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## EVALUATION OF PUBLIC DISTRIBUTION SYSTEM IN INDIA

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**Abstract:** *Public Distribution System in India has been one of the most crucial elements in food policy and food security system in the country. It is the largest distribution network of its kind in the world. It emerged out as rationing measure in the backdrop of Bengal famine as well as a war-time measure during Second World War. It evolved in 1950s and 1960s as mechanism for providing price support to producers and food subsidy for consumers. Over the years it has expanded enormously as poverty alleviation and food security measure to become a permanent feature of Indian Economy. The present paper discusses the present scenario of Public distribution system in India across states. It throws light on the working of PDS and some policy measures for its better working.*

**Key words:** *Public Distribution System, Fair Price Shops, offtake, BPL, APL*

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## **Section- I**

### **INTRODUCTION**

The origin of Public Distribution System (PDS) in India can be traced from the Second World War (1939-45) and in the backdrop of Bengal famine in 1943, which evolved in 1950s and 1960s as mechanism for providing price support to producers and food subsidy for consumers. The concept of Public Distribution System has evolved as a major policy instrument to (i) reach essential commodities to the people, particularly the weaker sections of the society, on an assured and regular basis at reasonable prices, (ii) work as an effective anti- inflationary measure and (iii) make significant contribution in raising the nutritional standard of the poor. Over the years, it expanded enormously emerging as food security and poverty alleviation measure to become a permanent feature in Indian Economy and it evolved as a major instrument of government economic policies. In 1992, PDS was replaced with Revamped Public Distribution System (RPDS) as an experiment in geographical targeting because PDS was criticized on the grounds of its being urban biased. Subbarao (1988) observed that the poor in rural areas did not benefit much but the urban population undoubtedly benefitted from PDS. Another scholar (Shah 1986) observed that nearly 57 percent of PDS food grains was for urban areas and only 27 percent was for rural areas. RPDS was started with a view to provide relief to the poor people of desert, hilly, drought prone and Adivasi areas of the country. Finally the system was restructured to target the poor households as Targeted Public Distribution System (TPDS) across all regions in 1997. TPDS aims at providing food grains to people below poverty line (BPL) at highly subsidized prices and food grains to people above the poverty line (APL) at much higher prices than BPL beneficiaries. Thus TPDS adopted by the Government of India maintains the universal character of the PDS but adds a special focus on people living below poverty line. PDS with a wide network of about 4.99 lakh Fair Price Shops (FPSs), better known as Ration Shops, is perhaps the largest distribution network of its kind in the World.

### **OBJECTIVES AND RESEARCH METHODOLOGY**

The main objective of this paper is to present the picture of coverage of PDS across states and to throw light on the flaws in the working of PDS. The present study is based on the data obtained from Foodgrains Bulletin and Census of India 2011. We have taken total cereal quantity not crop specific quantities because the states differ with respect to tastes and



preferences across crops. For example, the rice is consumed mainly in south while the wheat in north. The analysis pertains to year 2011-12. The paper has been structured along with following line:-

Section I explains the introduction, objectives and research methodology.

Section II explains the coverage of PDS across states.

Section III attempts to explain the some of problems in the working of PDS.

Section IV explains the conclusion and suggestions.

## **Section- II**

### **COVERAGE OF PUBLIC DISTRIBUTION ACROSS STATES**

To know the variation in utilization of the PDS, it is necessary to consider the quantities of food grain (namely rice and wheat) off taken by different states. The term “Quantity of offtake” should not be confused with “Quantity allocated”. “Quantity allocated refers to the amount of food grains allotted from the Central Pool to a certain state. “Quantity of off take” refers to amount that is actually purchased by the states and then distributed to Fair Price Shops (FPSs). For the present analysis quantity of offtake has been taken into account. The coverage of PDS across states can be shown by the following table:-

**Table-1**

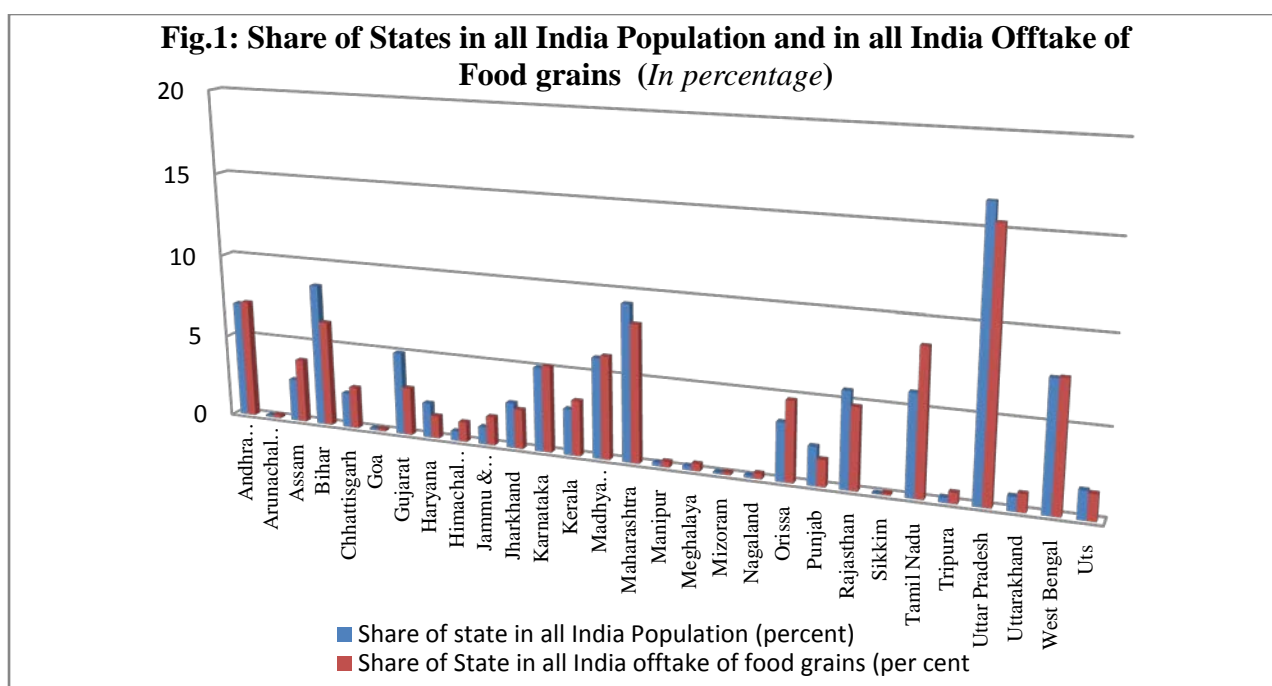
**Total off take of food grain in the PDS (20011-12) and population (2011), all States and Union Territories**

States/UTs	Quantity of Offtake (in 000 tonnes)	Population	Share of state in all India Population (percent)	Share of State in all India offtake of food grains(percent)
Andhra Pradesh	3065.474	84665533	7	7.11
Arunachal Pradesh	83.589	1382611	0.11	0.19
Assam	1662.751	31169272	2.58	3.86
Bihar	2757.35	103804637	8.58	6.40
Chhattisgarh	1085.194	25540196	2.11	2.52
Goa	60.421	1457723	0.12	0.14
Gujarat	1242.799	60383628	4.99	2.88
Haryana	586.431	25353081	2.09	1.36
Himachal Pradesh	512.663	6856509	0.57	1.19
Jammu & Kashmir	743.485	12548926	1.04	1.72
Jharkhand	1022.038	32966238	2.72	2.37



Karnataka	2234.612	611307704	5.05	5.18
Kerala	1428.807	33387677	2.76	3.31
Madhya Pradesh	2653.417	72597565	6	6.16
Maharashtra	3539.245	112372972	9.29	8.21
Manipur	144.884	2721756	0.22	0.34
Meghalaya	182.69	2964007	0.24	0.42
Mizoram	66.233	1091014	0.09	0.15
Nagaland	140.094	1980602	0.16	0.32
Orissa	2058.005	41947358	3.47	4.77
Punjab	686.355	27704236	2.29	1.59
Rajasthan	2078.693	68621012	5.67	4.82
Sikkim	44.936	607688	0.05	0.10
Tamil Nadu	3700.634	72138958	5.96	8.58
Tripura	275.381	3671032	0.3	0.64
Uttar Pradesh	6645.333	199581477	16.49	15.42
Uttaranchal	456.876	10116752	0.84	1.06
West Bengal	3281.205	91347736	7.55	7.61
UTs	662.322	20082522	1.66	1.54
India	43101.92	1210193422	100	100

Source: Census of India 2011, Foodgrains Bulletin





There are regional differences in the scale of PDS operations and that can be observed from the data on total off take of food grains in different states in 2007-08 (Table No.1). The five states namely, Uttar Pradesh, Tamil Nadu, Maharashtra, West Bengal and Andhra Pradesh account for about half (46.93) of the total PDS off take. In terms of total quantities, the highest quantity of food grain distributed was in Uttar Pradesh followed by Tamil Nadu. After that the largest share of offtake was in Andhra Pradesh, Maharashtra and West Bengal respectively. The share of each state in the total population of the country is also reported in the Table 1. Though, Uttar Pradesh has the largest share in total off take of food grains but its share of food grain off take is lower than that of its share in population. It can be seen from the Table 1, the share of food grain off take is higher than the share of population for Southern State, North-Eastern States and many other states such as Assam, Chhattisgarh, Goa, Himachal Pradesh, Jammu and Kashmir, Sikkim, Uttaranchal and West Bengal. But for other states such as Maharashtra, Haryana, Punjab, Bihar, Madhya Pradesh, Rajasthan etc., the share of off take was lower than their share in population.

Thus the above table shows that interstate variation have somewhat narrowed down, because some earlier studies have shown that there are acute differences in the scale of PDS operation across states. For example Swaminathan (2000) pointed out that there are huge interstate variations in the working of PDS in India. On the one hand four Southern states, Andhra Pradesh, Tamil Nadu, Kerala and Karnataka accounted for almost one half (48.7 percent) of the total PDS off take of food grain in the country while on the other hand four northern states of Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh (or Bimaru states) accounted together for only 10% of total off take (ibid). But now the picture is different, the dominance of southern states has been broken and there are interstate variations but not so acute.

### **Section –III**

#### **FLAWS IN THE WORKING OF PDS**

All is not well with public distribution in India. There are many problems associated with the working of PDS that are:

- Large errors of exclusion of BPL families and inclusion of APL families.
- Diversion of subsidized food grains to open market.
- Prevalence of ghost cards.



- Lack of transparency in the selection of procedure of PDS dealers.
- Poor quality of food grains (PDS articles).
- Lack of Infrastructure and shortage of funds with the governments of many states.
- Weak monitoring and lack of transparency and inadequate accountability of official implementing the scheme.
- A large number of homeless and poor, without having permanent address are denied ration cards and thus excluded from PDS, despite being Indian citizens.
- The poor don't have cash to buy the entire quantity of entitlements at a time.
- The present procedure for selection of BPL beneficiaries is not satisfactory.
- Cost effectiveness of PDS is very small.
- Not lifting their ration quota by APL households as APL price is close to open market price.

Few researchers have documented the administrative problem in PDS and shown in many states that there is large scale diversion of grain, wastage and low quality. Major flaw in the working of PDS is that it has wrongly excluded a large number of deserving persons and families. Karat (2008) pointed out that planning commission evaluated that 57% of poor had been actually excluded from the BPL system. According to the report of National Sample Survey, at all India level 70.5% of rural households either possessed no card or held an APL card and are effectively excluded from PDS (Swaminathan 2008). Very high proportion of landless and near landless household did not possess BPL or Antyodaya cards in many states (86% in Sikkim, 80% in Goa, 79% in Uttar Pradesh, 76% in Haryana, 75% in Jharkhand and 74% in Uttaranchal for example) and mere excluded from PDS (ibid). Besides the targeting error, there is another serious problem of leakage and diversion. There is 36 percent diversion of wheat, 31 percent of rice and 23 percent diversion of sugar from the system at the national level (Jena 2002). Khera (2011) has pointed out that 44% of PDS grain was diverted at the all India level in 2007-08. According to another scholar (Mishra 2008) about 58% subsidized food grains issued from Central Pool do not reach to the BPL families owing to leakages and diversion. Moreover, the cost of income transfer to poor is much higher e.g. for one rupee worth of income transfer to poor, the government of India spent R.3.65. Due to lack of effective targeting mechanism and large scale leakage due to corruption, the cost effectiveness of extending food subsidy to the poor has been low. According to a scholar



(Parikh 1994) the “cost effectiveness of PDS reaching the poorest 20 percent of the households through the PDS cereals is very small. For every rupee spent, less than 22 paise reaches the poor in all states excepting Goa, Daman and Diu where 28 paise reach the poor. This is not to suggest that PDS does not benefit the poor at all, but only to emphasize that this support is provided at highest cost.” If one takes Central Government cost into account, Rs. 4.3 was incurred to transfer one rupee of income to the poor (Jena 2002).

### **Section –IV**

#### **CONCLUSION AND SUGGESTIONS-**

From the above analysis it is clear that there are inter-state variations in terms of offtake of PDS food grains e.g. five states namely Uttar Pradesh, Tamil Nadu, Andhra Pradesh, West Bengal and Maharashtra account for almost half (49.94 %) of the total PDS off take. Though there are nineteen states that have larger share in total PDS offtake than the share in all India population and only in nine states, the share in total offtake is lower than the share in total population. This inter-state variation should be reduced in terms of PDS offtake keeping in mind the size of population of the state and its requirement etc.

The Public Distribution system has been a major Instrument for ensuring availability of certain basic commodities. To some extent it has succeeded in achieving its objectives though there are some problems in its working like targeting errors, low cost effectiveness, existence of bogus cards with weakness in the delivery mechanism leading to large scale leakage and diversion to unintended beneficiaries and lack of Infrastructure etc. But these problems can be solved out by improving the administration of PDS, minimizing targeting errors, improving selection procedure of BPL beneficiaries, eliminating the ghost ration cards, ensuring regular supply to the dealers and consumers, ensuring transparency in the selection procedure of FPS dealers and put a check on the evil of diversion of supplies to open market. These procedural and policy reforms should be encouraged for better working of PDS.

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