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Contents

1. Implementation of Land Purchase and Land Distribution Scheme in Telangana- *A Study* 1
----- *U. Gangadhar*
2. Seven Exodus of Kashmiri Pandits- *A Study* 10
----- *Anugandhula Srinivas*
3. Important Forts of Telangana- *From the earliest times up to 18th C.A.D.* 18
----- *Prithvi Kumar Chavan. P*
4. Industrial Workers' Education Programmes- *A Case Study in Bharath Dynamics Limited, Hyderabad* 23
----- *Alsingh Ajmeera*
5. Public Distribution System in India- *An Overview* 39
----- *Devath Rambabu*
6. Impact of Education on Tribal Life- *An Overview* 48
----- *Dr. Bhukya Srinivas Nayak*
7. A Study of the Agricultural Indebtedness of Tribal Farmers With Special Reference to I.T.D.A. 54
----- *M.V. Kaleswara Rao*
8. Political Influences in Judiciary- *A Study* 89
----- *Gundu Suresh*



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PUBLIC DISTRIBUTION SYSTEM IN INDIA – AN OVERVIEW



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Abstract: *The Public Distribution System (PDS) evolved as a system of management of scarcity through the distribution of food grains at affordable prices. Over the years, PDS has become an important part of the Government's policy for the management of the food economy in the country. PDS is supplemental and is not intended to make available the entire requirement of any of the commodities distributed under it to a household or a section of the society. PDS is operated under the joint responsibility of the Central and the State/UT Governments. The Central Government, through the Food Corporation of India (FCI), has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments. The operational responsibility including allocation within the State, identification of eligible families, issue of Ration Cards and supervision of the functioning of Fair Price Shops (FPSs) etc., rests with the State Governments. Under the PDS, presently the commodities namely wheat, rice, sugar and kerosene are being allocated to the States/UTs for distribution. Some states/UTs also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oils, iodized salt, spices, etc. In this paper, I have tried to explore the current status of the PDS in India.*

Keywords: *Public Distribution System, Implementation, Current Status, Shortcomings, Suggestions.*

Introduction

The public distribution of essential commodities was in existence in the country during the inter-war period. However, PDS, with its focus on the distribution of food grains in urban scarcity areas, had emanated from the critical food shortages of the 1960s. PDS had substantially contributed to the containment of the rise in food grains

prices and ensured access of food to urban consumers. As the national agricultural production had grown in the aftermath of the Green Revolution, the outreach of PDS was extended to tribal blocks and areas with a high incidence of poverty in the 1970s and 1980s.

Revamped Public Distribution System (RPDS)

The RPDS was launched in June 1992 to strengthen and streamline the PDS as well as to improve its reach in the far-flung, hilly, remote and inaccessible areas where a substantial section of the poor live. It covered 1775 blocks wherein area-specific programs such as the Drought Prone Area Program (DPAP), Integrated Tribal Development Projects (ITDP), Desert Development Program (DDP) were being implemented and in certain Designated Hill Areas (DHA) which were identified in consultation with State Governments for special focus. Foodgrains for distribution in RPDS areas were issued to the States at 50 paise below the Central Issue Price. The scale of the issue was up to 20 kg per card.

The RPDS included an area approach for ensuring the effective reach of the PDS commodities, their delivery by State Governments at the doorstep of FPSs in the identified areas, additional ration cards to the left-out families, infrastructure requirements like additional Fair Price Shops, storage capacity etc. and additional commodities such as tea, salt, pulses, soap, etc. for distribution through PDS outlets.

Targeted Public Distribution System (TPDS)

In June 1997, the Government of India launched the TPDS with a focus on the poor. Under the PDS, States were required to formulate and implement foolproof arrangements for the identification of the poor for delivery of food grains and its distribution in a transparent and accountable manner at the FPS level.

The scheme, when introduced, was intended to benefit about 6 crore poor families for whom a quantity of about 72 lakh tonnes of food grains was earmarked annually. The identification of the poor under the scheme was done by the States as per State-wise poverty estimates of the Planning Commission for 1993-94 based on the methodology of the "Expert Group on an estimation of proportion and number of poor" chaired by Late Prof Lakdawala. The allocation of food grains to the States/UTs was made based on average consumption in the past i.e., average annual off-take of food grains under the PDS during the past ten years at the time of introduction of TPDS.

The quantum of food grains over the requirement of Below Poverty Line (BPL) families was provided to the State as 'transitory allocation' for which a quantum of 103 lakh tonnes of food grains was earmarked annually. Over and above the TPDS allocation, additional allocation to States was also given. The transitory allocation was intended for the continuation of the benefit of subsidized food grains to the population Above the Poverty Line (APL) as any sudden withdrawal of benefits existing

under PDS from them was not considered desirable. The transitory allocation was issued at prices, which were subsidized but were higher than the prices for the BPL quota of food grains.

Keeping in view the consensus on increasing the allocation of food grains to BPL families, and to better target, the food subsidy, the Government of India increased the allocation to BPL families from 10 kg to 20 kg of food grains per family per month at 50% of the economic cost and allocation to APL families at economic cost w.e.f. 1st April 2000. The allocation of APL families was retained at the same level as at the time of the introduction of TPDS but the Central Issue Prices (CIPs) for APL was fixed at 100% of economic cost from that date so that the entire consumer subsidy could be directed to the benefit of the BPL population. However, the CIPs fixed in July and December 2000 for BPL & AAY respectively and in July 2002 for APL were not revised upwards since then even though procurement costs have gone up considerably.

The number of BPL families was increased w.e.f. 1st December 2000 by shifting the base to the population projections of the Registrar General as on 1st March 2000 instead of the earlier population projection of 1995. With this increase, the total number of BPL families came to 652.03 lakh as against 596.23 lakh families originally estimated when TPDS was introduced in June 1997.

Under the TPDS, the end retail price was fixed by the States/UTs after taking into account the margin for wholesalers/retailers, transportation charges, levies local taxes etc. The States were earlier requested to issue foodgrains at a difference of not more than 50 paise per kg over and above the CIP for BPL families. However, since 2001, flexibility was given to States/UTs in the matter of fixing the retail issue prices by removing the restriction of 50 paise per kg over and above the CIP for distribution of food grains under TPDS.

Antodaya Anna Yojana (AAY)

AAY was a step in the direction of making TPDS aim at reducing hunger among the poorest segments of the BPL population. A National Sample Survey Exercise pointed toward the fact that about 5% of the total population in the country sleeps without two square meals a day. This section of the population could be called "hungry". To make TPDS more focused and targeted towards this category of population, the "Antyodaya Anna Yojana" (AAY) was launched in December 2000 for one crore poorest of the poor families.

AAY involved the identification of one crore poorest of the poor families from amongst the number of BPL families covered under TPDS within the States and providing them food grains at a highly subsidized rate of Rs.2/- per kg. for wheat and Rs.3/- per kg for rice. The States/UTs were required to bear the distribution cost, including a margin to dealers and retailers as well as the transportation cost. Thus, the entire food subsidy was passed on to the consumers under the scheme.

The scale of the issue that was initially 25 kg per family per month was increased to 35 kg per family per month with effect from 1st April 2002.

The AAY Scheme has since expanded to cover 2.50 crore poorest of the poor households as follows

1. First Expansion: The AAY Scheme was expanded in 2003-04 by adding another 50 lakh BPL households headed by widows or terminally ill persons or disabled persons or persons aged 60 years or more with no assured means of subsistence or societal support. Order to this effect was issued on 3rd June 2003. With this increase, 1.5 crores (i.e., 23% of BPL) families were covered under the AAY.

2. Second Expansion: As announced in the Union Budget 2004-05, the AAY was further expanded by another 50 lakh BPL families by including, inter alia, all households at the risk of hunger. Order to this effect was issued on 3rd August 2004. To identify these households, the guidelines stipulated the following criteria:

a) Landless agriculture labourers, marginal farmers, rural artisans /craftsmen, such as potters, tanners, weavers, blacksmiths, carpenters, slum dwellers and persons earning their livelihood on daily basis in the informal sector like porters, coolies, rickshaw pullers, hand cart pullers, fruit and flower sellers, snake charmers, rag pickers, cobblers, destitute and other similar categories in both rural and urban areas.

b) Households headed by widows or terminally ill persons/disabled persons/ persons aged 60 years or more with no assured means of subsistence or societal support.

c) Widows or terminally ill persons or disabled persons or persons aged 60 years or more or single women or single men with no family or societal support or assured means of subsistence.

d) All primitive tribal households.

3. Third Expansion: As announced in the Union Budget 2005-06, the AAY was expanded to cover another 50 lakh BPL households thus increasing its coverage to 2.5 crore households (i.e., 38% of BPL). Order to this effect was issued on 12th May 2005.

Current Status of Public Distribution System

As the lockdown in India to contain the spread of the coronavirus will be in place at least till 3rd May 2020 concerns over food security in the country are growing. While the Centre has announced that it will provide 5 kilograms of grain - rice or wheat - to each of the 800 million beneficiaries under the PDS, the worry is that a large proportion of those who are outside the PDS net are also food insecure.

In the last few days, the chorus to universalise PDS - to provide food grains to whoever needs them and is willing to stand in queues to access them - has grown with Nobel laureates Amartya Sen and Abhijit Banerjee, former RBI governor Raghuram

Rajan, development economist Jean Dreze and interim president of the Congress party Sonia Gandhi asking the government to ensure that the PDS is universalised for at least the next six months.

The National Food Security Act (NFSA) requires that 67% of India's population - 75% in rural areas and 50% in urban areas - be covered by the PDS. Dreze argues that the real coverage may be around 60%.

Of the 67% who are supposed to be covered under the NFSA, a large number of people are excluded because of the way the population coverage is determined under the NFSA. Under the NFSA, population figures from Census 2011 are used to determine how many people are covered by the act.

India's population has increased from 1,210 million in 2011 to an estimated 1,371 million in 2020 - an increase of 161 million. Now, as per the NFSA, 67% of 1,371 million, or 921 million people should be covered by the PDS. But the number covered continues to be 813 million, as it was in 2013 when the act came into force, implying that at least 108 million people who should have been covered under NFSA are not covered.

The 108 million figure pertains to the 67% who ought to be covered by the PDS. Even among the 33% who are not covered by the NFSA, a large proportion are vulnerable.

The 2018 'state of working India' report of the Azim Premji University showed that 51% of workers in India earn less than Rs 5,000 a month. That is less than Rs 167 a day, much lower than the lowest minimum wage under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

As much as 85% of the workforce earns less than Rs 10,000 a month. Even these wages, for a large number of workers, would have been wiped out due to the lockdown exposing them to food insecurity.

A report released recently by the Stranded Workers Action Network (SWAN) - started by a group of 73 volunteers on 27th March 2020, a day after lockdown, when it was clear that migrant workers are extremely vulnerable - noted that 50% of the 11,000 workers they had been in touch with had rations left for less than a day.

The report added that 96% of the workers had not received rations from the government and 70% had not received any cooked food. And to compound problems, 89% of them had not been paid by their employers during the lockdown period.

Another data point that shows that a large population in India is now food insecure comes from the Centre for Monitoring Indian Economy's (CMIE) weekly household survey.

One month ago, for the week ended 15th March 2020, 11% of households had reported a fall in income. This number rose to 45% for the week ended April 12, registering a dramatic increase.

On the other hand, the households reporting an increase in income fell from 28% on 15th March 2020 to just 10% on 12th April 2020, once again pointing to the growing vulnerability among the Indian population.

Several economists, activists and politicians have pointed out that food insecurity is growing at an alarming rate. In fact, according to information compiled from news reports by researchers Thejesh G.N., Kanika Sharma and Aman, starvation deaths have already begun. Universalising PDS could be the solution.

As of March 2020, the Food Corporation of India held 77 million tonnes of food grains - rice and wheat - which is about three times the buffer stock requirement. And the government of India will also be procuring another 40 million tonnes during the ongoing rabi season.

Assuming that 10 kilograms of grain are provided every month to 1,100 million people (just for illustration) for six months, we would need 66 million tonnes of grain - lower than the stock of grains already held and substantially lower than the estimated 117 million tonnes that will be held if the rabi procurement is taken into account.

Shortcomings

A PDS has a direct relation to the poor and their poverty. The system has the infrastructure to deliver essential commodities to meet the minimum food requirements to hungry households at subsidized prices. We find various shortcomings in the system of delivery which are mentioned below:

1. **Diversion of food grains:** In view of several complaints made regarding the diversion of PDS grains into the open market.
2. **Excess identification of BPL and APL households:** Under the TPDS, it is the responsibility of the State Governments to identify BPL families. General guidelines, in respect of the categories to be included under the BPL, were issued by the Government of India in June 1997. The excess identification of BPL and APL families by the States and the issue of ration cards can result in the problem of bogus ration cards and diversion of food grains and other commodities to such card-holders etc.
3. **Expensive operation:** The most scathing criticism of PDS is the amount of annual food subsidy involved in maintaining the system. One of the major problems in maintaining the PDS is to contain the food subsidy at reasonable levels.
4. **Ineffective implementation of the PDS control order:** Another criticism of the PDS is its inability to reach the poor effectively. Not only are there various cases of wrong inclusion of above poverty line households, but also the exclusion of the real poor who are included in the poverty lists of the villages. The PDS Control Order, 2001 provides for constant review and updating of

families eligible for issue of ration cards and deletion of ineligible units/ households. It is, however, seen that such a review of BPL families is not being done regularly.

5. **Irregular opening of FPS:** The FPS is not always open daily. In many cases, the beneficiaries have to cover long distances to reach the Fair Price Shops.
6. **Lack of information:** Beneficiaries are unaware of rights, as the Citizens' Charter is seldom available in the regional language (s). There is also not enough publicity and information relating to the scale of the issue, prices, and availability of commodities to the consumers.
7. **Lack of training of FPS dealers:** Lack of proper training/guidelines to the FPS owners about their duties and obligations. This, combined with the absence of proper and regular inspection of the FPS, makes the situation worse.
8. **Leakages:** A disturbing feature of the PDS in India is the ground reality that a large portion of the subsidized food grains and other essential commodities meant for distribution do not reach
9. **Non-availability of adequate foodgrains in fair price shops:** It has been observed that on account of a shortage of resources, there is considerable delay in the lifting of food grains on the part of State agencies and Fair Price Shop dealers. The consumers are generally not given the arrears of the previous month/fortnight thereby making a room for diversion and defeating the very purpose of the scheme.
10. **Poor quality of food grains:** One of the major complaints regarding PDS is the supply of poor-quality grains. The lower quality of PDS wheat is evidence of inefficiencies in the operation of the public sector. The appearance of quality differentials at the retail outlets is due to inefficiencies in the marketing chain, such as bad purchase decisions, lack of care in storage and handling and indifferent service at the ration shops.
11. the beneficiaries and find their way to the market. The difference between the open market prices and subsidized prices of these commodities under PDS determines the lucrateness of the leakages. If calculation is made between the figures of stocks lifted and sold to the consumers, there shall be a discrepancy, which could be said to be equal to leakages in the system. It is estimated that a little over one-third of the food grains, supplied to PDS, do not reach actual users of the PDS-it leaks out of the programme.
12. **The multiplicity of schemes and prices:** The Government of India is running several schemes, which are targeting the same section of the society for subsidized/free supply of food grains. The BPL family is entitled to 35 kg of food grains under TPDS and the beneficiary under SGSRY or its Special Component or Mid-Day Meal, which benefits the children of the same family.

There is, therefore, a need to rationalize this distribution to reach these sections equitably. Similarly, the presence of different price slabs under the TPDS, apart from complicating the operation of the scheme at the Fair Price Shop level, also creates the problem of monitoring the scheme.

13. **Urban bias:** PDS has a strong urban bias resulting in undue suffering in rural areas, where most of the country's poor live.

Measures to Strengthen PDS

The responsibility for operating the PDS is shared between the central and state governments. The central government procures stocks and supplies grain and absorbs the costs of these operations. Once the grain is allocated to the states, it is the job of the state government to 'lift' the grain and distribute it to the retail PDS outlets across the state. Hence, the PDS performance depends on the food grains operations of the central government as well as the distribution of subsidized grain by state governments. Some measures taken/suggested to strengthen the delivery system are:

1. Beneficiaries' lists should be reviewed annually for the addition and deletion of the eligible families through the designated authorities.
2. Department of Food and Civil Supplies should develop a mechanism to gauge and ensure equitable distribution of food grains without compromising the quality.
3. Pricing patterns as notified by the central government should be strictly monitored. A periodical review of TPDS by the vigilance committee should be conducted.
4. Steps should be taken to wipe out bogus ration cards already issued. Effective control mechanisms should be formulated to prevent the issue of the bogus card in future.
5. The department should conduct periodical verification and monitor the distribution of essential commodities under PDS to ensure the food grains are not misused or diverted to the open market.
6. There is an urgent need to augment the storage capacity to avoid the pilferage of food grains.

Conclusion

Thus, to conclude that PDS is one of the most important schemes which helps in providing food security to the needy and vulnerable section of the society. However, the performance of the PDS in the region suffered in implementation properly due to the non-finalization of the beneficiaries after conducting a baseline survey to ascertain the actual number of beneficiaries. The department also randomly issues ration cards which led to the misuse of ration cards by the fair price shops, less lifting of food grains,

delayed distribution of food grains, charging of higher rates by FPS, inadequate infrastructure, etc. affecting the implementation of the PDS in the region. The PDS plays a major role to ensure access to certain minimum quantities of grain throughout the country and in all seasons at uniform prices. This goal is best achieved by reverting to a system of allocations of grain at uniform issue prices with universal coverage. At the same time, recognizing differences in needs and problems across states. States may be given greater flexibility in designing their food security systems, including in the use of the grain allocated for the PDS. Transparency and accountability in the functioning of the states should be followed by social audits.

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