Chapter – I

Introduction

Distribution is the most important function of marketing management, as it provides a vital link between the producers and consumers of various goods and services. The distribution system encompasses all movements’ right from transportation of raw material to the delivery of finished product to consumers. The distributions system of various goods and services, particularly those essential to human beings, managed by the government or any public agency is termed as “Public Distribution System.” Public distribution system had been in operation in the past and at present also is being operated as a system of controlled and equitable distribution of essential commodities in short supply, either due to shortage of production or due to artificial shortage created by the traders on account of hoarding and black marketing or other natural calamities. In case of centrally planned economics it is “a system of sale of selected commodities through agencies such as Fair Price shops or Co-operatives.”
The Chapter first deals with the introduction of the topic, significance of the study, objectives of the study, Hypothesis tested, Research Methodology, Collection of data analysis, purpose and Presentation of the study.

It is very difficult to define PDS as general concept because of contextual and situational- specific nature of the concept. However, one broad definition can be considered for the practical purpose of this study. A PDS principle owned and controlled by the public authorities on behalf of the public and run by them for the good of the general public or a specific group therof.”2 Indeed the PDS is an important and integral part of national demand and supply management of goods and services. Therefore, its main aim is to fulfill the basic requirement of public at large in general and vulnerable sections of the society in particular, who cannot afford to buy needed goods at prices which are determined by the free play of market forces.

Thus, the public distribution is a direct “State intervention in the national distribution system of goods.” This is based on the free forces of the market mechanism PDS by its very nature encompasses generally the items of mass consumption such as food grains, sugar, kerosene, edible oils and everyday other essential goods of common use. In a different economic sense PDS can be defined as “an equitable distribution of
essential commodities at reasonable prices determined by the public authorities by intervening in the market for fulfilling the time and place utilities.

The concept of public distribution system in India has some specific connotations “it does not mean an independent system of distribution under public ownership as found socialist countries. It also does not mean an independent system of consumer’s co-operatives as are found in Scandinavian countries.”³ Rather “it denotes a system of voluntary rationing supervised. And guided by the state to check the inflationary spiral and to ensure to regular supply of essential commodities at reasonable price to the depressed sections of society.”⁴ In a Nutshell, PDS in India is the rationing system supervised and guided by the state.⁵

The above basic objective of the strategy of PDS in India as in any other developing mixed economies is to supply food grains and other essential commodities to the poor and vulnerable section at fair prices. The strategy has been to effect the distribution of food grains and other essential commodities through a system of partial rationing. This is done through “Fair price shops” at a price lower than those ruling in the open market. Ideally, such a policy is directed towards providing essential commodities for the weaker and vulnerable sections of the society. It
implies that the government procures sufficient amount of marketed surplus from producers and trader through a system of compulsory levy and other types of procurement policies. In case of national shortage the public authorities may resort to imports from other countries.

**Forms of Public Distribution System.**

PDS may assume various forms depending upon the specific socio-economic set-up of the country and on the nature and extent of problems, deficit and obstacles in the national distribution network. Among them some of the commonly observed forms are:

1. **Statutory rationing:** Under this form of PDS the state is legally bound to provide a specific amount and given quality ration to every ration to every ration cardholder of the country. Under this system the government puts a ban on free sale or purchase of rationed commodities in the open market. The government declare it is illegal to buy or sale any rationed commodity except through the ration shop any violation of rules and regulations in this regard is sternly dealt with through monetary punishment or imprisonment.
2. **Non-Statutory rationing**: under this system ration cards are issued to the people and they are allowed to purchase commodities on prefixed date determined by the government from the authorised ration dealers. It is an obligation of the government to make available or ration commodities to the authorised ration dealers. This system of PDS is usually managed by the “Dual Market Mechanism”: (1) Open, and (2) Control, therefore private trade is also permitted in rationed commodities under the system. It means the card holders are free to purchase ration commodities either from open market or from control market (Ration shop) or from both. In case of sugar, Wheat, Rice, and edible oils, the Non-Statutory rationing system is being followed at present in India. This system is also known as internal rationing system because it dispenses with the formalities observes in case of statutory rationing. The virtue of this system is that it is more elastic in comparison to statutory rationing.

3. **Control Distribution**: This system is generally resorted to when acute scarcity of commodity arises in open market give to sudden increase in demand or due to malpractices such as black marketing, profiteering, hoarding etc. of the producers/sellers or transportation, bottlenecks or any
natural calamities. In such a situation shortages, supply lines can't be increased in a very short period, hence prices start rising rapidly. To check this sudden and abrupt rise in price and to ensure equitable distribution of the commodity, the government imposes some kind of control in the larger interest of the people in general. Under this system the public is allowed to purchase the controlled commodity under the ration cards up to a fixed quantity from the dealer in the open market at a fixed price. The maximum quantity of commodity is allowed to be purchased only once during the given period of time. But it is not compulsory to distribute the commodity in short supply through ration cards. This type of controlled distribution of commodity is done a way with when the short supply-commodity becomes easily available in the open market.

**Features of Public Distribution System**

From the obej description and definition of PDS some basic features can be identified. They are as follows:

**(I)** The basic characteristic of PDS in regard to the ownership of this distribution system which either wholly or partially in hands of public authorities. Thus, in socialist/Communist countries, the entire distribution system would assume the role of PDS on the bases of ownership criterion. However, in the case of mixed economies like
India, only a part of the total distribution system would constitute what may be called the PDS. One of the issue, that would naturally arise in a mixed economy is the one of the determining the relative size of PDS in terms of share of PDS. One of the shares of PDS in the total distribution system for each of the specified essential commodities.

PDS does not mean that government always owns and controls the distribution system. The distribution system may be left open to the owned buy private traders, but it is controlled by the government in regard to the distribution of petroleum product and kerosene the ownership in hands of private traders but the over all control is in the hands of government. In India it is also a part of PDS in wide sense of the term.

(II) Another important feature of PDS is with regard to its operational motive. In contrast to a privately owned and operated distribution system, the operation of PDS is not based on to objective of maximizing profit for the owner. The aim of the PDS is generally based on welfare consideration rather than profitability; and viewed in this context, the objective of PDS may be described as maximization of social welfare. However, it may be noted in this connection that since PDS in a mixed
economy remains essentially partial in nature, its operation in most cases aims at improving the welfare of a specified target group of population rather then the population as a whole. To that extent, the possibility of conflict of interest among different sections of society cannot be ruled out.

(III) The third characteristic of PDS is that it is an important and integral aspect of national demand and supply management. Through it, demand is restricted as per availability of commodity on the one hand and on the other supply is evenly distributed to the specified target group of population. Thus, it helps in maintaining equilibrium between the demand and supply of a commodity and is also helps in controlling the prices in the open market. Hence, it is a tool form macroeconomic management.

(IV) The fourth characteristic of PDS is that it is based on the principal of the “Distributive social justice.” Under the system of PDS the public authorities try to distribute various essential commodities to specified target groups of population on a preferential basis. Thus, it sub-serves the economic interest of the downtrodden people by providing them the items of their basic needs at reasonable prices.
(V) The last but not least feature of PDS is that it is a crises management technique which can be applied or resorted to for overcoming the problem of shortages and, thus, it helps in preventing inflationary pressures and various malpractices such as black marketing, profiteering, hoarding etc. in the economy.

Main Objectives of PDS

The following are the main objectives of PDS:-

(i) To ensure equitable distribution of essential commodities specially to weaker sections of society at fair prices.

(ii) To serve as a “complementary supply source” to the availability of various goods in the open market or to ensure adequate supplies of essential commodities.

(iii) To avoid excessive inter-seasonal and inter-regional disparities in the prices of essential commodities.
(iv) To discipline the open market network so as to curb the tendencies of unscrupulous sections of the business community from indulging in black marketing and profiteering.

(v) To maintain price stability in the economy.

(vi) To safeguard the interest of consumers against the non-availability of goods and their rising prices. Thus, the main objective of PDS is to provide the “distribute social justice” to the common man.

Scope of PDS

The scope of PDS, including the nature and number of commodities to be distributed under PDS, is an important indicator that contributes significantly to our understanding of the broad socio-economic objectives of PDS, specially in relation to its operational aspects. In a centrally managed supply system with a nation-wide coverage, the central government would certainly play a critical role in defining the basic scope of PDS. It is not surprising, therefore, to find that, while the state governments have the primary responsibility for operating PDS at
the respective state levels, the central government has taken upon itself the responsibility of seven essential commodities for distribution through the channels of PDS. They are sugar, Kerosene, imported edible oils, Controlled cloth and soft coke. In addition to these commodities, individual states may, at their own initiative, under taken the responsibilities of procuring and supplying other essential commodities in the state. The choice of such additional commodities to be included under the purview of PDS in a given state would depend primarily on (a) the peculiarity of regional needs; (b) prevailing circumstances; and (c) the enthusiasm and ability of administrative machinery to cope with the additional tasks implied in such efforts at widening the scope of PDS at the state level. If we take the narrow view of PDS, the scope of PDS is confined to the distribution system which is run by the government or public authorities. But if we take a wider view of the concept of PDS, its scope widens not only mean to include distribution by the public sector, but also by private agencies under the overall control of the government. Therefore, we should consider the distribution of commodities by the government the co-operatives and private trade was approved by the government. For examples in India the distribution of petroleum products is done by private dealers under the overall control of the government. And at present most of the fair
price shops are run by private persons under the supervision of the government.

Brief History of Emergence and Evolution of PDS in India

The origin of PDS in India can be traced back to ancient times. But successful controlled distribution was in existence only during the Khalji regime. Ala-ud-din Khalji took effective steps to prevent scarcity of food grains thereby maintaining adequate food supplies and prices were kept under control. The origin of PDS on systematic and scientific lines go back to the Second World War (1930-45) when Professor Kirely as the alien government’s Economic Adviser introduced the rationing system to make certain that essential commodities were made available to the public on equitable basis because of the overall shortages caused by war conditions.

The origin of public distribution system in the modern sense could be traced from the Second World War period. Of course, even before the war, deficiency in food grains supply did exist. The primary impetus for the
growth of public distribution system in India has been shortages of essential commodities from time to time. But such storages were marginal. With the out break of the Second World War the imports of food grains became difficult, which led to rise in prices. "In the beginning 'the government treated it as a price problem but later on when acute food scarcity developed into the worst type of famine, it became difficult to maintain adequate supplies of cereals .This compelled the government to resort to controls. The PDS through fair price shops (FPS) was first introduced in India in the wake of the Second World War in 1939. Statutory wheat price was fixed in 1941 as a first step in this direction and in 1942 the emphasis was shifted to rice because of reduced supply from Burma. In 1942, when, Bengal suffered from the worst famine, the system of fair price shops was turned into the rationing system." The government of India also appointed a food grains policy committee in 1941 for suggesting measures to tackle this problem. The committee suggested immediate stopping of export of food grains, building up of food grains buffer-stock through imports, central control over procurement and distribution and introduction of rationing. A wheat commissioner was also appointed by the Government of India to averse the provincial price controllers, to regulate the distribution of wheat and to acquire wheat through provincial agencies when needed. The “food grains control order” was enforced in
May, 1942. As a reaction to this hoarding and black-marketing became rampant every where and prices started soaring. The reason for the failure of price control measure were lack of enforcement staff and central control over production and supplies of grains. Therefore, the government established the department of food in December, 1942 to purchase food grain sand to take care of movements, storage and inspection of food grains stock.

The administration of controls, as said earlier was vested initially in the hands of provincial governments. However, the third price control conference held in 1941 suggested central government interference in this regard. On the basis of this recommendation, the wheat commissioner was appointed for India to advise provincial government in regulating the supply and distribution of wheat. The next price control conference recommended affecting an all India distribution plan through permit system. The fifth and sixth price control conferences again favored an effective check on location and movement of food grains stocks and centralized purchase by a single agency. These are arrangements, however, could not provide a fool-proof system. Consequently, the first and second all India food conference were convened in December 1942, and February 1943 respectively, these conferences suggested to "secure the maximum social welfare in the distribution of what is available, which
involves mutual gives and take and willingness to bear scarifies for the good of India as a Whole. But suitable measures were not suggested for policy to put the plan successfully into operation. Ultimately, the Government of India appointed the food grains policy committee in July 1943. In pursuance of the recommendations of food grains policy committee the government decided to:

(i) Effectuate on all India basis, the plan for assisting deficit provinces.

(ii) Procure food grains under central supervision.

(iii) Bring all major food grains under central statutory price control.

(iv) Introduced rationing in the larger cities with over one lakh population initially and extendible to others gradually.

(v) Extend rationing of all food grains to all the classes of population.
Based on these guideline the Madras government introduced a scheme for the distribution of rice and Bombay followed this with a formal rationing system.

The rationing system in food grains was extend to cover all major cities and towns along with some rural areas of the country. All rules for control during the war period were made under the defense of India Act. Hence, with the official declaration of the end of war on 1st April, 1946 the defense of India Act and rules passed under it were lapsed on 30th September, 1946. The Government of India enacted the Essential commodities (temporary powers) Supplies Act, 1946 to administer the supply and distribution of food grains.

After independence control policy was adopted by the country at the end 1947, but it could not succeed in its objectives. The inflationary pressures disrupted the entire market of essential commodities like Wheat, Sugar, Kerosene, Gur etc. This decontrol Experiment proved most disastrous and costly. Accordingly, “controls where reimposed in 1948 and were continued un-interrupted till the situation considerably improved by 1952. During these three years, prizes of all essential commodities were rising”.

The government of India appointed the ‘Food grains Procurement committee’ in 1950 to review the situation during 1947-50.
The Committee found absence of coordinated and consistent distribution system and the existence of contradictions like the prevalence of controls over food grains prizes.

The decade of 1950’s started with the failure of crops in 1950 and outbreak of Korean War in 1952. This resulted in a sharp rise in the prizes of food grains the rationing policy therefore continued to curb consumption protecting the vulnerable sections and keeping the prizes under control by augmenting the supplies through imports. There after two consecutive good crops, relaise of large quantities of food grains from government stock and tight money policy brought down the prizes. This easy position let the government to reduced the statutory rationing, along with suspension of procurement of food grains. But in 1955 prizes of food grains rose suddenly, specially of coarse grains due to decline the production of millets. In 1956 US government under PL 480 agreed to supply 3.1 million tones of wheat and 0.19 million tones of Rice for the next three years. This compelled the government to evolve a permanent system of distribution out line to distribute imported grain under PL 480. Accordingly, there was a remarkable change in PDS. Ration shops were substituted by fair prize shops, the volume of procurement was reduced and restrictions on inter-state movement were replaced by zones. This was followed by and accelerated move
towards the de-control. The assured supplies of food grains from the USA shifted the objective of the PDS from one of having regulatory influence to bring down the prices in the open market. For achieving this objective, higher quantities of food grains were made available at fair price shops even without ration cards, but maximum quantity that could be obtained from the PDS was fixed. The system of rationing was continued during the post 1960 period. The war with China in 1962 and with Pakistan in 1965 during the third plan period followed by unprecedented drought in 1965-66 and 1966-67, created the conditions of shortages in food grains resulting in an enormous rise in the prices of essential commodities. The decision of state trading in food grains which was taken in April 1959, was implemented during the third plan period to meet the supply gap of food grains. For this the “Food Corporation of India” was established in 1964-65 with the objective of building up a buffer-stock of about five million tones mainly through internal procurement. But due to two consecutive big droughts the scheme of procurement could not be operationalised. The name of the scheme of “Fair price shops” for the distribution of essential commodities was changed into “Public Distribution of system (PDS)” though the role and organization remained unchanged. It still remained an “adduct” scheme with no clear role defined on a permanent basis.
A new phase of PDS was mentioned in the fourth-five year plan document. It stated that the PDS is needed on a regular basis for the country to provide help to the rural people and to some extent for generating a downward pressure on the open market prices. Besides this, buffer stock needed to be built-up as per the earlier plans and the requirement of PDS should be met mostly through internal procurement. But due to relatively good supply position of food grains up to 1972, no serious efforts were made in this regard. The year 1973, however, turned out to be a shortage year due to severe drought which led to the nationalization of wholesale trading in wheat. But as the situation got worse, it was denationalized of soon after. The shortages of food grains were further worsened by another severe drought in 1974-75. The prices of essential commodities started rising rapidly. The PDS especially for food grains came under severe strain in the wake of world-wide inflation. Shortages of common items such as vanaspati, ghee, soap etc. became widespread. In October, 1974 the department of civil supplies and co-operation were engaged more actively in the PDS. The basic needs of weaker and vulnerable sections were identified and measures were taken for priority distribution of certain essential items to them. Again the role assigned to PDS reverted to one of emergency relief, which was a short-term
goal and not one of providing the rural vulnerable sections the essential items on a regular basis as envisaged earlier.

The planning commission incorporated in its Fifth Five Year Plan draft, a policy of dual pricing in respect of certain mass consumption goods like food grains, sugar, cloth, edible oils etc. The rational of the dual pricing policy was to protect weaker sections of the society from the bad impact of rising prices. Launching of the 20 point programme in July 1975 involved the PDS, with a high level of procurement operations and distribution of essential commodities. Thus, the role of PDS till 1979 remained as an emergency relief. The approach to the distribution of essential commodities has been one of fire-fighting rather than that of co-ordinated and integrated effort. As a result the PDS has been pressed in as an off and on operation, depending upon the availability of essential consumer commodities more particularly food grains. Thus, the emergence of PDS in India has been more in response to some critical situations (war, famine, drought and other natural calamities) rather than to a conscious public policy. In other words the PDS in India started and gained momentum during the period of shortages of commodities which were caused by natural or man-made calamities.
On 1st July 1979, the national production-cum-distribution scheme (NPCDS) was launched on massive scale to procure and distribute thirteen essential commodities. This scheme of NPCDS is a major landmark in the evolution and development of PDS in India. It is a very comprehensive scheme which seeks to increase production and ensure the distribution of essential items. The cooperative organization, at the national and state level, is vital instruments in the implementation of the various facets of this scheme. This scheme covers production procurement, storage and transportation for the first time, under this scheme, a vital link has been established between production, procurement and distribution. Unlike the earlier scheme of PDS, the main purpose of this scheme to ensure easy availability of daily necessities which do not find a place in local grocer’s shelf due to faulty distribution. More significantly, what was hitherto an ad hoc arrangement of PDS became a comprehensive and permanent programme with an objective cover the vulnerable sections of the society.
The main features of NPCDS which continues to be in operation are as follows.

(1) Adequate coverage of the rural areas including the tribal belts.

(2) Extension of commodities coverage to edible oils and selected manufactured goods of mass consumption.

(3) Procurement and buffer stocking of the identified commodities by the public agencies.

(4) Assistance of central government in the establishment of direct links between the manufactures and the states and their approved agencies including co-operatives for distribution of such items.

(5) Encouragement of public participation in the form of consumer councils.

Thus, NPCDS is a vital programme of the Government of India with the objective of supplying food grains and other essential commodities to the general public at reasonable prices. The scheme of PDS in India, at present, is based on the following guidelines:
A study of Public Distribution Schemes (P.D.S.)
With Special reference to organisation and working of
Fair price shops in Aurangabad District.

(i) A continuing and permanent system of PDS.
(ii) Comprehensive coverage of vulnerable sections.
(iii) Coverage of both deficit as well as surplus states.
(iv) Distribution of at least such minimum per capita quantities as well as
not to erode the consumption standards of the poorest.
(v) Charging the price that the vulnerable sections can bear .in order to
fulfill these objectives, the scheme of public distribution envisages.
(a) A system of compulsory procurement based on graded producer levy.
(b) Self reliance, the total volume of procurement from domestic producers
being at least equal to the quantity required for public distribution in normal
years.
(c) Equity in the distribution, and
(d) Procurement at reasonable prices so as to protect the interest of
producers in the short run, and the interest of consumers in the long run.

The object of PDS is equitable distribution of available supplies
at fair prices.
Need and Rationale of Public Distribution System in India

One of the major objectives of planning in India has been to provide “National Minimum Level of Living” to its people. This requires provision of not only the needed quantum of food grains and other essential items, but also requires good quality of these items. Does market mechanism provide these requirements of essential commodities? Here State intervention is required to distribute the essential items of mass consumption on an equitable basis at reasonable prices. The PDS in India forms an important part of state strategy for intervening in the distribution of food grains and other essential commodities. How does the scenario of supply and demand for food other items of mass consumption look like in India? The evidence shows that the population grew at an annual average rate of 2.16 percent, 2.48 per cent, 2.45 percent and 2.11 per cent during the 1952-61, 1961-71, 1971-81 and 1981-91 respectively. Correspondingly, food grain production witnessed growth rate of 4.96, 3.17, 1.98 and 3.5 percentage for the periods of 1951-61, 1961-71, 1971-81 and 1981-91. It is, thus, clear that the population growth rate has been very high and exercising its pressure on demand side of essential commodities. Moreover, even the available supply of food grains needs to be equitably
distributed, if every body should maintain the minimum level of living. This appears to be possible only if the government interferes with the open market mechanism to meet the situation. The government had to course, some more considerations in evolving a PDS. The PDS has been operated in India according to the need and requirement of circumstances during different times. Its rational can be best understood by the reasons given below:

(1) **Fair Distribution and Regular Supplies of Essential Commodities:**

India as a vast and developing country has to resolve the problems of the higher production and fair distribution of goods and services particularly the commodities of mass consumption. Proper and fair distribution of commodities is not only required for attaining distributive social justice but also on humanitarian grounds. Fair and proper distribution of essential commodities including food grains is more crucial and vital specially when commodities are in short supply or in times of national crisis either man-made or natural. The overcoming of drought and famine situations has been one of the aims of the PDS policy. Famine has come to be identified now with prevalence of chronic hunger and under-nourishment. The PDS caters the need of such situations. India had faced

In times of shortage private traders cannot be expected to indulge in fair trade practices of distributing the commodities fairly and properly. Unfortunately the market system in India is not designed to protect the interest of vulnerable section of society particularly when shortage occurs. Therefore, the intervention of the state becomes inevitable to ensure regular and adequate supplies of all essential items at reasonable prices. In India during the Second World War period government introduced the controls and had opened fair price shops for equitable and fair distribution essential commodities.

The state intervention in times of abundance is equally important in times of shortages. During such periods, the prices of goods start declining and fear also prevails of stopping production by marginal producers. Therefore, to safeguard the interest of consumers in the long run and producers in the short run the levy system and minimum support prices system may be resorted to by the government. The levy system and minimum support price system was adopted by the government of India in 1979 at a time when sugar prices reached their bottom level.
Thus, the fair and proper distribution of all mass consumption items in all situations can be best ensured through the proper regulation of demand and introducing the public distribution system of essential commodities.

(2) Effective Price Control: The main object of PDS is fair and equitable distribution of available quantities of PDS depends to a great extent, on effective price control of these items. For this purpose the prices of rationed goods should be fixed at a rate which is not only below the open market rate, but it should be such that even the lowest income group population in the country can afford to levy their minimum requirements. The control price should also be adequate to provide these goods according to both national requirement of domestic consumption and export. It has been rightly said that “effectiveness of rationing depends upon the availability of supplies necessary for honoring the rationing obligations.” may be the nature of control over prices, its success depends upon the control over distribution. Control over distribution by way of rationing attempts to reduce the effective demand to the level of supply and reduces pressure on prices. It sets-up an equitable basis for distribution and by assuring a fair share reduce temptation to hoard. Thus, effective distribution involves making the items available at the right time.
and at the right place for meeting the needs of consumers at a price acceptable to both consumer and producer."

The basic problem in balancing the demand and supply of essential commodities like food grains in India is price instability due to short-run fluctuations between the price extremes of low and high. The government had exercised two types of control over prices in India, dual pricing and support pricing. The object of both these was to” Benefit certain priority sectors by making certain commodities available at rationed prices while leaving others to the mercy of market forces.” In a nutshell public distribution or rationing complements price controls.” It is common place observation that successful price control depends upon control over both supply and demand. When supply is limited or in elastic, price control become successful if effective demand is controlled by a system of rationing.”

(3) Containing inflation and price line: Price stability has been and is still one of the most important objectives of the Indian economy. Fluctuations in prices of essential commodities affect both consumer and producers. When prices fall producers would suffer for cannot adjust either their cost of production or supply to the market . Similarly , rising prices affect consumers due to inelastic demand of essential goods with their
almost fixed incomes. The negative effect of price rise will be more severely felt by the poorer sections of society. The public distribution policy aims at regulating prices to safeguard consumers, particularly the poor, low income bracket consumers.

In fact, it is inflation which renders PDS necessary. When inflation exists, there prevails not only an imbalance between the stock of money and the stock of basic goods but also the increasing disparities in the economic levels among the different social classes putting the poorest segment of the poorer strata to great disadvantages. In other words, inflation in a poor country like India is class phenomenon. It augments the difficulties of the poorer classes and distorts the distribution process. The distribution process is most severely jolted by persistent inflation. The gap between equilibrium economics and reality grows wider.

The inflationary tendency in India had been spread over a wide range of commodities including food grains and other essential commodities. This tendency further worsens the conditions of the poor. Therefore, PDS has been used as an important instrument for containing the tendency of price rise and to check inflation by supplying food grains and essential commodities at fair and reasonable prices in general and to the poor and vulnerable sections of the society in particular.
(4) Protection to Vulnerable Sections of Society:

India is a country where about one-third of its population lives below the poverty line or below subsistence level. The purchasing power of these people is so low that they have to make daily purchase for their daily needs. If the supply line does not flow regularly they are in danger of unsatisfied hunger and acute deprivation of essential articles. Therefore, a continuous flow of supply line of essential articles at fair prices in the Indian context is all the more necessary. “The majority of these poor people are ill-informed and financially well up to pay through their noses for the items of their daily consumption.”

Thus, the consumers in India need protections majority of them are illiterate and unorganized, particularly in the remotest areas of the country, consumers consciousness has yet to develop and consumers law not fully safeguard the interest of consumers. It has been rightly said that people in India are sick because of poverty and malnutrition and to a great extent they remain poor because they are sick and semi-starved or undernourished. This vicious circle of poverty and ill health could be broken only by public policy instrument of a good public distribution system through which all essential commodities for poor and downtrodden classes is sold at reasonable and affordable prices.
(5) **Social and Distribution Justice**: There is the problem of distributive social justice which is a corollary of poverty and economic inequalities. In fact, poverty and economic inequalities are closely related. The studies conducted by Ojha and Bhat (1960-62), Ahmed Bhattacharya (1963-64) and NCAER (1964-65) all indicate that the degree of inequality in the distribution of disposable income was quite serious in India. There is substantial evidence that the gap between rich and poor in India is getting wider. According to a study the bottom 20 per cent of the population had only 17 per cent of total disposable income while the top 20 per cent of the population had a share of 48 percent in it.

Again the distribution of income is more equal between urban and rural areas. It will be neither too rash nor to early to draw the conclusion that the economic development and economic planning in India have largely passed the people who were supposed their beneficiaries. There is also a wide gap in the consumption expenditure of the people. Besides inequalities in income, there are inequalities in the distribution of property and wealth. According to the NCER, 57 per cent of the built up property is in the possession of 10 per cent of the property owners, where as the bottom 10 per cent of such household down 1 per cent of the property. Large inequalities are also seen in the ownership pattern of share-wealth. According to a expert committee, more than half of the wealth in the form
of shares is concentrated in the hands of one-tenth of the top 1 per cent of households of receiving profit income.

In India these inequalities in income, wealth, pattern of consumption combined with market imperfection have an adverse effect on investment, production and consumption. People with very low incomes are unable to meet the basic needs of physical existence resulting in very miserable living conditions. This affects the productivity of labour which ultimately reduces production. The few who get larger incomes are able to enjoy luxury goods. This type of resource distribution is bound to cause social tensions and unrest. Under these circumstances, it becomes the responsibility of the state to intervene in the market mechanism as the state has to achieve the objective of a socialist society and shoulder the responsibility for the socio-economic welfare of the people.

Institutional reforms have not proved to be successful in ameliorating the condition of the poor and in removing inequalities. As the institutional changes are taking place at a very slow pace, the fiscal policy and other measures are expected to ensure distributive justice. Even in case of fiscal measures, there are many loopholes in the tax laws, taxation of income and property has also not proved to be a powerful instrument of the socio-economic change. The government, therefore, uninitiated some of direct measures to help the poor to ensure distributive justice. The distributive
justice. The distribution of essential commodities through PDS is one such measure which is mainly intended to protect the real wages of the poor on the one hand and to make essential commodities accessible to the people on the other hand.

Generally, private traders undertake distribution activity with the sole motive of profit. Therefore, it is not expected of them to assume the responsibility for securing social and distributive justice for different segments of society. Under the circumstances, government with its commitment to the ideals of a welfare state, is expected to “ensure that fruits of economic growth, increased production and productivity reach all sections of society through just and equitable distribution. Thus, the PDS is an important public policy instrument for attaining the goal of social and distributive justice.

(6) To keep Market Imperfections under control: wide spread market Imperfections in the Indian economy warrant the intervention of the government in the market mechanism. In country like India, the agricultural development and prices of agricultural goods determine the nature of distributive mechanism, for the majority of population spend the major part of their income on food grains which also forms the major part of the total consumption expenditure of poor and vulnerable sections a study reveals
that in rural sector food accounts for about two-thirds of the total expenditure. Abrupt fluctuations in food grains prices adversely affect the whole population of the country in general and poorer sections of the society in the particular. Stability of prices is vital for the economic growth and it is the agriculture sector which holds the key to price stability.

Stability in the food grains depends upon the markets mechanism prices are determined of the basis of the demand and supply in a perfect market. But the market in India is not perfect. The imperfections in Indians market are further accentuated in the recent past due to the entry of various unscrupulous persons in the market with the blessing of political elite.

The traders include not only the licensed wholesalers and retailers, but also the speculators and hoarders who make huge purchases with their unacquainted money to make quick profits. Further, only rich peasants have large marketable surpluses. Hence, they indulge in speculative hoardings of food grains by with hoarding large supplies from the market causing adverse effects on the economy. In India, it appears that the majority of traders and producers terms into hoarders. The traders, profiteers and other anti-social elements are cornering the stock, thus creating artificial shortage with view to earn abnormal profits this tendency of hoarding hits hard the poor and weaker sections and makes its
impossible for them to purchase the food grains required for their bare subsistence from open market. For checking this mal practice which arise out of market imperfections, it is necessary that government should exercise some positive control over the distribution channels keeping this object in mind the government of India has exercised its regulatory major for a creation and expansion of PDS.

(7) **Overall Development of the Economy:** The overall development of the economy is a result of various socio-economic-politico factors which are in operation in a certain situation. In the interest of the development of the economy, there ought to be price stability good industrial relations and a better distribution system. A good general economic environment can be created through the public distribution system by which the interest of the consumers and producers can be protected and people’s participation can be stepped up through better productive capacity and efficiency improved by providing them basic requirements of life at the right time and right place at reasonable prices.

Thus, it is clearly evident that PDS can have operate as check against unnecessary and unjustified rise in prices, inflation and artificial scarcity of essential items and can also provide effective protection to the vulnerable sections of the society.
Newly Revamped Public Distribution System in India

The Government of India launched a new public distribution system from 1st January, 1992 in the country with a view to provide relief to the poor people of desert, hilly, drought prone and adivasi areas of the country.

Main Features of Newly Revamped PDS

1. The new PDS has been implemented in 1,698 backward blocks of the country particularly in hilly, desert, Adivasi and drought-prone areas of the country.

2. Under the new revamped system additional 16 crores and 11 thousand people of 1,698 backward blocks will be benefited.

3. The main thrust of the scheme is to provide the essential items of daily consumption to the poor, deprived and downtrodden people of hilly, desert drought-prone and Adivasi areas.

4. Additional 11,000 fair price shops will be opened in 1,698 blocks of the country.
5. In addition to items which are being distributed presently, tea, soap, pulses, salt, match-boxes and other item of mass consumption will be made available to the people at reasonable prices.

6. 24 lakhs new ration cards will be issued to the persons belonging to these blocks.

7. The maximum benefit under the new PDS would be to the three states, Karnataka, Bihar and Rajasthan. 2.04 crore people in 94 blocks of Karnataka, 1.96 crore people in 122 Blocks of Rajasthan and 1.63 crores people in 157 Blocks of Bihar benefitted by the newly revamped PDS.

8. Himachal Pardesh and Sikkim are the only States where the minimum number of Blocks have been identified for this scheme. In the total list of 1,698 Blocks, only 7 blocks are in Himachal Pardesh and 4 in Sikkim.

9. Not a Single Block has been identified for the new PDS from the state of Punjab and Goa and the Union territories of Delhi, Chandigarh and Pondichery.
10. All the 5 Blocks of Lakshadweep and 2 Blocks out of total 5 Blocks of Andaman and Nikobar dweep samooh have been identified under the newly revamped PDS.

11. One Block from Dadra and Nagar Hawelli and Daman and Deeve each has been identified for the new PDS.

12. By now 1,000 blocks for the implementation have been identified in 8 states of the countries. Out of these 1,000 Blocks, 199 are in M.P, 157 in Bihar 144 in U.P, 143 in Orrisa, 129 in West Bengal, 128 in Andhra Pardesh, 122 in Rajasthan and 115 in Maharashtra.

13. The selection of new godowns and cancellation of bogus ration cards will be taken the under new PDS.

14. Door to Door Distribution of Ration and non Ration goods will be done and the responsibility of managements in this regard will be of the respective state government.
15. The storage capacity of essential items will also be enhanced to regularize the supply of these goods.

16. For proper monitoring of the distribution of consumer goods vigilance committees will be formed at the village level.

17. The new PDS in addition to the present one, is to be implemented only in 1,698 selected Blocks of the country to overcome the problem of the present system and to provide relief to the poor people in backward areas of the country particularly in hilly, desert, adihivasi and drought-prone areas.
Objectives of the Study:

Following are the broad objectives of the Study:-

1) To study the Public Distribution System and its working at central and state level.

2) To highlight on various aspects of organization and working of fair price shops in Aurangabad District.

3) To access critically the public distribution system in Rural and urban areas.

4) To study in detail the organizational structure of fair price shops and various methods of merchandising the commodities.

5) To identify the problems in public distribution system and to suggest the Suitable remedial measures to overcome them.

6) To draw some significant conclusions regarding the public distribution system.
Hypothesis Tested

To study the Public distribution system and different schemes is a very sensitive and critically important for the study. Hence following hypothesis are tested:-

1) Middle class and BPL category customers are largely dependent on PDS supply.

2) Public distribution system is Faulty and hence need reforms.

3) There is a large amount of inconsistency in Public distribution system.

4) The items distributed through FPS is of substandard.
Research Methodology:

Aurangabad district is one of the fastest developing industrial District in Asia. It has a unique blend of Balanced Urban and Rural areas hence it was selected for the study purpose. There are nine taluka places in Aurangabad District namely Khuldabad, Kannad, Gangapur, Vaijapur, Sillod, Soegaon, Paithan, Phulambri and Aurangabad.

There are 1785 fair price shops in Aurangabad District, with 195 shops in urban area and 1592 shops in rural area.

There is a limit to study and deal with each and every fair price shop. Hence, by random sampling method 18 shop from urban areas and 46 shops from rural areas have been taken for the study and analysis purpose. In Maharashtra there are on an average 443 number of cards per fair price shops, hence a sample of 18 shops amounts to 7974 from this by random sampling Method 1000 respondents amounting to over 10% is taken similarly for a sample of FPS in rural area, the sample of 46 shops where 20,368 cards are distributed, a sample of 10% amounting to 2000 respondents are taken randomly for the study purpose.
A study of Public Distribution Schemes (P.D.S.)
With Special reference to organisation and working of
Fair price shops in Aurangabad District.

Table No.1.1
Fair Price Shops in Aurangabad district

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>Name of taluka</th>
<th>Total no of fair price shops</th>
<th>Total no of Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aurangabad (Urban)</td>
<td>193</td>
<td>902179</td>
</tr>
<tr>
<td>2</td>
<td>Aurangabad (Rurual)</td>
<td>204</td>
<td>263388</td>
</tr>
<tr>
<td>3</td>
<td>Paithan</td>
<td>224</td>
<td>287356</td>
</tr>
<tr>
<td>4</td>
<td>Phulambri</td>
<td>107</td>
<td>131327</td>
</tr>
<tr>
<td>5</td>
<td>Sillod</td>
<td>205</td>
<td>291056</td>
</tr>
<tr>
<td>6</td>
<td>Kannad</td>
<td>243</td>
<td>291267</td>
</tr>
<tr>
<td>7</td>
<td>Soygaon</td>
<td>52</td>
<td>90142</td>
</tr>
<tr>
<td>8</td>
<td>Vaijapur</td>
<td>218</td>
<td>259601</td>
</tr>
<tr>
<td>9</td>
<td>Gangapur</td>
<td>246</td>
<td>279197</td>
</tr>
<tr>
<td>10</td>
<td>Kuldabad</td>
<td>93</td>
<td>101500</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1785</td>
<td>2897013</td>
</tr>
</tbody>
</table>

Source: - District Supply Office, Aurangabad.(2006-2007)
Tools and Techniques to be used

In order to assess the achievements of objectives the survey method and cross sectional approach is considered. A detailed and comprehensive questionnaire is prepared for fair price shopkeepers and their real beneficiaries. As far as research techniques is concerned use of statistical methods mean, co-efficient of correlation, percentile, average, operational research technique is used for the interpretation of data.

Scope & Limitations of the study:

The study involves close and careful examination of modus operandi of various activities involved in Public Distribution System in fair price shops. The results are mostly based on primary data. The period of the study is from 1998 to 2008.
Presentation of the Study

For the purpose of convenience the study is divided into seven Chapters.

- The first Chapter Deals with introduction of public distribution system and its background including history of PDS. It also highlights on the significance of the study, objectives of the study, research methodology used, hypothesis to be tested and tools and techniques to be used for the analysis purpose.

- The chapter second presents the review of literature on the present research topic. In this chapter the review has been taken of different research articles & different scholars and academicians.

- The third chapter explains the machinery involved in regulating the Public Distribution System in India and its detail profile and similarly Public Distribution System in Maharashtra with a district wise profile of the machinery involved in monitoring PDS in Maharashtra.
• Chapter fourth deals with the analysis of primary data collected from urban areas of Aurangabad District.

• Chapter 5th deals with the analysis of primary data collected from rural areas of Aurangabad District.

• Comparative analysis of PDS & its schemes in Aurangabad district is presented in sixth chapters, the presentation is made is with full of tables and graphs.

• Summary, conclusion and important suggestions are covered in seventh Chapter.

**Expected contribution from the Study**

To study this P.D.S is most important to know the lacunas in this distribution management. The researcher has tried to cover rural and urban Indian public distribution system in India. This study will be usefull to the government officials to frame the appropriate policies regarding the B.P.L customers and overall distribution management. This study will also
be used by the research Scholars, Academicians, professors, different N.G.O and different private or public distribution agencies.

In the overall the total framework of public distribution system at central, State, Region and District level is depicted in this study. This study is highlighted on the rural and urban Indian B.P.L customers and fair price shops.

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