled units which initially constituted 424 households from four
cities and eight villages falling within the four districts of Haryana. On screening, 360 responses were found correct in all respect which forms the final sample for the purpose of analysis. Four districts of Haryana state were taken as sample districts i.e. Rohtak, Hisar, Ambala, and Mahendergarh representing the east, west, north and south parts of the state with both urban and rural backgrounds. Similarly, 231 dealers of FPS were selected from these districts and 200 questionnaires were found correct for the purpose of analysis. Almost all of the official agencies engaged in public distribution programme in Haryana were contacted personally and information were collected from such 27 officials of these agencies. It is to be noted that households/consumers were selected on the basis of multi-stage random sampling with stratification at the final stage by taking income as the stratifying variable. The dealers were taken on the basis of systematic sampling procedure from the list of the dealers available in the Directorate of Food and Supply, Haryana. As to the agencies, the officials working there constitute sample. The study however, is not without limitations. The present study is confined to three subsistence food items namely, wheat flour, rice and sugar distributed under PDS. The study is based on cross-section data and not on time series data. Sample size was also kept within manageable limits as the study being carried out by single individual.
The entire study is divided into six well knit chapters. Chapter-I is introductory in nature giving the rationale, objectives and research methodology employed in the study. Chapter-II gives a brief review of literature on the subject. Chapter-III deals with the administrative and organisational aspects of the PDS. Chapter-IV examines in details the operational efficiency and viability of FPSs. Chapter-V places consumers at the centre stage and examines their views and problems rigorously on various issues relating to PDS. The present chapter as mentioned earlier presents a brief resume, conclusions and workable suggestions for future policy implications.

CONCLUSIONS

Some significant conclusions which have come out from this study are adduced hereunder:

One, the analysis has indicated that organisational and managerial structure from the central level down to the district level is weak and lacks unity of command. The overall perception of the PDS of both the urban and the rural respondents is not the same. They differ in their opinion on several counts.

Two, apart from some very important general factors affecting FPS operations such as adequacy of foodgrain allocation and the extent of coverage, there are some specific factors that need to be given the serious
consideration. Administrative arrangements to run the PDS is one such set of factors that directly affects the operational and viability of these retail outlets. Some of the important variables that directly impinge upon the administrative arrangements are the number of cards or ration units attached to each retail outlet, number of FPS and their size, various aspects of choice of FPS licensee, arrangements for supplying stocks of PDS commodities to FPSs, the profit margin allowed to the FPSs dealers and some other miscellaneous factors.

Three, the inferences, that have been drawn on various issues by analysing the information collected from the FPS dealers revealed that there is a two tier system of FPSs prevalent in the state and FPSs are mostly run by private people who are authorised by the State Civil Supplies Department to supply the PDS commodities at the fixed prices to the card holders according to the fixed entitlement. Though, prime objective of FPS dealers in running this business, as revealed by the study is 'Profit' yet majority of the dealers are not satisfied with the profit margins allowed to them by the government. Because of their low margins of profits from the PDS business, the dealers have to bank upon some other sources of income to sustain themselves. Some dealers concede that corruption at the supervisory staff level compels them to indulge in black-marketing and other malpractices creating hurdles in providing better services to their customers. To enhance viability and profit margin
of FPS, the sale of rationed and non rationed commodities from the same retail point is allowed. This amply proves that the rules, procedures, policies and administrative arrangements which determine viability and effectiveness of FPS as a mean of serving the consumers and giving them fair and reasonably good access to the PDS goods have not consciously recognised and examined fully by the implementing authorities of the PDS in the state.

Four, an active and meaningful public participation is a prerequisite for the effective and successful operation of the PDS. This is a good sign that a majority of consumers are well aware of the objectives of the system. It was discovered that an overwhelming majority of consumers show their strong preferences for the food items distributed under the present system despite the various drawbacks in it. They feel that during the time of scarcities and shortages, this is the only system which provides them essential commodities at the fair prices and thus serves as a safety net to them.

Five, targeting the poor to the PDS has become imminent in view of the continuous rising subsidies. The non-targeted population would be the class of non-poor. Our study has shown that non-poor people who are quality conscious and never seen the interior of a ration shop are ready voluntarily to opt out of the system provided they are given
the card for the purpose of identity. The basic argument is that it would not only provide food security to the poor and vulnerable sections but at the same time reduce food subsidy and hence the budgetary deficit.

Six, There appears to be a fragmented approach to the whole gamut of the PDS causing widespread exasperation and dissatisfaction among the consumers. There is little nexus between production procurement, transportation, storage and distribution of selected commodities. To make the system effective, an integrated system of PDS has to be evolved. This will necessitate improving production possibilities and the expansion of infrastructure. It is beyond doubt that the extent of benefits derived by the people particularly the poor from the PDS is quite low due to the above stated reason.

Seven, it is revealed that PDS operations resulted in leakages of the meagre supplies and unintended channels, non-availability of entitlements with FPS dealers in collusion with civil supplies authorities, irregular supplies, inferior quality of grains and restrictions on draws according to consumers capacity and convenience. Since the entitlement is much less than the requirement of the households, PDS was playing only a marginal role in meeting the full nutritional requirement of an average family. So the hypothesis that the PDS meets the requirement of household in a surplus state like Haryana is not proved.
Eight, the relevance of PDS for the Indian economy in the wake of the liberalisation and globalisation is still higher as during this transitional period poor households would not be able to cope up with the situation unless duly assisted by the government. There is thus the need to identify such households who really require food assistance. If it is not done then the reform process itself would have no meaning for the poor people of the country in general and the state of Haryana in particular.

Nine, the interpersonal relation between the dealers and consumers which are found at times does affect the working of PDS in urban and rural areas. These arise on account of host of factors leading to mutual distrust and dissatisfaction among consumers.

Lastly, as expected, there emerges inverse relationship between the income of the households and the percentage of households availing PDS facility. This is equally true in both urban and rural areas. In other words, people in low income brackets depend heavily on PDS supply of their essential requirements while the level of dependency is either absent or marginal in case of households who are well off.

SUGGESTIONS

In order to remove the weaknesses and bottlenecks of the PDS as also to make it more useful for the poor people of the country and particularly
for the people of the state of Haryana, it is necessary to reorient the system. The danger of increasing poverty which is looming large and the ghost of rising prices in the economy cannot be effectively dealt without strengthening the PDS. In the light of the stated problems emerging from our research work and some other inherent infirmities in the current PDS, we are now in a position to offer some useful workable suggestions which are adumbrated below:

One, it is absolutely necessary to target the PDS to the poor. This is essential in order to curtail unbearable subsidy and grant improved access to the PDS supplies for those who become worse off through the process of rising prices. Currently, the issue price at the FPS being lower than the procurement/market prices, cereals sold are heavily subsidised by the government. As how to eject non-poor from the PDS is definitely a difficult and ticklish issue. While identification of non-poor can be done through a proper survey under suitable and uniform guidelines, meanwhile income tax payers, owners of motor Vehicles and telephones, those registered under shops and Establishment Act, owners of large sized holdings and those who opt out voluntarily from PDS be deleted from the PDS. This feature has to be self built into the system so that it ceases to be pro-rich.

Two, there is a need to have national policy for agricultural prices
especially in wheat, rice and sugarcane. This is necessary as states have, quite often, for political reasons, deviated and raised the prices above those fixed by the Centre, resulting in distortion in prices of these essential commodities affecting adversely the PDS and also putting extra burden on the state exchequer. Therefore, a clear-cut national policy needs to be formulated on the procurement prices of these agricultural commodities in consultation with the state governments. Once these are fixed, states should not indulge in tinkering with the prices once fixed at least for the season.

Three, it is not only the supplying of essential commodities under PDS to the poor which matters but it is also equally important that more items are brought under the umbrella of PDS. Items should be of good quality so that minimum nutritional standard of the people is maintained. To improve quality of the PDS supplies, it is necessary to initiate measures for proper grading, cleaning and standardisation. To issue 10 kg. of foodgrains per family per month is abysmally low and meets hardly one-fourth of their real requirements. Amazingly, we have about 2,80,000 tonnes of rice and a large quantity of wheat which are not eatable but are released to PDS year after year relaxing specifications. To ensure 'safety net' to the people, these specifications must be adhered to strictly besides making foodgrains available to the consumers well in time in adequate quantity.
Four, another corollary that follows from the above is that losses of foodgrains must be minimized. This is quite decisive. According to recent World Bank report, foodgrain losses in India are estimated to be a somewhere between 7 per cent to 10 per cent at the market level and another 4 per cent to 5 per cent at the market to distribution level. These losses are enough to feed almost 70 million to 100 million people, almost one-third of India's population for a month. India would require at least 230 million tonne foodgrains, at the current consumption level, by 2020. Unless every grain is accounted for, the existing PDS itself may fall to serve its underlying objectives.

Five, there are number of inefficiencies in the operations of the Food Corporation of India (FCI) resulting in excessive cost of management. Significantly, there is clearly the need to make it cost-effective. Importantly, the FCI is the single largest foodgrain procurement and storing agency operating countrywide through an array of 65,000 employees and over 1,70,000 direct contact employees. The World Bank in its recent report has advised unequivocally the FCI to overcome this problem by cutting its available expenses. Further, it also suggested to encourage private enterprises to involve in procurement operations, rather than pure government intervention which is not adequate. This point appears to have been taken seriously by the central government as it has
shown its readiness, in recent years, to move towards greater market competition both domestically and internationally. Notably, Indian government is using external trade more extensively in managing foodgrains surpluses and shortages. It would be better if smaller godown facilities conveniently located near the FPS, are connected with the main FCI godowns so that the commodities are stored, lifted and distributed easily and timely at regular intervals. Needless to say, the prerequisite of such an arrangement would require well developed expanded infrastructure.

Six, for speedy implementation of PDS (TPDS), it is necessary to develop an appropriate Management Information System (MIS), as the existing one, suffers from many deficiencies. There is really no information flow between top to bottom, and vice-versa resulting in mismatch of requirement, supply and delivery. As we have observed in the study that the ration cards are attached and detached with impunity from one FPS to another without the knowledge of supply wing of the government. There also takes place frequent disruption in supplies or changes in allocation of quota without the knowledge of dealers, inspectors and PDS beneficiaries. There is thus a need to improve the data collection processes from the districts and blocks to put these in place for a very effective monitoring system without which, it would be impossible to implement the PDS. Central government recent efforts to
prepare a computer based model for monitoring the PDS in all the states and union territories is a step in right direction. It is hoped that, with it, speedy transmission of data, covering all aspects of PDS and the agencies involved in it, would be possible.

Seven, increase in central issue prices of foodgrains should not necessarily be linked to the rise in minimum support prices. Food retail prices should be kept lower than the market prices so that dependence of the poor on the open market which is quite high is lessened. Besides, the states should have option to receive their allocation on quarterly basis instead of the present monthly allocations. This would help the poor not only in making timely availability of rationed items to them but would ensure timely delivery of the rationed items to the consumers. This will meet the deficiency of irregular quota and inordinate delay in supplies as revealed by the results of our survey.

Eight, let there be social audit of PDS by conferring powers on Panchayati Raj Institutions. This will make PDS more target oriented and prevent diversion of rationed goods to the open market, supplied under it. One would be able to know, through the PDS audit, whether the ration reached the shops and to ultimately to the consumers in the villages. Haryana Government is reported to have been considering this issue as a point of serious agenda.
Nine, the success of the government announced targeted PDS (TPDS) which was introduced in 1997 is in jeopardy. Under the new scheme, ration would be issued only to those below poverty line and leave out the non-poor. But due to political expediency many states including Haryana are resisting the move. No doubt, non-poor would voluntarily stay out as indicated from the PDS, but their major problem is that they don't want to forego their right to possess ration card which is a multi-purpose document and also for identity. The problem can be surmounted by issuing two sets of ration cards—one for purpose of identification for non-poor, and second for the poor, for actually buying provisions, from the PDS. Besides the menace of bogus cards which is considerable will have to be tackled. As per our estimate, the country has around two crore bogus ration cards in circulation and Haryana also partakes its share in this. The ration cards in the state of Haryana were renewed in 1998. The process of renewal of ration cards and weeding out bogus cards should continue on regular basis. Ration cards should be issued after full proof and rigorous verification of family members and delivered at the door steps of each household.

Ten, some very genuine difficulties as enumerated and experienced by the consumers, the dealers of FPS and officials of agencies need to be resolved in the best possible manner to give speedy impetus of PDS. Some serious difficulties of the consumers as brought out by this study
may be removed by providing assured adequate quantity supplies of rationed goods fixing the timings of the supply and cutting delays, proper weighing procedure, regular monitoring and checking of FPS, controlling black-marketing and diversion of unutilized quota to the unintended channel for higher gains, regular supervision of food inspectors, proper redressal of their complaints through district redressal forum or any other agency, supplying by the FPS not only the PDS commodity basket but also the goods produced, procured and marketed by public and cooperative agencies like the Tea Trading Corporation, Khadi and Village Industries Commission, Cooperative Marketing Federations etc., timely information about the holidays when FPS remain closed, opening of FPS after office time and on sundays and the like.

Eleven, dealers' suggestions highlighted in our research work include: timely delivery of ration stocks on regular basis, enhancement of commission/profit, allowing to sell non-rationed commodities for viability, proper specification of cards and quotas for reducing transport cost for proper management of ration shops, allowing pre-weighed and pre-packed sales, controlling of lumpen elements holding threats to the dealers, tackling corruption and harassment by the supervisory staff. Survey results revealed that the dealers are quite conscious of their obligations towards their customers and claim to show better result and more satisfaction to consumers, if above mentioned difficulties are tackled appropriately, by the concerned authority.
Twelve, suggestions made by officials of the PDS agencies are worth considering. These include fixing up working hours of the FPS according to the convenience of the card holders, private FPS dealership be not allowed to sell on the private account excepting in the very remote and far flung areas, door-step delivery of supplies to the FPS by the Food and Supplies Department, continuing with the 'Food for Work' programme, making mandatory the displaying outside the shop the full details regarding shops' number, working days and hours, regulations in distribution, prices of the PDS goods, their stock position and ration scale, members of the local vigilance committee. To maintain on the counter a complaint and suggestion book by the dealers is also of paramount importance. The enforcement staff must periodically check up the records of the FPS and those violating the norms must be penalised and debarrd from dealership. They further feel that the FPS should either be given a subsidy or the profit margins to them should be increased.

Thirteen, perfect coordination between central and state governments and a number of other agencies involved in arranging procurement, storage, movement and distribution of different commodities is sine qua non for the success of the PDS. The central government may continue with the responsibility of procurement and distribution of foodgrain through the FCI at central issue price. However, in adding new dimension
of targeting to the present PDS, responsibility of the central government is still more to give a tempo to the sluggish TPDS. The state government should take its role well of identifying the poor families for TPDS by keeping the national interest in view above all other interests. The state governments may ask the local panchayats without further loss of time to identify the targeted group according to some logical criteria. The state government should also take the responsibility of delivering the food items from the FCI godowns to the FPSs subject to social audit. Commercial banks can also be advised to help financing the local level operations. The role of each should be clearly demarcated and there should be proper interaction between various agencies formalised for easy monitoring and effective coordination.

Foruteen, some suggestions would certainly give a new look to the whole gamut of issues involving PDS. To give practical shape to these suggestions would, admittedly, involve hard decisions. But these decisions, the researcher feels can be postponed only at the peril of PDS itself. We must remember that PDS is a valuable respite for the have-nots and an indispensable tool to alleviate the sufferings of starving masses. Now the economy being freed from restrictions, it may be necessary to maintain subsidies on foodgrains at levels that are sustainable by the government and the economy and yet help poor household in a real way. In order to check the deprivations of the poor during the process
of liberalisation, PDS has to be an effective safety-net. If the reasonable consumption levels of foodgrain of the poor are not ensured, protected and improved, the economic reform process itself would have no meaning for people of the country in general and Haryana in particular.

Haryana government is striving hard to meet the cherished objectives of PDS and also moving towards the TPDS in letter and spirit. Some steps have already been initiated by the state government to remove overall constraints as enumerated in the text. Placing together the plus and the minus points mentioned above; we find that the policy on balance, has been beneficial in more than one way. It is, therefore, right to conclude that the PDS has yielded rich dividends to the state. But we should not be complacent as much more remains to be done. We must remember that PDS must succeed in the state otherwise failures would have wide-ranging impact on Haryana's economy. The study has highlighted several weak spots and loop-holes in present system of Public Distribution which need to be strengthened and plugged at the earliest. We are of the firm belief if Haryana government takes stock of the situation in the light of suggestions made above then PDS TPDS would take a new shape and this economically advanced state can emerge as a pioneer state in managing the Public Distribution System more effectively and efficiently on modern scientific lines in the new millenium.

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