CHAPTER - II

REVIEW OF LITERATURE

2.1 Food security

2.2 Public distribution system
The present chapter reviews a few earlier studies related to the Public Distribution System in India and food security in India. The chapter has been divided into two parts. The first part reviews the studies on the food security and the studies on the Public Distribution System are reviewed in the second part of the chapter.

2.1 FOOD SECURITY

Mahendra Dev\(^1\) examined the poverty and food security problems in Maharashtra and West Bengal. The study also argues that the wider reach of the PDS makes it more effective than the Employment Guaranteed Schemes (EGS). Further, proper targeting and improved delivery system in rural areas will make the PDS more efficient. Nevertheless, not PDS alone, but a mix of policies, involving effective implementation of anti-poverty programmes, controlling-inflation and improving facilities, will be needed to solve the food security problems in India.

George\(^2\) suggested the following points (i) restrict the volume handled through PDS by means of effective targeting and reduced leakages. (ii) match the procurement, both in terms of commodity composition and volume, with distribution target so that storage levels can be controlled; (iii) increase the efficiency of handling operations, especially, the operations of the Food Corporation of India.

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Bapna\(^3\) reported that India was among one of the countries of the World, which has too less of calories available on per capita basis (2189 calories) whereas world average and Asian average was found to be 2666 and 2437 calories respectively. As per the study of Erenson, the estimated number of the poor in 1982-83 was as high as 57 percent and considering the average requirement to be 2250 calories, the proportion of undernourished population in urban and rural areas was found to be 66.12 percent and 51.73 percent respectively.

Jos Mooji\(^4\) is concerned with a system which even after seventy years of inception continues to remain an issue in public debate and policy in India. In recent years, this system has increasingly been criticized for being costly and ineffective. On the other hand, the PDS is also presented as an absolutely necessary social-safety net to help the needy, during difficult periods of time. Something, which acquires additional importance in the context of several economic adjustment policies, was introduced in 1991. Further, he had adopted a broad perception on the public distribution system and explores how it works in reality, who protest, who is excluded etc.

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Madura Swaminathan’s study, reveals that in many countries, a reduction in food subsidies had occurred as part of programmes of structural adjustment and has adversely affected consumption and nutrition. In India, too consumer food subsidies have fallen since 1991. The reduction in forced subsidies had come about, despite little change in the budgetary allocation to ‘food subsidy’ by means of sharp price increases for commodities sold in fair price shops by a fall in quantities, supplied under the system of public distribution and by a reduction in entitlements in certain cases. In a period of low growth and high inflation, the public distribution system failed to ensure that the prices of major food staples were low and stable.

Upadhyay’s study reflected the fact that the poorer segments of the society are ill-equipped to face and absorb the shocks of liberalization policies and what is required in the institution of a comprehensive structure of safety nets. Not withstanding many economic, political and administrative factors, as discussed above, which prevent the full realization of its potential, the PDS is a highly relevant scheme which needs to be further strengthened. There is a general consensus among economists that to make it more effective in providing food security to the poor, the PDS should be linked with poverty alleviation and employment guarantee programmes and the

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price of foodgrains sold through the PDS should be drastically curtailed. A country filled with huge stocks of foodgrains can hardly have any justification for wide-spread malnutrition and semi-starvation.

Thamarajakshi\(^7\) explains that the state intervention in the foodgrain market has to be considered, in the light of the overall objectives of structural adjustment and economic liberalization as also the impressive trends in cereal production. Public distribution of foodgrains should be singly directed only for securing food to the poor at low prices. For the purpose of targeting, PDS should be area specific and group specific. Allocation for welfare schemes such as the mid-day meal scheme and for payment of wages in kind to labourers in rural employment schemes continue.

Soundarapandian\(^8\) concluded his study that after the implementation of economic reforms, the highest percentage of the poor, purchase foodgrains from the open market. But the highest percentage of the richest purchase foodgrains from the PDS. The percentage share shows unequal distribution. Further, the recent announcement of covering the whole country under PDS is a welcome change, but it is too early to assess how it will help the rural poor, if there is no change in the operational mechanism.


Martin Ravallion\(^9\) focused the understandable concerns about the effects of higher food prices on the poor people of India stemming from recent or proposed policy reforms. From over 24 rounds of the National Sample Survey, spanning 1959-94, one finds a strong positive correlation between the relative price of food and India’s poverty rate. The article questions how reform critics have interpreted this correlation. It is not an income - distribution effect. Rather, it appears to be due to fluctuations between average consumption and food prices due to other variables, including food supply, bad agricultural years, and simultaneous lower rural living standards and increased food prices. The correlation is uninformative about the welfare effects of a sustained increase in the relative price of food.

Aiahanna, K.V. and Mahadevappa, S.E.\(^{10}\) revealed that the Public Distribution Scheme for targeted groups is meant for BPL groups. Most of the BPL families are agricultural labourers in the rural area. Even the small farmers and marginal farmers who are identified as BPL families are getting the benefit of PDS. As per the norms of Public Distribution Scheme, a green ration card holders issued were 10250 quintals of wheat and 47440 quintals of rice at the rate of Rs. 3/- and Rs. 3/- respectively per month. Since the foodgrains are supplied at subsidized rates to these categories

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\(^{9}\) Martin Ravallion, “Reform, Food Prices and Poverty in India”, *Economic and Political Weekly*, 1998-99, XXXIII(1):

throughout the year they are able to buy the foodgrains even during the off season of agriculture.

A survey was conducted by Sukhdeo Thorat and Joel Lee\textsuperscript{11} and the findings of the survey in select states conducted in 2003 expose the patterns of exclusion and caste discrimination that afflict the government’s mid-day meal scheme and public distribution system. This article investigates dalit participation in these programmes and also measures aspects of physical access, participatory empowerment and community level access. Taking a closer look at interstate variation in the data, for both the MMS and the PDS, it can hardly escape notice, that higher dalit access and participating power in midday meal scheme (MMS) and PDS correspond with lower incidence of exclusion and caste discrimination.

Tripathy, K.K.\textsuperscript{12} revealed that there has been a huge gap between the Minimum Support Price (MSP) and Central Issue Price (CIP) for BPL people under Targeted PDS. This gap has encouraged the unscrupulous Fair Price Shop (FPS) owners to divert the foodgrains to open market. The policy on agricultural production after mid-60s focused on enhancement of agricultural production and reduction in the import demand. It is well documented that most poor families in the world, spend 80 per cent of their total income on


foodgrains. Further, people often fail to eat enough food only because they do not have sufficient purchasing power.

Analyzing the food production scenario in the country, A.R. Patel\textsuperscript{13} calls for a two-pronged strategy involving proven technology and research, extension and education to raise the level of our productivity per unit area which is one of the lowest in the world. A five-year perspective plan indicating targets cropwise, seasonwise, yearwise and areawise is essential for achieving the Ninth Plan target of 230 million tones. Abrupt increases in fertilizer prices and reduction or removal of subsidy on fertilizers have adversely affected food production. Banks should also adopt a helpful attitude towards financing food grains production.

Food security means that all people at all times have access to safe and nutritious food to maintain health and an active life. This definition implies three dimensions of food security, namely, adequate supply, affordability and stability at various levels i.e., at the global, national, household and individual levels. According to Christoper Gan (2004) food security is defined’ as access by all people at all times to sufficient food in terms of quality, quantity and diversity for an active and healthy life without risk or loss of that access. Improved food security, at the national level points to a successful mix of

agricultural trade and policies. According to him there are three pillars underrunning food security namely food availability, food affordability and food utilization.\textsuperscript{14}

Food security exists 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. The preoccupation with the physical availability aspects of food, at times even at the cost of other related issues, has largely been held responsible for the co-existence of foodgrain stocks and hunger-related deaths. The widespread incidence of malnourishment can also be attributed to it.\textsuperscript{15}

Indian policy planners have treated food security as a national priority and, therefore, an integral part of the food policy right from the beginning. The strategy to achieve this has been three-pronged: consistent increase in production, maintenance of food supply line, and ensuring access to food for all, especially the poor and the underprivileged. An elaborate food management system has been evolved over the years which has worked quite successfully to take care of all the three elements of the policy. This involved procurement of foodgrains at the minimum, yet remunerative support prices to serve as an incentive for boosting production, storage of foodgrains at


official expenses and distribution of foodgrains through a massive
countrywide public distribution system (PDS) run by state
governments but fed by the centre.16

The contribution of cereal purchases from the PDS to total
household cereal consumption during the reference month was low.
The average per capita annual cereal purchase was 2.93 kg as
compared to the state average of 24 kg in 1991. Lastly,
anthropometric data showed that a large number of adults and
children in the village were under-nourished.17

Rajagopalan and Joshi18 reported that as many as 80 percent or
more households, bought sugar from the ration system in
Maharashtra and Uttar Pradesh. In Uttar Pradesh only 30 percent of
the households in the urban areas bought cereals from the PDS while
rural areas depended on PDS, largely, for the commodities like sugar
and kerosene. The important reasons for not purchasing from PDS
were found to be either no access to PDS due to non-possession of
ration cards or non-availability of commodity.

17 Madhura Swaminathan, “Food Security in India: A Village View of the Public
Distribution System in Maharashtra”, Indian Journal of Agriculture Economics,
18 Rajagopalan, V.K. and Joshi, D.K., “A Note on Social Consumption Based on
State Sample Reports Relating to NSS, Sarvekshna, 1988, XI(34):
Jha Shikha\textsuperscript{19} in his study pointed out that ration shops were better accessible, in urban than in rural areas in all the states and Union Territories. The main contributory factor to this difference turned to be the distance from their house to the ration shops, while crowding seems to be similar in both rural and urban areas. The study highlighted that since it was not possible to clearly separate out the tastes and preferences of the self-targeting, the PDS did not click. Therefore, PDS needs reorientation for a more effective targeting.

Kailasam \textit{et al.}\textsuperscript{20} conducted a study on the effect of subsidy on household consumption in Western Tamil Nadu. Studies on food consumption provide ample evidence to the fact that at least 30 percent of the population is either undernourished or malnourished, which is indeed a staggering magnitude. In Tamil Nadu, the Public Distribution System of food and non-food and the free-meal scheme are the two major programmes covering the entire population comprising children and the old, under its fold. The study concludes that the noon meal scheme plays a pivotal role to help and enhance the enrolment of rural and urban low income group children in primary schools besides improving their health and status.


\textsuperscript{20} Kailasam, A.C., Suyambulingam, C. and Sekar, C., “A study on the effect of subsidy on household food consumption in Western Tamil Nadu”, \textit{Arth Vijana}, June 1993, 35(2): 150-159.
It is important to ensure that this debate focuses on the substantive issues. In the run-up to the enactment of the National Rural Employment Guarantee Act, the debate was somewhat derailed by a loud Anti-NREGA lobby, particularly vocal in the business press. Hopefully, the debate on the RTF Act will be more productive. Politically, the main challenge is to ensure that the Act is not trivialized, by reducing it to the electoral promise of “25 kgs at Rs. 3/kg for BPL households”. The ultimate shape of the RTF Act will depend on whether the government merely seeks to gain “political capital” from it, or whether it is guided by its responsibility to the people of this country.²¹

Wheat stocks are rising again, well beyond the minimum required, and a large procurement is expected from the 2009 – 10 wheat marketing season that begins on 1 April. India appears set once again for yet another phase of rising stocks, mounting carrying costs, and a crisis of plenty. The volatile cycles of rising and falling stocks appear to be the result of poor government intervention, in particular, poor procurement policies. It is argued here that unidirectional revisions in the minimum support price create serious demand and supply imbalances and extreme volatility in buffer stock cycles.²²

Mahendra Dev, S. and Chandra Sekhara Rao, N.\textsuperscript{23} analysed the Agricultural Price Policy, farm profitability and food security and revealed that Agricultural Price Policy has come under serious attack recently, for recommending support prices higher than what the costs of production warrant, supposedly leading to a distortion of the market, and, therefore to food privation. With an in-depth analysis of cost and returns in rice and wheat, which are the most state-protected crops and underline the livelihoods of millions of farmers, this paper examines the effectiveness of agricultural price policy in enabling farmers to obtain sufficient profits to promote investment, technology and production due to the over emphasis on getting input prices. Another factor is the percolation of volatility in global prices, through trade liberalization and because of this, wheat support prices had to be hiked steeply in recent years so that sufficient quantities are procured. This has distorted parity between the prices of rice and wheat.

Tarun Gogoi\textsuperscript{24} revealed that the National Food Policy aims at increasing food production in the country by providing technical support, modern inputs, adequate credit and guaranteed remunerative prices and assured marketing facilities to the farmer, thereby


\textsuperscript{24} Tarun Gogoi, “Effective management for food security”, \textit{Kurukshetra}, May 1992, XL(8): 33.
encouraging him to invest more. The interest of the consumers, particularly the more vulnerable sections of the community are taken care through the Public Distribution System. In addition, the policy also aims at intervening in the market to stabilize open prices at reasonable levels and reduce fluctuations in prices between post-harvest period and lean seasons and between years of bumper and low production. With all the measures being taken by the Government, the country will continue to have sufficient foodgrains to feed its people in the years to come and even export some quantity so as to earn foreign exchange.

Suresh Chandra Babu25 revealed that Indian population continues to grow and will contribute to the growth of world population which will be 9 billions in 2050. At the global level the demand for food is likely to double in this period and food consumed by the population will go through enormous changes in its diversity and mixture. An indication of that is already seen in India as the middle income consumers increasingly consume high value crops, such as fruits, vegetables, livestock products, fish and milk. Yet India is also home for a large number of people affected by micronutrient deficiency (iron, iodine, vitamin A). This hidden hunger contributes to low human capital through reduced cognitive ability of the people, and low productivity of labour. Policies that increase quality by fortifying

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food would help in reducing micronutrient malnutrition. Finally, solving the problem of food insecurity in India requires agro-ecological approaches. Blanket recommendations of technology and policy cannot be effective in solving localized food security problems. In this context, there is a need to revisit agricultural development strategies and reorient them according to agro-ecological systems.

Due to cheaper imports, India has failed to increase the productivity of oilseed crops. Small farmers growing oilseeds and that too in the rain-fed areas of the country, had to abandon production in the light of cheaper imports. Cheaper imports have a tendency to destroy livelihoods. Compared to the import of 1.02 million tonnes of edible oil in 1997-98, the imports have reached a mammoth 5.98 million tonnes. In 1999-2000, India imported five million tonnes of edible oil thereby once again emerging as one of the biggest importer of edible oils. If we want to reverse the trend, there is no alternative but to stop cheaper imports. The government is already committed to bring down the import duties on edible oils to zero, under the Free Trade Agreement with the Association of South East Asian Nations (ASEAN) countries. For wheat, rice and pulses-the crops that are considered crucial for food security-the import duties are already zero26.

The distribution system is concerned with moving a ‘package of goods’ that are meaningful in terms of the buying patterns of the final and intermediate customers. The institutional components of the distribution system that perform the marketing functions for groups of food products comprise the consumers, retailers and wholesalers. It is also possible to focus on the set of activities performed in the production, assembly, procession, distribution and consumption of single product or commodity sub-systems. For example, grains, fruit and vegetables, poultry and eggs, milk and meat. 

Global food market is expanding and diversifying with the developing countries at the centre stage. For effective functioning of the global food market, global integration of countries is necessary. But the book states that there is not much integration, agricultural production of developing countries is mostly directed to their own markets and in case of limited exports, the net income of producers has not improved because of decline in food prices. Though the world food prices have risen in the last 1 or 2 years, trade liberalization has yet to make significant positive impact on the primary producers of developing countries. Therefore, it is rightly suggested that more needs to be done at the national level and much more at the international level, in respect of policies and institutions. It should be broad-based rural growth, covering improving access to health and

education services of good quality and adequate safety nets to reduce the vulnerability of the poor. In this context, the suggestion that the inherited organizational and institutional structure of the World Food System - FAO, World Food Programme, IFAD, WHO, etc., requires review makes sense. Similarly, the suggestions to review the roles of the traditional global public funding and investment agencies like World Bank, trade agency like WTO also assume significance.28

Jos Mooji29 made a study with particular reference to the two South Indian states of Karnataka and Kerala. These two states differ with respect to political history, foodgrains production, population density, health services and welfare provisions. In fact, the method of analysis is comparative. The choice of Kerala was governed by the consideration that it is a food deficit state and the government had to promote access to cheap food under public pressure and vigil. Karnataka, on the other hand was chosen on politics. In the end, the study provides quite interesting details about these two experiences and their implications for policy reform.

In a vast country like India, food security issues differ across states. For example, Punjab is a food surplus state, while Kerala is a chronic food-deficit state. Six papers in this volume (chapters 8 to 13) discuss various issues relating to food security in different states. The

next section contains four papers focused on diverse environments ranging from drought-prone areas in Karnataka, a tribal village in West Bengal, to a study of remote mountain villages in Uttaranchal and the hunger hotspots of Kalahandi. The last section shows emerging perspectives on the issues pertaining to food security in the country today. The emerging concern for improved nutrition rather than food security alone, the continuing importance of the PDS as a measure to ensure food security to the vulnerable, albeit with modifications, aimed at improving the efficiency of the delivery system and lastly, the growing awareness of the need for a people’s movement, if food security is to be ensured to the masses, constitute the contributions in this section.30

2.2. PUBLIC DISTRIBUTION SYSTEM

Ragbendra Jha31 analysed the policy allocation of food grains under the public distribution system, by using four sets of pooled equations for predicting stable levels of per capita consumption of rice and wheat in physical terms in rural and urban India. Food grain demand is estimated for all states. A formula that is based on the concept of subsidizing real consumption through PDS is proposed.


Madura Swaminathan\textsuperscript{32} conducted a study on revamping Public Distribution System in Maharashtra. The study was conducted at the household level in Goreagan village at Maharashtra. Majority of the households could not afford to buy the common variety of rice in the market. Further, the study explained that they purchased broken rice at a rate of rupees six to seven per kilo, through irregular supplies of grains through the revamped public distribution system. The consumer paid more in the private market than in the fair price shop and that too for a commodity of lower quality.

Mahendra Dev\textsuperscript{33} in his study noted that PDS is not the only answer to food security of the poorest of the poor because it can be of help only to those who have purchasing power. Apart from higher economic growth, a mix of policies like effective implementation of anti-poverty programmes, stabilization of prices, improving wealth facilities is needed for food security at the household level.

Grover\textsuperscript{34} in his study highlights very useful and pertinent information with regard to the identification of the beneficiaries and Cost-Benefit analysis of PDS. The analysis of the impact of the Public Distribution System of foodgrains, prices and projection of food grains


and sugar requirements for public distribution system under different situations, generates the findings useful for policy purpose. The study states that keeping in view the twin objectives of economic development with social justice, the food subsidy may be continued in the near future. However, it may be restricted to the vulnerable population only.

Raja Purohit\textsuperscript{35} revealed the vulnerable sections in the rural areas, belonged to the non-land operating mainly consisting of landless labour, artisans, etc. In the urban areas it was found that as per NSS 28\textsuperscript{th} round (1973-74), nearly 25 per cent of the urban population in Karnataka consumed cereals less than the State Average Consumption for the urban areas. Such sections, according to the author, might be properly identified on the basis of the income of the household and may be issued with ration cards. On this criterion, the study estimated the target group population both from urban and rural areas for the year 1971. In total, they were really vulnerable and needed help. About 1.8 million and 4.5 million persons of such group belonged to urban and rural areas, respectively.

Singh\textsuperscript{36} remarked that the essential condition for the success of PDS, is there should not be leakage and that can allow the movement

\textsuperscript{35} Raja Purohit, A.R., “Economic Analysis of Procurement and Public Distribution of Foodgrains in Karnataka” \textit{Indian Journal of Agricultural Economics}, 1979, XXXIV(3):

and commodity from controlled markets to the free markets. The study shows that the controlled scarce commodity had easy access to black market and control shops keep sign board always displaying stock position as Nil. He suggested that the system could work well only when there was a vigilant and organized consumer interest and honest, efficient and effective administrative machinery.

Kabra\textsuperscript{37} revealed that PDS segment of food market was very thin and spread. He further founded that per capita annual off take from PDS to the total consumption level of the poorest strata comes to only $\frac{1}{6}$th or $\frac{1}{5}$th. The study suggested three propositions concerning the future policy for PDS. i) The relative share of the PDS in total food supply should be increased to such an extent that it is able to influence the behaviour of the open market segment. ii) Direct availability of a larger share of the PDS to the poor both in urban and rural areas would serve the objectives of PDS, iii) Opening more retail outlets without increasing the total off-take and supplies under PDS may be counter-productive.

Dutt\textsuperscript{38} studied the functioning of consumer co-operative stores which are apex bodies for the distribution of essential commodities in the rural and urban areas. The study reported that, under the present performance of the public distribution agencies, the public


distribution scheme seems to be unable to take its distributions to the doorsteps of the poor in the Haryana State. The study, did not mention about Depot Holders. It was pointed out that the Agency had accumulated losses to the tune of Rs.1.72 crores and it was unable to earn enough to pay even the salary bill of its employees. Bungling and mismanagement were reported to be responsible for the state of affairs of the Agency. It was further reported that out of 31 Co-operative Consumer Stores in Haryana, only four were found to be earning profits.

Inddarkanth\textsuperscript{39} analysed the working of PDS in Andra Pradesh. The study highlighted the structural changes in it and with the help of simulation exercises, some of the important issues, concerning government intervention policies were examined. For the examination of policy - effects, the year 1985-86 was taken as the reference year. The study concluded that the rice welfare scheme is transferred from the rich to the poor. It was not having any marked impact on produce. For the government, it implied a heavy expenditure on subsidy. In 1985-86, it was estimated that a supply of 2.15 million tonnes through PDS, involved a subsidy of Rs.2097 million (Central and State). Thus, subsidy per tonne worked out to Rs.975.

Nair\textsuperscript{40} concluded that an ideal public distribution system should be responsive, socially oriented, should have public participation and should be cost effective. He further stressed that the services should be made available closer to the door-steps, through increasing the selling points. The author reported that there were about 3.41 lakhs retail units of PDS in the country and private individuals. Out of this, 2.70 lakhs were located in the rural areas. Nationwise, the country had only one fair price shop within a radius of 9 sq.m.

Singh\textsuperscript{41} examined the effectiveness of fair price shops in fulfilling the twin objectives of food relief and price stability. It dealt with the viability of fair price shops, the buying patterns of ration card holders and the extent of benefits available from fair price shops to the consumers, their difficulties with fair price shops and the like. On the basis of this study, a few suggestions were offered to reform the fair price shop system.

Sankaraiah and Sundarshan\textsuperscript{42} made a study on Public Distribution System and discovered that it is used as a device for making private profit by means and consumers are helpless even to assert their right of drawing monthly ration from fair price shops.

\textsuperscript{40} Nair, T.G., “Strengthening of PDS” \textit{The Financial Express}, September-9, 1992.
George\textsuperscript{43} estimated the impact of discontinuation of food subsidy on the nutritional status of the states of Kerala and Gujarat. His calculations revealed that in Kerala, calorie intake went down by 46 per person amongst the higher income group and by 138 amongst the lowest income group. The highest loss of 224 calories per person, however, was noticed in the household of the low middle income group (Rs.1201-2400 as annual household income). In Gujarat, the loss was estimated to be 192 calories and 178 calories per person in the household of the lowest income group and the highest income group respectively.

Radhakrishnan and Subba Rao\textsuperscript{44} had reviewed that the PDS subsidies, account for a substantial budgetary expenditure. The central level public spending levels are exceptionally high in states which have their own subsidy programs. Moreover, the country is implementing economic reforms program. At no time is the question of the efficiency of PDS as a safety net, more relevant than now, especially, since the government had recently embarked a drastic reform of the system.


Suryanarayana\textsuperscript{45} observed that in 1985-86, food subsidy amounted for Rs.1891 crores, of which Rs.1373 crores was consumer subsidy and Rs.518 crores for buffer stock operations. It was further observed that PDS met less than 20 percent of the purchases of the poor for the majority of the commodities (except sugar and kerosene). These percentages were similar for all income groups. The study concluded that the PDS marginally supplemented and did not really protect the vulnerable sections of the society. The author suggested that the PDS supplies should be targeted i.e; limited only to vulnerable sections of the society and their PDS entitlement may be enlarged.

Suryanarayana\textsuperscript{46} in his study stated that suggestions for PDS reforms based on commodity orientation item are largely from the general impression that (i) the commodity basket of the PDS is weighed in favour of commodities, which figure prominently in the budgets of the middle and richer income groups and (ii) coarse cereals are consumed largely by the poor and hence an approach to ensure targeting would be to change the commodity composition of the PDS in favour of coarse foodgrains. This article examined the empirical base for the suggestion for reform by reorienting the PDS commodity composition.

\textsuperscript{45} Suryanarayana, M.H., “Revamping of PDS”, \textit{Financial Express}, August 22, 1991. \\
According to A.C. Jena\(^{47}\) the PDS is an essential investment in human resource development. He underscores the need for bridging the gap in the infrastructure and the delivery systems. The system can be made efficient and effective by linking it with various rural development programmes. Stressing the need to involve the people in ensuring the success of the scheme, he puts forward suggestive models for distribution of PDS functions among the three tiers of PRIs. The West Bengal Model is worth emulating by other states, he opines.

PDS is still an essential requirement in India, given that 30 per cent of the population is still living below the poverty line and another 20 per cent needs support so as not to go below the poverty line and not become food insecure. The PDS is also required at the time of disasters and natural calamities. In addition to this, while the country has been witnessing huge stocks of foodgrains on the one hand, the food security has remained a far cry for the large number of people of country on the other hand.\(^{48}\)

Pattanaik, B.K.\(^{49}\) analysed the PDS in Himachal Pradesh and revealed that among various programmes of poverty alleviation and hunger mitigation, the Public Distribution System (PDS) is a conspicuous programme. With a network of about 4,51,000 fair price


shops (FPS) for the distribution of commodities worth over Rs. 150 billions, to about 180 million households throughout the country, the PDS in India is perhaps, the largest distribution network of its type in the world. The article presents a detailed evaluation of PDS in Himachal Pradesh. The author suggests that the PDS in Himachal Pradesh needs to give more emphasis to the foodgrain requirement of rural and tribal areas, economically backward pockets and women-headed households. He opines that good governance, community ownership of PDS and good pricing would go a long way in promoting the efficiency of PDS in the state.

Mukesh Chand Goyal\textsuperscript{50} revealed that in India, Public Distribution System (PDS) is the delivery network through which a number of essential commodities like sugar, kerosene, rice etc are supplied with the aim of ensuring continuous flow of essential goods of standard quality to the public, in general, to the vulnerable sections of the society, in particular, at cheaper rates. Thus, a sound PDS can serve as countervailing force against the unfair practices of private trade. Therefore PDS implies regular flow of consumer goods of mass consumption at reasonable prices as well as consumer services through fair price shops (FPS), consumer co-operatives and voluntary organizations which are run for common good and remain accountable to the society.

According to R.S. Gadage\textsuperscript{51} despite lacunas, PDS has achieved progress in distribution of foodgrains. Kerala, Karnataka, and AP, Maharashtra have achieved progress in PDS. For effective operation of PDS, it is necessary to link with public work programmes. Hence it is necessary to streamline the PDS as a state responsibility on the ground of social justice. There is no alternative to PDS because PSD alone can protect the poor. PDS central prices issues have maintained the all India inflation rate inbetween 6 - 10 per cent during 1980-81 to 1997-98. TPDS position of off-take has improved Antyodaya, Annapuram, Food for work programme in rural areas are functioning well.

Another study of Thomas Paul Kottookaran and Mani concluded that the significance of consumer co-operatives and public distribution system has been declining at the national level and also at regional level in recent years. This may be considered as a consequence of liberalization of the economic scenario at the international and national levels. In this context, the interests of the poorest strata can be protected only if the local \textsuperscript{52}bodies take initiatives and revamp the procedure of distributing essential articles through their network and with people’s participation.


The PDS in Miraj Taluka of the Sangli district has been operating to supply essential commodities though a network of ration shops. The foodgrains production has increased over a period of time but it has not reached the poorer sections because of skewed distribution of income. The PDS still have larger potentials to expand its activity. Licences of fair price shops should be issued to co-operative societies, voluntary organisations and unemployed youth. Thus PDS should be enlarged so as to regulate supply of foodgrains and price management and to achieve economic stability and social justice. The success of PDS lies in the efficiency of government policies.53

The suggestions of Suryanarayana, M.H.54 for PDS reform, based on commodity orientation, stem, largely from the general impression that (i) the commodity basket of the PDS is weighed in favour of commodities which figure prominently in the budgets of the middle and richer income groups, and (ii) coarse cereals are consumed largely by the poor and hence an approach to ensure targeting would be to change the commodity composition of the PDS in favour of coarse foodgrains. The article examines the empirical bases for the suggestions for reform by reorienting the PDS commodity composition.

The Targeted Public Distribution System (TPDS), formerly known as PDS, categorises the economically weaker sections based on

their income. In Maharashtra, the system has colour-coded rationing card system with Yellow, Saffron and White cards. The yellow card are distributed to (a) Antyodaya families : poorest from among Below Poverty Line (BPL) families, and (b) BPL families having their income equal to or less than Rs. 15,000 per annum. These families have a monthly entitlement of 35 kg of foodgrains (wheat @ Rs.2 and rice @ Rs. 3 per kg) and 500 gram sugar per person, Saffron ration cards are distributed to families having annual income between Rs. 15,000 and 1 lakh (their entitlement consists of only 35 kgs of foodgrains). White card are issued to those having an annual family income of more than Rs. 1 lakh and are excluded from the supply of PDS foodgrains and other commodities. But the unscrupulous ration shop owners simply siphon off the foodgrains and sell in the black market. In tribal belts, failure of the Aanganwadi (meant to feed poor children) and Employment Guarantee Scheme (EGS) are the major factors. In Maharashtra, as a whole, glaring lacunae in the PDS had led to malnutrition. Basically, it is not a healthy problem, but a socio-economic problem.55

Reetika Khera56 examined the Government of India’s 1997 criteria for selection of households for below poverty line ration cards. The main conceptual problems are that the criteria are static and

uniform across the entire country. Using primary data (collected in 2002) from 400 randomly selected households from eight villages of Rajasthan, the study calculates the proportion of “wrongly excluded” (i.e. who qualify according to government criteria but did not get a BPL card) and “wrongly included” households. Out of the onethird of sample households that were classified as BPL, nearly a quarter have been wrongly included. Besides, 44 per cent of the households, which should have been counted as BPL, were wrongly excluded. However, one must consider the appropriateness of the selection criteria along with these large selection errors.

A study was conducted by Grover, R.K. and Raj, K.N.\textsuperscript{57} to analyse the performance of PDS in Haryana. The study reveals that a sizeable gap existed between the availability of wheat and sugar through PDS and the minimum quantities desired by the respondents. The availability of wheat to the desired level ranged between 17.63 per cent in rural Hisar to 37.86 per cent in urban Karnal. The additional cost on account of total time spent to procure PDS commodities and under-weighment was found to range between Re.0.51 and R. 1.71 per kg for wheat and sugar respectively.

Goyal, M.C.\textsuperscript{58} conducted a study in Kota district of Rajasthan to know the opinion of the beneficiaries towards the working pattern of Public Distribution System. On the basis of responses of the respondents it was concluded that the beneficiaries were not fully satisfied with the present working pattern of Public Distribution System, which requires a lot of improvement. Although the opinion of the beneficiaries towards the existence of the facilities of PDS was favourable.

According to the study of M. Soundarapandian, a large number of respondents are using the PDS for getting all essential commodities. About 13 per cent of the respondents purchase rice from the open market. The rural card-holders feel that the time for purchasing is not suitable. Shortages in weight and non-availability of ration items are the other problems. The study offers some suggestions also. The fair price shops should be economically viable. There should be regularity in the supply of PDS commodities. The vigilance committee should be strengthened. The Panchayats and revenue officials should identify persons eligible to get PDS cards. There is need to reduce the number of PDS dealership.\textsuperscript{59}


The structural changes would ensure that the income transfer, effected through the PDS, would go to the intended beneficiary without incurring a huge cost in the case of administration and implementing cost. This programme should be strengthened by mingling with other schemes like Jawahar Rojgar Yojana, IRDP, Employment Guarantee Scheme, as well as democratic institutions such as Panchayat Raj. In a developing country like India with 70 per cent of the people living in villages and 40 per cent landless labourers and 20 crores of rural agricultural labourers, food problem can be solved by the integration of the PDS with other anti-poverty programmes, which would go a long way in providing adequate food security to the teeming needy people. It is apt to conclude by quoting Mother Theresa, “If we have no peace, it is because we have forgotten that we belong to each other.”

According to Gurumoorthy the price of the commodities, supplied by the Fair Price shops in villages in higher compared to that in the towns. The transportation cost for carrying the commodities from the godown to the villages is added to the price which is borne by the beneficiaries. The government has to take remedial measures for this. In villages, storage is a problem. The voluntary associations and consumer protection councils can do a lot for the effective functioning

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of the Public Distribution System. They are expected to be the accelerating agency for creating consumer awareness which paves the way for strengthening the PDS. The Centre permits the import of edible oils to the states for distribution. The essential commodities are supplied from the Central pool by the Food Corporation of India. Hence the coordination between the Centre and the States is essential for the success of this system.

Most of the State Governments have set up of the Vigilance Committees at different levels. During the year 1991, 1,64,781 raids were conducted, resulting in the confiscation of goods valued at Rs. 25.42 crores. In the first two months of 1992 (January and February), the reports received from the state governments indicate that 17,400 raids were conducted resulting in the seizure of goods worth about Rs. 63.23 crores. The Central Government is continuously monitoring the supply level of commodities in cooperation and consultation with the State Governments.62

The food credit card could also be integrated with a food-for-work programme without incurring the additional administrative and logistic costs of transporting food to each area where there is need to provide work. Payment for the work would be done by incrementing the food credit of the workers. Once set up, this credit card system

could also be used to provide social security to the old, infirm, disabled and handicapped citizens. This could be done, for instance, by programming a higher subsidy proportion for such groups.63

The act is conceived with the objective of assisting the consumer; but the governments ought to do more, so that consumer activism takes root firmly for the benefit of the society at large. The quality of services and goods is, generally, sub-standard in India. Our exports have not picked up because in both price and quality we are not internationally upto the mark. Before we embark on international aspirations in a big way, we should aim to satisfy the vast domestic market. Industry and Trade should demonstrate that they have the capabilities, will and desire to give a satisfactory deal to the growing number of Indian consumers. Conversely, it is perhaps only our consumer activism that can make the Indian-made products improve in quality, performance and price to enable India to compete globally. It is as much a challenge to the Indian consumers, as it is to the producers of Indian goods and services.64

Madhura Swaminathan65 focused on the fact that in striving for “efficiency” by means of narrow targeting, households that should be entitled to basic food security through the PDS have been left out.

The data from the 61st round of the NSS make it quite clear that a high proportion of agricultural labour and other labour households, of households belonging to the Scheduled Castes and the Scheduled Tribes, of households with little or no land and households in the lowest expenditure class, are effectively excluded from the PDS today. The exception is Tamil Nadu, which is the only state to have introduced a universal system of PDS, with rice available at Rs. 2 a kilogram to all households irrespective of the type of ration card. The only immediate remedy to the problem is to make the PDS universal again, and to ensure that a monthly ration of basic food commodities, including grain, pulses and oil, is available at affordable prices to all households.

The two factors contributing to the failure of the system are identification of BPL families and flaws in the delivery mechanism. The second factor is more important and there is collusion between the various agencies to divert a large part of the subsidized grain from the supply chain of PDS. In this connection, it is important to see the characteristics of the delivery mechanism of those states that have shown relatively low leakages at FPS level (interestingly West Bengal is one of them). Some of these factors are the general awareness level of the beneficiaries, literacy level and existence or otherwise of strong grass root level organizations etc. As in the case of Tamil Nadu, elimination of private retail outlets from supply chain would also
improve the distribution system. Further, doorstep delivery to retail outlets authenticated by the pros, release of ration quota to the beneficiaries in weekly instalment and efficient monitoring system will also improve the delivery system.\textsuperscript{66}

In a vast country like India, in which food economy is not centrally controlled, intervention through PDS cannot bring about perfect statewise balance in availability of food. The relevant question is would a totally-free private trade achieve a better balance? Government intervention as well as non-intervention in economic management, be it in agriculture or any other sector, are not matters of principle. Their relevance and desirability depend on the purpose they are meant to serve. Non-intervention, say in matters like education, health, food security, research, technological upgradation, and infrastructural development, would be a dereliction. Likewise, intervention has to be selective. The real need is not simply to establish the legitimacy of intervention, but that of ensuring its effective and judicious implementation.\textsuperscript{67}

Based on the above past studies reviewed in this chapter, the forthcoming chapter analyses the performance of PDS in Kanyakumari district of Tamil Nadu state.
