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Public Food Distribution System in India: Evolution, Challenges and Way Ahead

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Abstract:

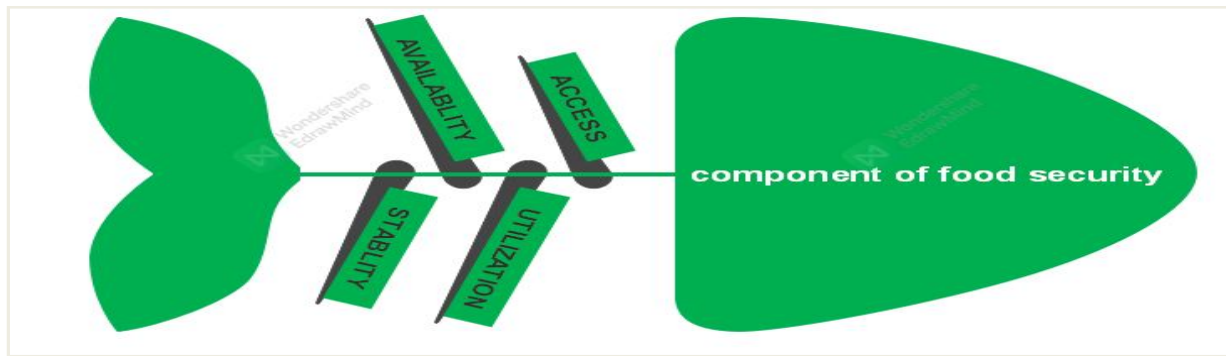
The subject of food security closely touches upon the wellbeing of the majority of the Indian population. Though the Indian constitution does not have any explicit provision regarding the right to food, the fundamental right to life enshrined in Article 21 of the Constitution includes the right to live with human dignity, which also includes the right to food and other necessities. The network of the public distribution system is one of the largest of its kind for providing subsidised food items to the marginal segment of the Indian population. This system of food distribution covers nearly 11 crore households and provides them with food grains at subsidised prices. This review article examines the efforts to achieve food security through PDS. It also traces the challenges and problem faced by PDS and suggests measures for improvement.

Keywords: food security, challenges, public distribution, food subsidies, explicit.

Introduction:

Food security means the state of having reliable access to a sufficient quantity of affordable nutritious food. United nation Committee on World Food Security defines food security as a situation where all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for a healthy and active life. There are four main components of food security viz. access, availability, utilization and stability.

Since the outbreak of the coronavirus, the pace of economic growth is quite low which put survival and livelihood of millions at stake and India is no exception to it.



The public distribution system (PDS) is considered as a principal instrument in the hands of State governments for providing a safety net to the poor against the spiralling rise in prices of essential commodities. It is a poverty alleviation programme of government that contribute towards the social welfare of the people. It is a boon to the people living below the poverty line. Under the PDS, the supply of essential commodities like wheat, rice, sugar, kerosene, etc. made to the people at reasonable prices.

A major portion of the Indian population has difficulty in obtaining two-time meals due to poverty so it is not possible to neglect the PDS in India because. This marginalised segment of the population cannot afford to pay the prevailing market prices for essential food commodities. The central government's budget estimate 2020-21 provided for rupees 1.15 lakh crore for food subsidies. The role of the government in providing food subsidies to the poor and vulnerable is justifiable as food subsidies are essential to protect the welfare and nutritional status of the economically poor segment (Sharma, 2012). This review paper study the emergence of PDS, examines the problems relating to the implementations of the PDS, study the benefits derived out of PDS and offer suggestions for improvement.

Objectives:

1. To study the evolution of food distribution system in India and the benefits derived out of it.
2. To examine the problems related to PDS and to offer suggestions for further improvement.

Methodology:

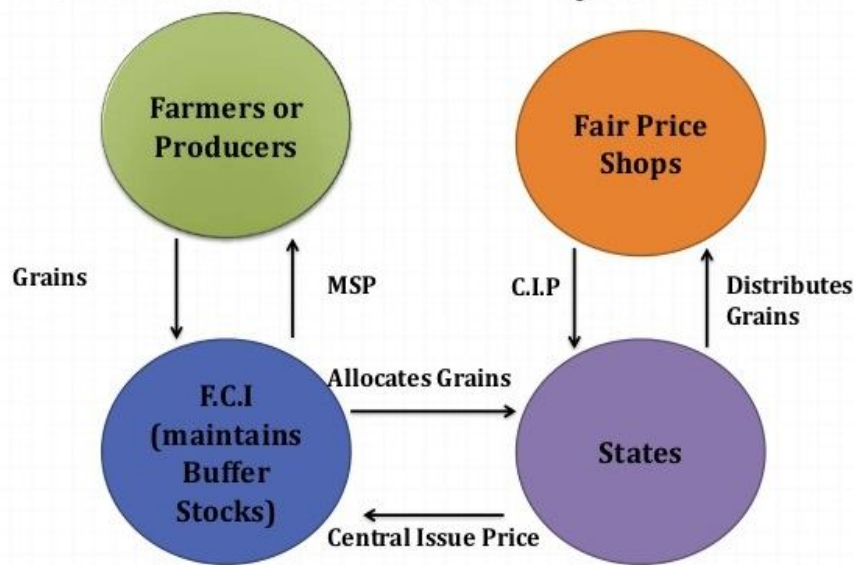
Secondary data was used for the writing of this review paper. Data was collected from offline and online journals, google scholar, research gate, academia, newspaper articles and other websites.

Emergence/ Evolution of PDS system:

The origin of the public food distribution system lies in the 'rationing' system introduced by the British during World War II (1939–45). After independence, India faced a critical food shortage and the idea of the distribution of essential food grains in scarcity areas emerged. To ensure price stability, availability of basic commodities to the poor, rationing of essential commodities and check

hoarding, the food distribution system was institutionalised (Swaminathan, 2002). After Green Revolution when the supply of food grains increased drastically, the outreach of food distribution was extended to tribal and other poverty-ridden areas. Further, to improve food distribution to far-flung inaccessible, remote, hilly areas Revamped Public Distribution System was launched in 1992. Under this system, 1775 blocks were covered through specific projects like DDP (Desert Development Programme), DPAP (Drought Prone Area Programme) and ITDP (Integrated Tribal Development Programme). To ensure effective reach of the PDS commodities ‘area approach’ for food distribution adopted in this system.

How the Public Distribution System works:



Further, to provide food subsidies to the maximum number of poor, in 1997 Government of India launched TPDS (Targeted Public Distribution System). Under this system, the respective state government identified the poor as per the method suggested by the Lakdawala Committee. Food grain viz. rice and wheat is distributed to these beneficiaries through Fair Price Shops at lower prices than the market. Allocation of food grains to be supplied to each state/UT was done based on average consumption in past. Under TPDS a fixed entitlement of food grains per month was made for BPL families while for APL families there was no fixed entitlement. In 2000, the government of India increased allocation from 10 kg to 20 kg of food grains per family per month at 50 per cent economic cost while allocation to APL families was done at an economic cost (Govt. of India, 2005). Under this system, the end retail prices were fixed by the respective state/UT by including other costs like transportation charges, the margin for wholesalers, retailers, etc.

On a similar line, a supplementary food security scheme to reduce hunger among the poorest segment of the BPL population, Antodaya Anna Yojana (AAY) was launched in 2000. Under the

scheme 10 million of the poorest households were identified (Kishore and Chakrabarti 2015) and provided for the provision of getting food grains at a highly subsidized rate viz. Rs. 2 per kg for wheat and Rs. 3 per Kg for rice. Fair price shops (FPSs) functioning under the PDS are nodal points of immense importance since beneficiaries purchase subsidised PDS goods through the FPS.

A paradigm shift in the approach of food distribution was brought with the enactment of the National Food Security Act, 2013. It changes the welfare-based approach to a rights-based approach, so that availability of subsidised food grains was ensured for about 50 and 70 per cent of the urban and rural population, respectively. Thus, two-thirds of the population was covered under the act to receive highly subsidized food grains. For issuing of ration cards, the eldest woman (18 years or above) of the household is made the head of the household (NFSA, 2013). At present, around 79.43 crore persons are receiving subsidized foodgrains under NFSA under two categories viz. AAY household and Priority household (PHH) with a monthly entitlement of 35 kg per family and 5 kg per person, respectively (GOI, 2020-21).

The Food Distribution System of India is one of the largest distribution machinery of its type. Presently, it is reaching 75 per cent rural and 50 per cent of the urban population (Chakraborty and Sarmah, 2018).

The poorest of the poor population spends about 65 per cent (in rural areas) and 62 per cent (in urban areas) of their total expenditure on food items (Sharma, 2012). The food distribution system serves more than 65 million poor families (NCAER 2015). As per GOI (2018) report says that the PDS in India with a network of more than 5 lakh FPS and the ratio of the household to FPS is 504:1 (Chakraborty and Sarmah, 2018).

Challenges faced by Food Distribution System in India:

Due to inadequate service network planning, cost structure, resource utilisation, and corruption, Indian PDS has always struggled to achieve its optimum target (Jha et al. 2013), and hunger still exists in many parts of India.

India's food subsidy system is under criticism due to its poor targeting, economic inefficiencies and its large contribution to the government budget deficit (Sharma, 2012). Indian food distribution system is widely criticised for its failure to serve below the poverty line population, urban bias, lack of transparency and accountability (Sawant and Jadhav 2013). A study by UIDAI (2009) concluded 57 per cent of the subsidised food grains do not reach the intended beneficiaries due to reasons like inclusion error, presence of ghost cards, shadow ownership in case of migrant workers. Increased corruption decreases the accessibility which in turn affects the overall functioning of the PDS (Khera, 2011; Kumar *et al.*, 2016; Geoge and McKay, 2019)

Inter-regional disparities may increase because different states do not get a proportionate

share of the central government's fund due to the absence of standard norms for the identification of BPL families (Saha *et al.*, 2010). The buffer stock policy of the government plays an important role in stabilising prices in a time of production shortfall and feeding the poor and vulnerable (Government of India, 2012). With a record increase in food grain production, the procurement of food grains by the government also increased, which faced the problem of lack of covered storage facilities (Sharma, 2012).

Several studies highlighted the problem of wrong inclusion and wrong exclusion of the poor in the food distribution system. The error of inclusion takes into account the high proportion of non-poor possessing BPL cards. According to Saha *et al.* (2010) inclusion errors occur due to reason that some states hand out ration cards on an indiscriminate basis. Among poor SC households, a higher proportion without ration cards reflects on targeting error of exclusion (Panth, 2012) and as a result, malnourishment is widespread among such families (Saha *et al.*, 2010). The problem of targeting is accompanied by the lack of good quality regular data to measure the actual income of the household (Mane, 2006). The usefulness of the PDS in acting as an effective food safety network is hindered by targeting problems (George and McKay, 2019).

There is 34.8 per cent wrong inclusion of the non-poor and 5.5 per cent exclusion of the poor (Panth, 2012). The exclusion of poor is in the order of 54 per cent and wrong inclusion is only two per cent (Swaminathan, 2001). In the present era, due to the expansion of food subsidies two contradictory tendencies viz. economic rationalisation and populist politics are pushing and pulling the food distribution system in different directions (Chakraborty and Sarmah, 2019).

The findings of Kumar (2010) indicated incidents of diversion of food especially in the case of BPL cardholders. Part of this diversion occurs at the level of the fair price shops, where Gupta and Singh (2016) reported that some stores exchanged the high-quality goods provided for distribution in the PDS with lesser quality goods from the general stores. Dhanaraj and Gade (2013) reported very high rates of corruption within the system, in some states this was up to 100 per cent leakage or diversion from the supply chain.

The benefits derived out of PDS:

In developing countries, food prices play an important role in the well-being of the poor thereby ensuring food security and poverty reduction (Sharma, 2012). First-hand studies have shown that the food distribution system has been effectively working as a social safety net for the poor (Majumder, 2001). While several studies have identified the role of the PDS in improving the food security of India, at least through the provision of calories (Bhattacharya *et al.*, 2017; Pingali *et al.*, 2017; George and McKay, 2019).

Research studies have identified the role of the PDS and NFSA in improving the food security

of India through the provision of calories (Bhattacharya et al. 2017; Pingali et al. 2017). Through the provision of calories, PDS and NFSA is contributing in improving food security in India (Bhattacharya et al. 2017; Pingali et al. 2017).

Jha (1992) noted that half of the beneficiaries of the distribution system are non-poor; implying that a substantial part of PDS benefits accrued to the non-poor and it has not had much of an impact on the nutritional status of the targeted population. Based on field data, findings of NCAER (2015) concluded that when compared with the non-NFSA state, effective income gain is higher in the NFSA states. As per Khera (2011) among those who have access to the TPDS in Rajasthan, one-third of the beneficiaries households do not utilise their quota at all and another half do not utilise their quota fully.

In an investigation conducted in 12 states, Kumar (2010) found that up to 100% of wheat was diverted in some cases, with diversion and provision of rice and wheat being different across all states. The subsidy is lost in leakage due to the illegal diversion of commodities from actual beneficiaries to the black market (Dhanaraj and Gade, 2013). The households are forced to purchase their food from free market because they cannot access their full privilege to goods through PDS (Khera, 2011). In Tamil Nadu, only 1 kg reaches the beneficiaries for every 5.43 kilograms of rice distributed by the government while in the case of sugar, only 1 kg for every 8.21 kilograms distributed reaches the target population (Dhanaraj and Gade, 2013).

The efficient storage structure is an alarming concern for food security programmes because FCI-owned storage capacity have not been increased from the last six years while procured stock of food grains is continuously rising. Resulting in increased burden of storage cost at government's end. FCI incurred hiring cost of rupees 11.19 billion in 2012 (CAG, 2013).

Suggestions for improvement of Food Distribution System:

One of the agendas of economic reformers in India is to reduce the scale of food subsidies achieved by narrow targeting the system of PDS. Swaminathan (2002) argued the need for a strong and effective system of procurement, which requires the continuation of an organisation such as the FCI- Food Corporation of India.

Generally, it is argued that the benefits often do not reach the poor (Ali and Adams, 1996). The targeting of food distribution beneficiaries has been a controversial issue and studies reveal errors in targeting (Panth, 2012). With the introduction of TPDS, the error of wrong inclusion decreased while the error of wrong exclusion increased. There is a need to rectify the pitfalls of the identification of target groups based on income indicators (Swaminathan and Misra, 2001). For maintaining an effective system of food security, there is a need for strong political willpower and support from all respective state governments (Swaminathan, 2002).

There is a need to reduce food procurement and distribution cost through public-public participation, implementing appropriate procurement price policy, reduction in statutory and non-statutory burdens charged by state governments, need-based procurement of food grains encourage partnership for developing scientific storage facilities to reduce losses, and periodic and affordable increase in central issue price (Sharma, 2012).

The High-Level Committee on Long Term Grain Policy (HLC) constituted by the Department of Food and Public Distribution in its report had recommended that APL price should be reduced to 80 per cent of economic cost and BPL price to 50 per cent of the economic cost excluding statutory levies (GoI, 2003). Further, there is a dire need to make fair price shops (FPS) economically viable and increase participation of women SHGs in running FPS (Nakkiran, 2004). Adverse burden incurred by the expansion of food subsidies can be lightened by improving the efficiency of food distribution via increasing watchfulness by reducing leakage (Saha *et al.*, 2010). Nair (2011) suggest that better targeting and the removal of APL households, that is, removal of the universal nature of the system, would have significant positive impacts on the operation and effects of the PDS.

Considering the future population forecast for 2025, to ensure food security, FCI policies has to improve in the area of procurement, storage and distribution. To minimise transportation and rental costs, efficient extension and establishment of new storage facilities are important. To adequately accommodate the grains stock level, FCI has to increase the total storage capacity by at least 50 per cent over the next five years. Also, there is a need for an additional number of FPS so that a proper FPS network can be maintained (Chakraborty & Sarmah, 2019).

Conclusion:

The objective of inclusive development and poverty elimination cannot be realized without ensuring food security to all. Subsidised food distribution is one of the main components of the social safety net for the vulnerable and poor segment of the Indian population. It guarantees the availability of an adequate amount of food grains at affordable prices thereby ensuring the availability of food for the disadvantaged segment. From universal targeting to regional and individual targeting, the policies related to food distribution is continuously improving. For improve the functioning of the food distribution system, steps like the implementation of end-to-end computerisation, digitization of ration card, linking of ration card with Aadhar and biometric authentication has been taken by the government. Together with the required planning, efficient execution of food security programmes can be achieved by developing storage facilities, transportation network, improved cost structure, better targeting of beneficiaries and elimination of leakage and corruption.

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