



EVOLUTION AND ASSESSMENT OF PUBLIC DISTRIBUTION SYSTEM IN INDIA

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Abstract

Public Distribution System (PDS) is an important instrument of policy aimed at reducing poverty through the mechanism of delivering minimum requirements of food grains at highly subsidized prices to the population below the poverty line. Public Distribution System (PDS) can be distinguished from private distribution in terms of control exercised by public authority and the motive predominantly being social welfare in contrast to private gain. Broadly, the system includes all the agencies that are involved from procurement stage to the final delivery of goods to the consumer.

Key Words: *Public, Distribution, System, Food.*

PUBLIC DISTRIBUTION SYSTEM – AN INTRODUCTION

Public Distribution System (PDS) can be distinguished from private distribution in terms of control exercised by public authority and the motive predominantly being social welfare in contrast to private gain. Broadly, the system includes all the agencies that are involved from procurement stage to the final delivery of goods to the consumer. The agency that is involved in the process of procurement, transportation, storage and distribution are Food Corporation of India (FCI). At the state level it is the civil supply departments/corporations and fair price shops, which are the agencies, involved in provision of PDS. The fair price shops (EPS) are the last link in this process, which are mostly owned by private individuals. Hence, the most important aspect that distinguishes PDS is the involvement of government agencies and government control over the entire distribution system.

EVOLUTION OF PUBLIC DISTRIBUTION SYSTEM

The PDS, as it is known in India, has evolved over a long time. Famines and droughts causing acute scarcity conditions and the measures taken by the government to help the victims has been the typical way in which the food security system began to take shape. Thus, the measures have been in the nature of the fire-fighting operation "concerned only with putting out the flames and providing a modest measure of temporary relief to the affected population." An effort of this sort was taken up for the first time in 1939 under the British regime when the Second World War started. The government thought of distributing the food grains to the poor of some selected cities, which were facing severe scarcity conditions, and also a situation - where private, failed to provide commodities affordable by the poor. Later in 1943, after the great Bengal Famine, this distribution system was extended to some more cities and towns. Prolonged periods of economic stress and disruption like wars and famines gave rise to a form of food security system. Initially it concerned itself primarily with management of scarce food supplies, and subsequently found it necessary to use a more organised and institutionalized approach including measures suspending normal activities of markets and trade. This is from of providing food security existed in India for long years, in the shape of statutory rationing in selected urban areas and continues to be present even today in a few urban centers. The growth of PDS in India can be grouped into three time periods. These are i) from 1939 to 1965 ii) from 1965 to 1975 and (iii) from 1975 onwards. In the first period, i.e. up to mid-sixties, the PDS was seen as a mere rationing' system to distribute the scarce commodities and later it was seen as a Fair price' system in comparison with the private trade. Rice and wheat occupied a very high share in the food grains distribution. Need for extending the PDS to rural areas was realised but not implemented. The operation of PDS was irregular and dependent on imports of PL 480 food grains with little internal procurement. In effect, imports constituted major proportion in the supplies for PDS during this period.⁷ Procurement prices offered were not remunerative. By the mid 60's it was decided to look much beyond management of scarce



supplies in critical situations. Stoppage of PL 480 imports forced the government to procure grains internally. In effect, India took a quantum leap in the direction of providing a more sustainable institutional framework for providing food security. The setting of FCI and Agricultural Prices Commission (APC) now known as Bureau of Agricultural Costs and Prices (BACP) Commission in 1965 marked the beginning of this phase. On the basis of BACP's recommended prices, the FCI procures the food grains to distribute through PDS and a part of the procured quantity is kept as "buffer stocks" to meet any unforeseen crisis situation. The key components of this system were institutionalised arrangements and procedures for procurement, stocking and distribution of food grains. What is more important to note is that the food security system during this period, evolved as an integral part of a development strategy to bring about a striking technological change in selected food crops, especially rice and wheat. It provided effective price and market support for farmers and deployed a wide range of measures to generate employment and income for the rural poor with a view to improving their level of well-being including better physical and economic access to food grains. In the third period, there was an increase in the food grains production in the country. The buffer stock accumulation too increased heavily. With this, the initial emphasis on buffer stock maintenance and price stabilisation shifted to increase in PDS supplies. In the 4th plan 69-74, it states that "in so far as food grains are concerned the basic objective is to provide an effective PDS. The procured quantities were in excess compared to the need PDS needs and minimum reserve was maintained. In fifth five year plan, programmes such as Food for work, Antyodaya etc", were started with a view to alleviate poverty as well as to reduce the overstocking of FCI godowns. The imports gradually declined in this period and during the year 1975, there was a net export of food grains though it was a small quantity. Imports were continued with relatively very less quantities to maintain level of buffer stocks. The government strengthened the PDS in this period, so that it remained a "stable and permanent feature of our strategy to control prices, reduce fluctuations in them and achieve an equitable distribution of essential consumer goods". Till late seventies, the PDS was largely confined to urban population and did not guarantee adequate food to the rural poor in times of crisis. During the late 1970's, and early eighties some state governments extended the coverage of PDS to rural areas and also introduced the target grouping approach. These states are Kerala, Gujarat, Tamilnadu, and Andhra Pradesh. This was also because there was a marked change in the food situation particularly in the later years, during 80 's and early 90's. Thus the net availability of food grains which had increased from 74 million tons in 1968 to 99 million tons in 1977, witnessed a rapid rise in later years reaching 158 million tonnes in 1991 (Government of India 1994). Thus, while the PDS was started initially to meet the crisis situation, by the Sixth Five Year plan, the PDS was viewed "as an instrument for efficient management of essential consumer goods " necessary for "maintaining stable price considerations".

PUBLIC DISTRIBUTION SYSTEM- AN ASSESSMENT

According to Tyagi (1990), while deciding the relative success or failure of the PDS, the policy statements on PDS coverage are essentially based on the assumed role attributed to it. Often the coverage related roles attributed to PDS include food security, avoiding distress purchases, equity in distribution with respect to income inequality and regional inequalities. Depending on the specific roles attributed by the analysts, there have been differing views on the relative success or failure of the PDS. Their observations relate to the fulfillment of main objective of providing food security to the poor inherent urban bias, leakage to non-poor and inter-state variations in the coverage of population below the poverty line. According to V.M Rao, the initial thrust and foundation for the later evolution of the food security system were provided by the green revolution in wheat and rice. He further stated that the disconcerting feature of the system was that, even after three decades, it still remained almost exclusively dependent on these two crops. This has been the source of many weaknesses and distortions. The price support policy for rice and wheat, which nurtured the green revolution and promoted its spread, according to him is now in need of major revision. The policy has had the effect of prompting the farmer to bring his produce to the public agency almost immediately after harvest. As a result, procurement became a significant operation to be rushed through within a few weeks having little time for essential procedures like grading and checking the produce for its quality and condition. More importantly, given the anxiety of the government about adequate supply of rice and wheat and the increasing reliance of procurement on purchases at minimum support prices, it



was inevitable that pressures cumulate for progressive increase in minimum support prices and as a consequence, price policy instead of limiting itself to preventing crash in market prices, may begin to operate as a factor causing rise in them.

At the same time, the Commission for Agricultural Costs and Prices has been repeatedly pointing out in its reports, instances of price support mechanism remaining inactive in backward areas which do not contribute much to procurement (Government of India). The food security system could also be faulted for pursuing a price policy which goes against the interests of the poor. It has been pointed out by Dantwala and many others that procurement has the effect of raising the market price of rice/wheat some the level which would have prevailed in the absence of procurement. S.Geetha (1997) showed how procurement and buffer stocking make food more costly than it need be and hurt the poor. Moreover, according to Radhakrishna and Subba Rao the system was inherently costly as it is based on the surpluses of two superior cereals-rice and wheat generated in a few green revolution pockets; Punjab, Haryana and western Uttar Pradesh. These surpluses have to be procured, stored and distributed all over the country. V.M.Rao says "the persistent weaknesses observed in FCI operations are a clear symptom of over centralisation. While efforts to tone up the personnel and working of the corporation need to be undertaken, the more fundamental task is to reorganise the food security system itself on a decentralised basis. In the event of such a reorganization.

FCI with its specialised experience and expertise, would be in a position to play a major supporting role to help the decentralised food security system to become operational. Another problem with the PDS, according to Ahluwalia is the amount of leakages of food grains and other commodities in the form of losses in the transport and storage and diversions to the free market. According to some estimates, a little more than a 3rd of the food grains sugar and half of the edible oil, 38% of wheat, 36% of rice, 39% of sugar and 55% of edible oil does not reach the actual users of PDS. The major part of the leakages is due to the diversion of food grains to the free market. Sometimes, shop owners make bogus entries in the ration cards. Moreover, access to PDS is confined to a mere 36% of our people. Its distribution is highly skewed between urban and rural areas. Access percentage is as low as five in Bihar, 6 in Orissa and 7 in Uttar Pradesh. It is 70% or above only in the South. The four southern states and Maharastra and West Bengal alone account for half of the off take from PDS.

CONCLUSION

To sum up, it would be appropriate to emphasize that whereas the coverage of the PDS is wide and it is able to help large sections of the poor, yet the fact of the matter is that it provides only a temporary relief. For the purpose of providing enduring food subsidy to the poor, it has been suggested that it would be more appropriate to emphasize strategies, which reduce poverty. The role of rapid economic growth with larger employment generation assumes crucial importance.

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