CHAPTER - 6

CONCLUSION AND POLICY IMPLICATIONS

Food security is a formidable challenge and an important issue of research since a large number of people in the world is suffer from poverty and hunger even in the 21st century. The issue of food security gained prominence in 1970s in the wake of world food crisis in 1972-74. It has been defined differently by various organizations and economists but the definition adopted FAO in the World Food Summit, 1996, is considered to be the most popularly accepted. It states, “Food security, at the individual, household, national, regional and global levels [is achieved] when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”. This definition incorporates the four pillars of food security namely availability, accessibility, utilization and stability.

Currently, food security is a matter of serious concern at international level due to the widespread prevalence of hunger and undernourishment all over the world, especially in the developing nations. It is estimated the 815 million people (11 per cent of the world population) in the world are chronically undernourished (UN 2017). This problem is more serious in developing countries where 98 per cent of the undernourished people live. Region wise, the situation is worst in Asia and Africa. The largest number of malnourished people (520 million) is in Asia followed by Africa (243 million). Again the situation is worse in case of children, where half of all stunted children live in Asia and over one third in Africa (UNICEF 2014). India being an Asian and developing country has a large global share of hunger and undernourished people.

The problem of hunger and malnutrition is very severe in India, it being the second most populous and developing country. The largest number of poor
and malnourished people (194.6 million) lives in India (FAO 2015). The problem of food insecurity becomes more complicated in India because of the huge poor mass, heterogeneity in taste of food, deep rooted poverty and inequality, low basic income of people, vast geographical variations etc. It continues to be the biggest challenge for the policy makers.

To enhance food security, the state can directly intervene, in two ways namely: in-kind (food) transfer and cash transfer with each one having its own merits and demerits.

In the decade of 1990’s many developing countries especially Latin American and Caribbean countries followed cash transfer in order to make food security programmes more effective. Cash transfer programmes like Bolsa Familia in Brazil, Progresa in Mexico, Familias en Acción in Columbia, Special Child Grant in South Africa, Red de Protección Social in Nicaragua, Programme for Advancement Through Health and Education in Jamaica etc. have been popular and successful programmes. These programmes had positive impacts on both consumption levels and food diversity (Rawling and Rubio 2005) and also enhanced the levels of health and education, especially of children, in various developing countries like Mexico, Brazil, Columbia, Nicaragua and Honduras (Rawlings and Rubio 2005, Handa and Davis 2006); reduced the proportion of stunted and wasted children (Millar et al. 2009) and had positive impact on poverty reduction and adult labour force participation (Soares et al. 2010).

It has also been found that if cash transfers programmes are combined with other social assistance programmes (food, health, and education), then they have more positive effects on beneficiaries’ satisfaction (Rocha 2009). Since cash is transferred directly in the account of beneficiaries, so Conditional Cash Transfers (CCTs) are more cost effective with efficient delivery mechanism (Hoddinott et al. 2013). At the same time, like other programmes, CCTs are not free from flaws and are criticized on various bases like targeting,

In India, rationing of food grains (in–kind transfer) was adopted by the British government in the pre-independence era. More effective steps were taken by the Indian Government after independence focusing specially on four aspects viz. production, procurement, storage and distribution of food grains in order to enhance the food security in the country. In the late 1960’s, Green Revolution (especially in two major crops, wheat and rice) significantly contributed to India’s self-sufficiency and its emergence as a global food grains producer. As for the procurement, storage and distribution of this increased production, a centralized agency, the Food Corporation of India (FCI) was set up in 1965. Presently, FCI procures wheat and rice at MSP, from 20 thousand and 44 thousand procurement centers respectively, from all over India. Regarding storage, the storage capacity of food grains has increased to about three times of the buffer stock norms from 60.7 million tons in 2011 to 81.4 million tons in 2016.

The per capita net availability of food grains has increased from 394.9 grams per day in 1951 to 510 grams per day in 2013 despite huge population increase. It is observed from the past and projected data on demand and supply of food grains that supply is no longer a serious issue today but storage and distribution continue to pose a big challenge resulting in lack of food security in the country.

Consequently, India today faces a paradoxical situation of having overflowing buffer stocks with the FCI on the one hand and largest number of malnourished people in the world on the other hand (hunger amidst plenty). It can be said that India has achieved food security at national level but has failed at the household level. This makes the efficiency of distribution system a critical issue.

Although, public distribution was started in 1939 in some cities of India
but it was adopted as a system in 1960’s. It was made universal in 1970’s and later on modified into Revamped Public Distribution System (RPDS) in 1992. In 1997, RPDS was converted into Targeted Public Distribution System (TPDS) in order to develop it as a social safety network especially for the poor people. Presently, the system works with a network of 4.8 lakh Fair Price Shops (FPSs) and it is the largest food retail system of its type in the world. Further, government has launched various programmes namely Antyodaya Anna Yojana (AAY), Annapurna scheme, Mid- Day Meal Scheme (MDMS) etc. under the umbrella of TPDS, to enhance the food security among the poor. But the prevalence of leakages, errors of inclusion and exclusion, inefficiency, corruption etc. in these programmes diverts the benefits from the poor people to non-poor people and seriously undermines its benefits to the targeted population. In view of the flaws and failures of the PDS (Planning Commission 2005, Ghosh 2011, Himanshu and Sen 2011), National Food Security Act (NFSA) was adopted in 2013 involving a paradigm shift from a welfare approach to a rights based approach to solve the problem of food insecurity.

In spite of all these efforts, India is still home to the largest number of hungry people in the world. 22.9 per cent of women and 20.2 per cent of men suffer from chronically nutritional deficiency (NFHS 2015-16) and the problem of anemia is very common with greater incidence among children and women. NFHS-4 shows that more than one half women (53.1 per cent) and more than one fifth men (22.7 per cent) are anemic. The situation is more adverse in case of children where 6 in 10 children (58.4 per cent) in the age group of 6-59 months are anemic, including 40 per cent as moderately anemic and 3 per cent as severely anemic. At the international level, performance of India in terms of various indices like HDI, GHI, FSI etc. is very poor and it has failed to achieve many MDGs. Therefore, there is an urgent need for developing a more effective, transparent and efficient distributional mechanism.

The PDS did get reformed overtime in response to severe and varied
criticism from time to time but did not succeed in ensuring adequate food security to the poor. The success of the CCTs in many developing countries generated a debate among the policy makers and economists for a policy switch from the PDS to Cash Transfer in India also. As a result, cash transfer for food scheme named Dilli Annashree Yojana was launched on experimental basis in Delhi in 2012 for the vulnerable people who were not being covered under the PDS. Thus both the schemes (PDS and Cash Transfer) were parallel and mutually exclusive. The cash transfer scheme was merged into NFSA in 2014.

The present study is an attempt to evaluate the functioning of both PDS (a traditional policy in terms of in-kind transfer) and Dilli Annashree Yojana (a new policy in terms of cash transfer) in achieving food security among BPL beneficiaries in Delhi through a primary survey of 1700 beneficiary households (1200 under PDS and 500 under Cash Transfer) from all the 9 districts of Delhi with the help of a structured pre-tested schedule (Annexure A and Annexure B).

a) Functioning of the PDS in Delhi

In Delhi, the Public Distribution System (PDS) has been adopted since the inception of the programme and at present it operates through 70 circles and covers about 2.49 lakh BPL households. Special Food Articles (SFAs) are distributed through 2516 Fair Price Shops (FPSs) and each FPS handles about 1000 ration cards on an average.

As stated earlier, a sample of 1200 households has been used to collect the information on the PDS with the help of personal interview aided by a well structured schedule covering all the nine districts of Delhi. 27 circles were randomly selected out of 70 circles (3 circles from each district). The sample size was in proportion to the BPL population in each district and it was further divided among circles, again in proportion to the BPL population of that circle.

The sample survey reveals that a fairly high percentage of the PDS
beneficiaries have been holding ration cards since long, did not face corruption, are regularly buying rations from the FPSs (which are located nearby and working satisfactorily) and consider the PDS to be an important source of family welfare. Naturally their preference of the PDS vis-a-vis cash transfer is high (79 per cent) despite leakages, poor quality of SFAs and limited choices. However beneficiaries did complain about uncertainty about delivery day and time of the SFAs and getting under quota in all the 3 SFAs. Both the leakages (13 per cent) from the PDS system and under quota (36 per cent) is higher in case of sugar compared to wheat and rice. Another downside was that majority of the beneficiaries reported that there had been no improvement in regularity, quality and quantity of SFAs in the last 5 years; the only improvement was in accessibility (43 per cent beneficiaries). Inter-district analysis shows substantial differences in term of awareness about ration entitlements, percentage of beneficiaries getting full quota of the SFAs and their overall satisfaction with the functioning of the FPSs.

Further, it was observed from the visit to the FPSs of different areas that dealers in West Delhi were displaying the sample quality and price of the SFAs on a board kept outside the shop. But in the three northern districts, South Delhi and South-West district, dealers did not display any information regarding the price, opening time of shops or quality of rations. Most of the FPSs were small in size and unhygienic. Interaction with the owners of FPSs revealed that they deliver less quantity of sugar (deliver only 5 kg of sugar per card against the entitled quantity of 6 kg) and sell the empty sacks at the price of Rs 5-15 per piece in the open market in order to cover rent of the shop, salary of one service boy or to increase their profit margin. To justify this act, they argued that the commission per kg is very low and is not enough to cover rent of shops or salary of the sales boy. At the time of the survey, they were getting a commission of 35 paisa per Kg which was raised to 70 paisa in November 2014, but they were demanding for Rs 2.10 per Kg or a fixed
salary. Again it was observed that those FPSs owners who owned their shops were functioning more honestly compared to those who had rented the shops. Further, some of the FPSs owners were supplying flour of wheat instead of wheat grain (supplied from the FCI) and earning more margins per kg of flour. The beneficiaries also found flour to be more convenient because that saved the trouble of going to the flour mill.

An overall Performance Index based on corruption, efficiency and perception (of the beneficiaries) shows that the best performing districts of Delhi are Central Delhi and East Delhi followed by West Delhi. North-East Delhi and South Delhi are the least performing districts. Four hypotheses were tested for examining the functioning of the PDS and it was found that:

a) There is uniform leakage of wheat, rice and sugar in all the 9 districts of Delhi.

b) The PDS is considered to be very important/important by the beneficiaries of all the 9 districts.

c) The beneficiaries of the PDS are not indifferent between PDS and Cash Transfer (79 per cent prefer the PDS).

d) The preference of beneficiaries for the PDS is uniform across all the districts of Delhi.

The following policy implications emerge from our primary survey with regard to the functioning of the PDS:

1. FCI should release food grains regularly, on time and leave no scope for the owners of the FPSs to resort to excuses of delays in supply and inadequate supplies from the FCI.

2. The leakages of the SFAs should be fully plugged through better monitoring of the functioning of the FPSs.

3. The role of the dealers should be minimized. A system of food dispenser machines or vending machines can be introduced and an electronic card
can be provided to the beneficiaries on an experimental basis, so that they can withdraw their entitlement of the SFAs as per their convenience. Alternatively, there should be some fixed date of a month after which beneficiaries can pick all the entitlements at any time.

4. The quantity of wheat and rice is found to be inadequate (60 percent of quantity requirement had purchased from the market) so, it should be increased.

5. Quality of all the SFAs is a serious issue. Therefore, SFAs of a standard quality should be provided to the beneficiaries.

6. Pulses (protein intake) should be added in SFAs in order to provide more nutritious diet to the beneficiaries.

In brief, a strong political spirit, administrative commitment, efficient implementation, greater monitoring and evaluation and continuous reform are essential to improve the performance of the PDS.

b) Functioning of Cash Transfer (Dilli Annashree Yojana) in Delhi

In Delhi, Mission Convergence (an administrative body for social welfare schemes under Government of Delhi) carried out three rounds of surveys between 2008 and 2011 and identified 5.7 lakh households as vulnerable but not having any BPL card. To enhance the food security of these households, Dilli Annashree Yojana was launched in December 2012 with an aim to provide food security to 2 lakh vulnerable households who were not covered by the PDS. Under this scheme, a monthly subsidy of Rs. 600 per households was to be directly transferred in the aadhar-linked accounts of the beneficiaries.

Collection of information on cash transfer for the Dilli Annashree Yojana was a more difficult job. District wise list of beneficiaries had to be procured by the researcher through the RTI from the FSO. A sample of 500 households has been used to collect the information on Dilli Annashree Yojana.
with the help of personal/ telephonic interview aided by a well structured schedule covering all the nine districts. The sample size was distributed among the districts in proportion to their respective BPL population.

The biggest achievement of the cash transfer was that it targeted the poor who were not being covered by the PDS and thus provided them crucial food security. This is substantiated by the fact that 80 per cent of the beneficiaries spent full amount on food and no misuse of cash transfer was reported. Also it exposed the beneficiaries to the banking system and allowed more flexibility in choice of food while eliminating the limitations and flaws of the PDS.

However the coverage target (0.35 per cent) of the scheme was low; only 38 per cent of the sample households received full entitlement amount and the lump sum amount of Rs.600 per family was insufficient for even a family of 3 persons. As per the requirements reported by the beneficiaries, the deficit amount ranges from Rs. 192 per month for a family of 3 members to Rs. 1715 per month for a family of 9 members. Further on an average, a household has to spent Rs. 25-50 per visit to the bank. Consequently, 76 per cent of the households expressed preference for the PDS over cash transfer, if given a chance to choose.

Inter-district comparison shows that the percentage of the beneficiaries getting full entitlement since inception ranges between 26 per cent in South-West Delhi to 60 per cent in New Delhi. The percentage of beneficiaries who prefer the PDS over cash transfer varies from 66 per cent in East Delhi to 82 per cent in South-West Delhi.

Three hypotheses were tested for examining the impact of cash transfer on the beneficiaries and it was found that:

a. The cash transfer under the DAY has not meaningfully improved food security of the beneficiaries.
b. The beneficiaries of DAY prefer the PDS (76 per cent express preference for the PDS).

c. The preference for the PDS over cash transfer is uniform across all the districts of Delhi.

During the survey, it was observed that the main problem faced by the beneficiaries was regarding Aadhar Card and linking the bank account with aadhar number. Some other lacunae in the scheme were arbitrary identification of beneficiaries, immediate requirement of aadhar card and need for recommendation from the legislator (MLA) prior to inclusion in the ambit of benefits. Beside this, the timing implementation of scheme, retrospective manner of implementation and power given to the MLAs for identification of beneficiaries also raises doubts about the intention of the Government. It seems that the plan was implemented in a hurry to take political advantage in the then forthcoming elections. The experience of Dilli Annashree Yojana shows that this policy was implemented without prior and proper planning. Had the government established the pre-requisite infrastructure facilities like accounts in scheduled banks, issue of Aadhar Card, ATM facilities and regular and timely transfer of cash entitlement, then the outcomes may have been different and more encouraging.

The policy implications emerging from this study with respect to cash transfer are as follows:

1. Cash transfers can be a more effective tool than in-kind food aid for fighting food insecurity in conditions where markets function well. It is recommended that government should open more ‘Kendriya Bhandar’ shops to check the artificial food inflation spiral and reduce exploitation by the private players.

2. The subsidy amount under cash transfer should be on per capita basis and linked with Consumer Price Index.

3. It is recommended that other areas like health and education especially
of children should be incorporated in the cash transfer amount in order to make it an integrated safety network for the poor and vulnerable.

4. Technology alone cannot solve the problem of targeting because biometric cards may only check the error of inclusion and weed out bogus names from the list of beneficiaries. The government will still need to evolve a credible mechanism to identify genuine beneficiaries to check the error of exclusion.

In brief, it is found that beneficiaries of both PDS and cash transfer have a strong preference for the PDS over cash transfer. However, given the serious limitation of the PDS even after so many years, there is a need to supplement PDS with cash transfer. A slow transition from the PDS to Cash Transfer may be more desirable in a digital India to give greater freedom to beneficiaries in terms of variety, quantity and quality and to get the rid of persistent problem in the PDS.

India has largely followed a ‘price policy’ approach for decades to achieve food security but it has led to major distortions in grain market, high cost of handling of food grains, large scale diversion of food grain to non-targeted people etc. These have resulted in failure of ‘price policy’ (in kind transfer or PDS). Currently, economists believe that ‘income policy’ approach rather than ‘price policy’ is more efficient to achieve food security and this has been successfully adopted by many countries across the world.

Although in Delhi, Dilli Annashree Yojana was merged with the NFSA after two years of its inception, but a debate is still on about whether in-kind transfer is better or cash transfer or a mix of both is desirable. Recently, an experiment on cash transfer was carried out in two Union Territories of Pondicherry and Chandigarh in two phases: the first one ran from September 2015 to February 2016 and the second one from June to July 2016. Given its flexibility, administrative ease and cost effectiveness, cash transfer may emerge as the policy of future for achieving food security in India.