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IMPACT OF PUBLIC DISTRIBUTION SYSTEM ON POVERTY AND FOOD SECURITY: AN OBSERVATION

Dr.B.Ramalingam
Assistant professor, Department of Public Administration, Telangana University, Dichpally, Nizamabad, Telangana state, India

Abstract

Assessing the poverty reduction in terms of food subsidies through Public Distribution System (PDS) is an important means by which the income transfer between poor and rich expenditure classes can be analyzed. The study intends to analyze the impact of PDS on poverty and Food security in rural and urban areas. The Public Distribution System (PDS) evolved as a system of management of scarcity through distribution of food grains at affordable prices. Over the years, PDS has become an important part of Government's policy for management of food economy in the country. The Public Distribution System (PDS) of India plays a crucial role in reducing food insecurity by acting as a safety net by distributing essentials at a subsidised rate. While the PDS forms a cornerstone of government food and nutrition policy, India continues to be home to a large population of hungry and malnourished people. This review seeks to explore the functioning and efficiency of the PDS in achieving food and nutritional security in India. The PDS has the potential to act as a solution to food insecurity in India if the operational inefficiencies and environmental footprints are addressed by adequate policy reforms**.** Food security for a country meant sufficient quantity of essential commodities produced, stored properly and made available to all of the people at all times, especially the under privileged sections. The present article will discuss the role of public distribution system in addressing poverty and food security in the country.

Key words: Public distribution system, Poor and rich, Poverty, Food security, Policy

Introduction

Food security for a country meant sufficient quantity of essential commodities produced, stored properly and made available to all of the people at all times, especially the under privileged sections. The most important medium through which government ensures food security at micro level is the public distribution system (PDS). Indeed, India's PDS is the world's largest social safety net for food. It operates on the basis of extensive procurement of food grains by the Food Corporation of India on minimum support price terms determined by the Agricultural Prices Commission. Procured product is then distributed through an elaborate national network of Fair Price Shops which sell food grains to poor populations at highly subsidized prices. This has the effect of simultaneously supporting, stabilizing and subsidizing farm incomes for food grain production in a small number of net exporting states Punjab, Haryana, and Andhra Pradesh generating a net welfare benefit to poor consumers in other parts of the country, who are able to obtain food grains at below-market price. However, in the 1990s, two major changes were introduced to the PDS, these were: The Revised PDS (RPDS) and the Targeted PDS (TPDS). A two-tier card system was introduced in order to represent a distinction between above and below poverty line cardholders. Each

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household was allocated to one of the following three categories and was accordingly given a PDS card which specified their entitlements for food grain subsidies. These categories were 'Above Poverty Line' (APL), 'Below Poverty Line' (BPL) and 'Antyodaya Anna Yojana' (AAY) cards. But in India, the working PDS and government policies have not been successful in achieving food security at the desired level. There is a need for certain reforms in procurement and distribution for better functioning of PDS, i.e., decentralization of procurement and distribution, involving panchayats in PDS. Large scale public investment in Public Distribution System (PDS) have aimed to reduce poverty and malnutrition in India. The PDS is the largest ever welfare programme which provides subsidised food grain to the poor households. Poverty is a proximate determinant of malnutrition that mediates through inadequate dietary intake, lack of medical care, lack of access to sanitation and hygiene and poor environment Reduction of poverty and malnutrition through various welfare measures has been the central focus of developing countries. While the national and local government has been implementing many welfare schemes in the key domain of livelihood, health, nutrition, education for reduction of poverty, the effect of these schemes varied by type of services, outcome variable and country-specific.

Assessing the poverty reduction in terms of food subsidies through Public Distribution System (PDS) is an important means by which the income transfer between poor and rich expenditure classes can be analyzed. The study intends to analyze the impact of PDS on poverty on rural and urban regions. The Public Distribution System (PDS) evolved as a system of management of scarcity through distribution of food grains at affordable prices. Over the years, PDS has become an important part of Government's policy for management of food economy in the country. PDS is supplemental in nature 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.

The Public Distribution System (PDS) of India plays a crucial role in reducing food insecurity by acting as a safety net by distributing essentials at a subsidised rate. While the PDS forms a cornerstone of government food and nutrition policy, India continues to be home to a large population of hungry and malnourished people. This review seeks to explore the functioning and efficiency of the PDS in achieving food and nutritional security in India. The PDS has the potential to act as a solution to food insecurity in India if the operational inefficiencies and environmental footprints are addressed by adequate policy reforms.

Food insecurity is a situation of limited access to safe and healthy food, while food security refers to a situation when '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 an active and healthy life' Food insecurity can be understood as a continuum that progresses from uncertainty and anxiety about access to sufficient and appropriate food at the household level, to the extreme condition of hunger among children because they do not have enough to eat. The government of India have adopted a range of policies over the last 60 years in an attempt to strengthen food security. One of the key responses to food insecurity and hunger in India is the distribution of food grains through the government controlled Public Distribution

System (PDS). Established after World War Two with an aim of increasing domestic agricultural production and improving food security, the PDS has evolved to the largest universal distribution system in the world for the supply of subsidised food grains. Through a partnership between central and state governments, the food-safety net program aims to supplement essential household supplies including wheat, rice, sugar, and kerosene. However, like other solutions to food scarcity, this program is not intended to provide all required household foods, but rather provide goods to supplement purchased or farmed goods. To facilitate the distribution, the Food Corporation of India (FCI) acts a central nodal agency responsible for the procurement of food grains from farmers at a price that is often higher than market price. The individual state governments then procure the food grains at a subsidised price known as the 'central issue price' from the FCI, these goods are then distributed to consumers via fair price or ration shops.

PDS is operated under the joint responsibility of the Central and the State/UT Governments. The Central Government, through 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 State, identification of eligible families, issue of Ration Cards and supervision of the functioning of Fair Price Shops (FPSs) etc., rest 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.

Background of PDS

The Public distribution system (PDS) is an Indian food Security System established under the Ministry of Consumer Affairs, Food, and Public Distribution. PDS evolved as a system of management of scarcity through distribution of food grains at affordable prices.PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government, through 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 responsibilities including allocation within the State, identification of eligible families, issue of Ration Cards and supervision of the functioning of Fair Price Shops (FPSs) etc., rest 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.

Evolution of PDS in India

PDS was introduced around World War II as a war-time rationing measure. Before the 1960s, distribution through PDS was generally dependant on imports of food grains. It was expanded in the 1960s as a response to the food shortages of the time; subsequently, the government set up the Agriculture Prices Commission and the FCI to improve domestic procurement and storage of food grains for PDS. By the 1970s, PDS had evolved into a universal scheme for the distribution of subsidised food. Till 1992, PDS was a general entitlement scheme for all consumers without any specific target.

Revamped Public Distribution System (RPDS):

The Revamped Public Distribution System (RPDS) was launched in June, 1992 with a view 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 programmes such as the Drought Prone Area Programme(DPAP), Integrated Tribal Development Projects (ITDP), Desert Development Programme (DDP) were being implemented and in certain Designated Hill Areas (DHA) which were identified in consultation with State Governments for special focus. Food grains for distribution in RPDS areas were issued to the States at 50 paise below the Central Issue Price. The scale of issue was up to 20 kg per card.

The RPDS included area approach for ensuring 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 Targeted Public Distribution System (TPDS) with focus on the poor. Under the PDS, States were required to formulate and implement foolproof arrangements for identification of the poor for delivery of foodgrains and for 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 estimation of proportion and number of poor" chaired by Late Prof Lakdawala. The allocation of food grains to the States/UTs was made on the basis of 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 in excess of 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 continuation of 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, 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. 1.4.2000.

Under the TPDS, the end retail price was fixed by the States/UTs after taking into account margin for wholesalers/ retailers, transportation charges, levies local taxes etc. The States were earlier requested to issue food-grains 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 paisa per kg over and above the CIP for distribution of food grains under TPDS.

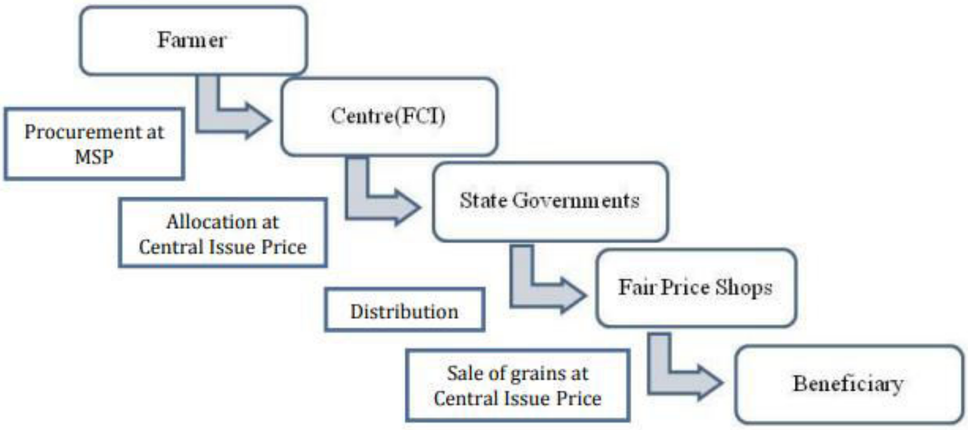
Antodaya Anna Yojana (AAY)

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 towards 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 as "hungry”. In order 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 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 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.

Functioning of PDS

The Central and State Governments share responsibilities in order to provide food grains to the identified beneficiaries. The centre procures food grains from farmers at a minimum support price (MSP) and sells it to states at central issue prices. It is responsible for transporting the grains to go downs in each state. States bear the responsibility of transporting food grains from these go downs to each fair price shop (ration shop), where the beneficiary buys the food grains at the lower central issue price. Many states further subsidise the price of food grains before selling it to beneficiaries.



Importance of PDS

- It helps in **ensuring Food and Nutritional Security** of the nation.
- It has helped in **stabilising food prices** and making food available to the poor at affordable prices.
- It **maintains the buffer stock of food grains** in the warehouse so that the flow of food remain active even during the period of less agricultural food production.
- It has helped in **redistribution of grains** by supplying food from surplus regions of the country to deficient regions.
- The system of minimum support price and procurement has contributed to the increase in food grain production.

Issues Associated with PDS System in India

Identification of beneficiaries: Studies have shown that targeting mechanisms such as TPDS are prone to large inclusion and exclusion errors. This implies that entitled beneficiaries are not getting food grains while those that are ineligible are getting undue benefits. According to the estimation of an expert group set up in 2009, PDS suffers from nearly 61% error of exclusion and 25% inclusion of beneficiaries, i.e. the misclassification of the poor as non-poor and vice versa.

Leakage of food grains: (Transportation leakages + Black Marketing by FPS owners) TPDS suffers from large leakages of food grains during transportation to and from ration shops into the open market. In an evaluation of TPDS, the erstwhile Planning Commission found 36% leakage of PDS rice and wheat at the all-India level.

Issue with procurement: Open-ended Procurement i.e., all incoming grains accepted even if buffer stock is filled, creates a shortage in the open market.

Issues with storage: A performance audit by the CAG has revealed a serious shortfall in the government's storage capacity**.**

Given the increasing procurement and incidents of rotting food grains, the lack of adequate covered storage is bound to be a cause for concern.

The provision of minimum support price (MSP) has encouraged farmers to divert land from production of coarse grains that are consumed by the poor, to rice and wheat and thus, discourages crop diversification.

Environmental issues: The over-emphasis on attaining self-sufficiency and a surplus in food grains, which are water-intensive, has been found to be environmentally unsustainable. Procuring states such as Punjab and Haryana are under environmental stress, including rapid groundwater depletion, deteriorating soil and water conditions from overuse of fertilisers.

PDS Reforms

Technology-based reforms of TPDS implemented by states:

Wadhwa Committee, appointed by the Supreme court, found that certain states had implemented computerisation and other technology-based reforms to TPDS. Technology-based reforms helped plug leakages of food grains during TPDS.

The success of the Public Distribution System:

The PDS system proved to be a great player in modifying particularly two states which are Chhattisgarh and Jharkhand. Although the two states have indistinguishable demographic factors and developmental indicators, their nutrition levels are different. However, Chhattisgarh surpassed Jharkhand in terms of developments under the PDS system. Let's compare them.

Aadhar enabled PDS system:

The Aadhar enabled PDS system is a process where every individual is entitled to obtain food grains at subsidized (cheaper rates) but this would require fulfillment of the requirement of possessing a ration card and it is an absolute must to go through the Aadhar Card authentication. Authentication is either biometric or OTP (One Time Password) based. It is a necessity for one to link Aadhar with their permanent account number also abbreviated as PAN.

Conclusion

The PDS is a cornerstone of government policy responding to nutrition and food security. However, it is riddled with inefficiencies that decrease its capacity to effectively distribute food to those in need. One positive response has been the implementation of the NFSA in 2013, which has strengthened the PDS by providing statutory backing. As evidenced by the review, policy reforms targeted at improving the operational efficiencies and sustainability aspect of the PDS and NFSA are vital for its success. The PDS may not be able to eliminate the issue of malnutrition and childhood morbidity or mortality in India, but it can reduce the levels of hunger in India if implemented effectively. Integrating the PDS with other interventions including those that will increase transparency and accountability may increase its potential to realise every citizen's right to nutritious food while propagating good health.

During the spread of the pandemic I.e., COVID-19, PDS came to great advantage to the government as well as to the people of India. It increased the number of food grains in India to more than 85 crores between the period April – November 2020 which stands to be a significant contribution to the country. Thus, the PDS system transformed India into a better one with relevant prospects. Finally it can be noted that PDS playing crucial role in poverty reduction and also providing food security to BPL families in the country.

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