



Efficiency of Public Distribution System in Kashmir: A Micro Economic Analysis

Bhat G.M. and Bhat Arshad Hussain

P.G. Department of Economics, University of Kashmir, Srinagar, INDIA

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Abstract

PDS is primarily a social welfare and antipoverty programme of the Government of India. Essential commodities like rice, wheat, sugar, kerosene and the like are supplied to the people under the PDS at subsidised prices. The paper is an attempt to study the PDS system in Kashmir-often referred to as the 'Kashmir Model' of implementation of the food security programme which subsidizes consumers and obtains grain from farmers at prices higher than market prices. In this paper we focused on the efficiency of the PDS in Kashmir, and found that there is a lot of misappropriation of supplies in the System. There is Fair Price Shops (FPS) within a two km radius for every ration card holder. Kashmir is a region which has a comparative advantage for cash crop production and is dependent on imports mainly for food.

Keywords: Social welfare, poverty, food security, fair price shops, subsidy, below poverty line.

Introduction

Food security at the level of each individual child, woman and man is the first requirement for a healthy and productive life. Jawaharlal Nehru had said in 1947, "everything else can wait, but not agriculture"¹. India's position in the 2010 Global Hunger Index conducted by the International Food Policy Research Institute shows that she holds the 67th rank among 122 developing countries. It has also stated that "serious hunger" is prevalent in all the States².

The Public Distribution System is the largest food subsidy programme in India, and perhaps in the world. It reaches out to nearly 10.5 crore households in the country and provides subsidized food grains through a network of Fair Price Shops (FPS). Despite this, India continues to have one of the worst track records globally, as far as the commitment to tackle hunger and malnutrition is concerned. The last round of the National Family Health Survey in 2006 confirmed that the child malnutrition rate in India is 46%, almost double that of Sub-Saharan Africa. India, the world's second fastest growing economy, ranks among the 88 countries surveyed by the International Food Policy Research Institute (IFPRI) in the Global Hunger Index (2008), below Sudan, Nigeria and Cameroon, and slightly above Bangladesh³.

Seeing the popularity of the National Rural Employment Guarantee Scheme (NREGS) which helped the Congress to win the 2009 parliamentary elections, the newly constituted Government has thought of bringing out the National Food Security Act and has been working on it. Without doubt, a country that has been languishing way down at 96 among 119 developing countries on the Global Hunger Index cannot wait longer to have an effective food security law enacted. The Index

ranks countries on a 100-point scale with zero being the best score (no hunger) and 100 being the worst⁴.

A fairly long series of normal monsoons has coincided with a transformation of the minimum support price into a procurement price ensuring relatively higher returns on production of rice and wheat. Consequently there is today, a surplus of food grains accumulated in the FCI godowns, which is well beyond prescribed buffer stock norms. The problem facing the country today is not one of shortage of food grains but finding ways and means of managing the accumulated surplus. Moreover, seen from a long-term perspective, one needs to examine the consequences of policy alternatives from the point of view of long-term food security of the country. While on the one hand, there is a need to produce adequate food grains, domestically, which can be supplemented by imports in times of need, there is also the requirement to have a look at the distribution network for food grains. The Public Distribution System (PDS) in the country facilitates transfer of the food grains produced to the various geographical regions and to the poor and needy. In the light of the growing food subsidy and food stocks many doubts have been raised about the cost-effectiveness of the PDS. We need to restructure the Public Distribution System and also explore the possibility of introducing innovative ideas such as decentralized procurement, food stamps or food credit/debit cards to eliminate hunger and make food available to the poor wherever they may be in cost-effective manner. It is in this context that the Tenth Plan Working Group on Public Distribution System and Food Security has been constituted⁵.

The Targeted Public Distribution System (TPDS) is an important instrument of policy aimed at reducing poverty through the mechanism of delivering minimum requirements of food grains

at highly subsidised prices to the population below the poverty line. To assess its efficiency and effectiveness in achieving this objective, the Planning Commission and the Ministry of Consumer Affairs, Food and Public Distribution initiated an independent evaluation of performance by the Programme Evaluation Organisation (PEO). The evaluation used relevant process data collected from the various nodes of the delivery system and also relied upon a sample survey of fair price shops and households spread over 18 States and have come up with some far reaching findings and observations⁶.

The most important medium through which the Government ensures food security at the micro-level is the Public Distribution System (PDS). India has a large programme of public distribution, mainly food grains, through a network of Fair Price Shop (FPS), both in rural and urban areas, with more than 460 thousand FPS, its reach in rural areas is sometimes better than the market. The programme has evolved with the twin objective of providing incentive prices to the farmer for a sustained supply of food grains and subsidising its consumption. Until the seventies focus of food distribution programme was urban and the food deficit areas. The welfare focus of the programme assumed importance during eighties and coverage extended in rural areas, first in the south Indian States and later all over India. However, due to mounting costs of subsidy, targeting was more focussed during the nineties, first, with the revamped Public Distribution System in 1997. The programme covered poor households as target group, generally, and tribal and drought prone areas universally. The vulnerable population was provided food grains with a much higher subsidy component. PDS is primarily a social welfare and antipoverty programme of the Government of India. Essential commodities like rice, wheat, sugar, kerosene and the like are supplied to the people under the PDS at subsidised prices. It has been one of the most important elements in India's safety net system for almost 50-years and also the most far reaching in terms of coverage as well as public expenditure on subsidies. PDS provides rationed amounts of basic food items (rice, wheat, sugar, edible oils) and other non-food products (kerosene, coal, standard cloth) at below market prices to consumers through a network of fair price shops disseminated over the country. The scale of the programme is evident from the fact that it handles 15 per cent of the total availability of rice and wheat. With a network of more than 400,000 Fair Price Shops (FPS), the Public Distribution System (PDS) in India is perhaps the largest distribution machinery of its type in the world. The PDS is said to distribute commodities worth more than Rs 15,000 crore to about 16 crore families each year. The success of this huge network is dependent on its ability to translate a macro level self-sufficiency to a micro level, by ensuring availability of food grains for poor households. The Public Distribution System is considered as the principal instrument in the hands of government for providing a safety net to the poor and the downtrodden. The system serves triple objectives namely protecting the poor, enhancing the nutritional status and generating a moderate influence on market prices.

Thus, the main objectives of the PDS can be summarized as follows: i. Maintaining price stabilit. ii. Raising the welfare of the poor (by providing access to basic foods at reasonable prices to the vulnerable population). iii. Rationing during situations of scarcity, and iv. Keeping a check on private trade.

But whether or not these objectives are being met is the question of the hour. Can the enormous public expenditure on this system for the procurement, transportation, storage and distribution of commodities be justified? Scholars are of the opinion that the system itself should be made redundant and that the time has come for an entirely different scheme to ensure food security⁷. In this paper we aim to study the PDS in Kashmir- a State which has gone from being considered as a model for the implementation of the programme to a State where 70% of the population uses the PDS, where black marketeering and corruption is rampant and where the system has now become more or less redundant. What caused this reversal and what can be done about it? These are some of the questions we hope to explore in this paper.

Public Distribution System (PDS) is a poverty alleviation programme and contributes towards the social welfare of the people. Essential commodities like rice, wheat, sugar, kerosene and the like are supplied to the people under the PDS at reasonable prices. PDS is a boon to the people living below the poverty line. PDS is the primary social welfare and antipoverty programme of the Government of India. Revamped Public Distribution System (RPDS) has been initiated by the Government of India from the year 1992 in order to serve and provide essential commodities to the people living in remote, backward and hilly areas. Government introduced Targeted Public Distribution System (TPDS) in the year 1997. Central Government and State Governments have been actively involved in steering the operations for the success of the PDS⁸.

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 food grains operations of the central government as well as the distribution of subsidised grain by state governments. As a result, regional diversity in PDS performance can be expected and is indeed a finding of earlier studies [Ahluwalia 1993, Dev and Suryanarayana 1991 and Parikh 1994]. In this paper, we focus attention on the regional variations in the operation of the PDS by comparing the public distribution of food in Andhra Pradesh (AP) and Maharashtra. Our choice of states is guided by the fact that AP is in several ways a 'special' state in its implementation of the PDS, while Parikh (1994) described Maharashtra as an "average state as far as the PDS is concerned"⁹.

A reassessment of the PDS is required for another reason. State-level innovations in food policy (e.g., the proportion of households covered by the TPDS, or the difference between market and PDS price of grain) have been initiated in several states from 2007 onwards. These reforms have reinforced the trend towards a revival of the PDS. Section 5 documents some of these policy changes and how they may have contributed to the revival of PDS in some states¹⁰.

Objectives of the Paper: i. To study the efficiency of PDS in Kashmir. ii. To analyse that whether the supplies reach into the proper hands. iii. To study whether Government provides supplies at proper time. iv. To suggest possible solutions to restructure the programme.

Research Methodology

The present paper is an attempt to highlight the mal practices and corruption involved in public distribution system in Kashmir. The data has been collected from four villages of four different public distribution units. Simple random sampling technique has been utilized. From the information collected from all most 100 respondents, the inferences have been drawn as enumerated in the analysis portion of this paper.

Results and Discussion

The paper is an attempt to study the PDS system in Kashmir-often referred to as the 'Kashmir Model' of implementation of the food security programme which subsidizes consumers and obtains grain from farmers at prices higher than market prices. After accomplishing self-sufficiency in food production, the main challenge of the PDS was translating this macro level food security to a micro level, so that households in states which couldn't produce enough food to feed its population and depended on imports could avail of the surplus in states which produced more than what was necessary to feed their population. In 1997 there was a shift from the Universal PDS system to the Targeted PDS system with regards to cereals sold under the PDS. The population was divided into two categories-Below Poverty Line (BPL) and Above Poverty Line (APL). The subsidies were greater for the BPL categories, with rice being sold at Rs 3 per kg for BPL families and at Rs 8.9 per kg for APL families-this was done with the intention of providing more assistance to those who really needed it, whereas the APL families were capable of purchasing grains at a higher price. This would reduce the food subsidy bill of the government as well. In 2000 yet another category was created- the Antyodaya Scheme, which identified the poorest 10 % of the BPL families.

In this paper we focused on the efficiency of the PDS in Kashmir, and found that there is a lot of misappropriation of supplies in the System. There is Fair Price Shops (FPS) within a two km radius for every ration card holder. Kashmir is a region which has a comparative advantage for cash crop production and is dependent on imports mainly for food. Under the targeted

PDS, the Centre had identified 24% of the population as being BPL and the allotments to the state had been reduced from the time of the Universal PDS. Ration shop owners would get less profit and had more incentive to sell their goods in the black market as it is much more profitable. In Kashmir region by the order of Government, a family is supplied 2.5 kgs. of sugar, 5 litres of kerosene, 35 kgs. of rice and 5 kgs. of flour every month. But the Ration Shop Owners always misinterpreted this and do not follow the Government orders and provide less to the customers. The extra supply which they hide from the general public sells to the public at high price so that they can earn huge profits. Black marketing is at peak in the valley, the Shop Owners sell the Government supplies at night hours to their dealers.

Government in Jammu and Kashmir is not serious about the supplies provided to the general public. The supplies either is of least quality or is not provided at proper time resulting into huge crises in the state in general and Kashmir in particular. The public in Kashmir is properly dependent on these supplies for their survival as there is no production of sugar and other commodities supplied through PDS.

Suggested Reforms: There should be proper watch form the Government's side regarding the availability of the supplies and the proper checking squads should be formed so that the supplies should go the proper hand and the poor get some relief from the inflation like grave situation. While there are tonnes of excess food stocks lying at the FCI go-downs getting wasted every year, there lies another half of the population who die of starvation. This paradoxical situation of 'overflowing go-downs' and 'vulnerable sections of society not consuming adequate food' can be rectified to a certain extent by restructuring the Public Distribution System. A minimal amount of social security must be provided to those who are old, sick or disabled and cannot take on work even if it is available. Such special schemes are required to ensure that the people do not go hungry.

Conclusion

From the above mentioned facts, it can be concluded that in the Kashmir region, the PDS is not properly functioning as per the expectations of the general poor public. The supplies are not qualitative and are not provided on time frame. On the other hand Government lack proper vigil on these Shop owners and resulting in to black marketing.

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