



# Public Distribution System

## Introduction

- 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.

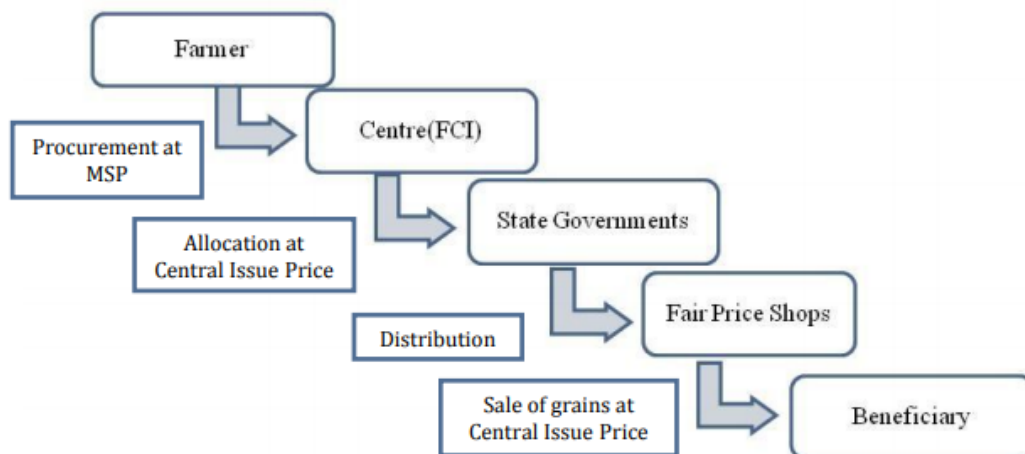
## Evolution of PDS in India

- 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.
- 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 underprivileged classes lives.
- In June, 1997, the Government of India launched the **Targeted Public Distribution System (TPDS)** with a focus on the poor.
  - Under TPDS, beneficiaries were divided into two categories: Households **below the poverty line or BPL**; and Households **above the poverty line or APL**.
- **Antyodaya 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. 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.
- In September 2013, Parliament enacted the **National Food Security Act, 2013**. The Act relies largely on the existing TPDS to deliver food grains as legal entitlements to poor households. This marks a shift by **making the right to food a justiciable right**.

## How PDS system functions?

- 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 godowns in each state.
- States bear the responsibility of transporting food grains from these godowns 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.

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## 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**.
  - It was found that due to cultivation of rice in north-west India, the water table went down by 33 cm per year during 2002-08.

## PDS Reforms

- **Role of Aadhar:** Integrating Aadhar with TPDS will help in better identification of beneficiaries and **address the problem of inclusion and exclusion errors**. According to a study by the Unique Identification Authority of India, using Aadhaar with TPDS would help eliminate duplicate and ghost (fake) beneficiaries, and make identification of beneficiaries more accurate.
- **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.
  - Tamil Nadu implements a **universal PDS**, such that every household is entitled to subsidised food grains.
  - States such as Chhattisgarh and Madhya Pradesh have implemented IT measures to streamline TPDS, through the digitisation of ration cards, the use of GPS tracking of delivery, and the use of SMS based monitoring by citizens.

### **Technology-based reforms to TPDS undertaken by some states**

Type of reform	Benefits of reform	States implementing reforms
Digitisation of ration cards	<ul style="list-style-type: none"> <li>▪ Allows for online entry and verification of beneficiary data</li> <li>▪ Online storing of monthly entitlement of beneficiaries, number of dependants, offtake of food grains by beneficiaries from FPS, etc.</li> </ul>	Andhra Pradesh, Chhattisgarh, Tamil Nadu, Madhya Pradesh, Karnataka, Gujarat, etc.
Computerised allocation to FPS	<ul style="list-style-type: none"> <li>▪ Computerises FPS allocation, declaration of stock balance, web-based truck challans, etc.</li> <li>▪ Allows for quick and efficient tracking of transactions</li> </ul>	Chhattisgarh, Delhi, Madhya Pradesh, Tamil Nadu, etc.
Issue of smart cards in place of ration cards	<ul style="list-style-type: none"> <li>▪ Secure electronic devices used to store beneficiary data</li> <li>▪ Stores data such as name, address, biometrics, BPL/APL category and monthly entitlement of beneficiaries and family members</li> <li>▪ Prevents counterfeiting</li> </ul>	Haryana, Andhra Pradesh, Odisha etc.
Use of GPS technology	<ul style="list-style-type: none"> <li>▪ Use of Global Positioning System (GPS) technology to track movement of trucks carrying food grains from state depots to FPS</li> </ul>	Chhattisgarh, Tamil Nadu
SMS based	<ul style="list-style-type: none"> <li>▪ Allows monitoring by citizens so they can</li> </ul>	Chhattisgarh, Uttar

monitoring	register their mobile numbers and send/receive SMS alerts during dispatch and arrival of TPDS commodities	Pradesh, Tamil Nadu
Use of web-based citizens' portal	<ul style="list-style-type: none"> <li>▪ Publicises grievance redressal machinery, such as toll free number for call centres to register complaints or suggestions</li> </ul>	Chhattisgarh

## PDS vs. Cash Transfers

- National Food Security Act, 2013 provides for reforms in the TPDS including schemes such as Cash transfers for provisioning of food entitlements.
- **Direct Benefit Transfer (DBT)** aims to:
  - reduce the need for huge physical movement of foodgrains
  - provide greater autonomy to beneficiaries to choose their consumption basket
  - enhance dietary diversity
  - reduce leakages
  - facilitate better targeting
  - promote financial inclusion

## Advantages and disadvantages of PDS and other delivery mechanisms

Machanism	Advantages	Disadvantages
PDS	<ul style="list-style-type: none"> <li>▪ Insulates beneficiaries from inflation and price volatility</li> <li>▪ Ensures entitlement is used for food grains only</li> <li>▪ Well-developed network of FPS ensures access to food grains even in remote areas</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low offtake of food grains from each household</li> <li>▪ High leakage and diversion of subsidised food grain</li> <li>▪ Adulteration of food grain</li> <li>▪ Lack of viability of FPS due to low margins</li> </ul>
Cash transfers	<ul style="list-style-type: none"> <li>▪ Cash in the hands of poor increases their choicess</li> <li>▪ Cash may relieve financial constraints faced by the poor, make it possible to form thrift societies and access credit</li> <li>▪ Administrative costs of cash transfer programmes may be significantly lesser than that of other schemes</li> <li>▪ Potential for making electronic transfer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cash can be used buy non-food items</li> <li>▪ May expose recipients to price volatility and inflation</li> <li>▪ There is poor access to banks and post offices in some areas</li> </ul>
Food coupons	<ul style="list-style-type: none"> <li>▪ Household is given the freedom to choose where it buys food</li> <li>▪ Increases incentive for competitive prices and assured quality of food grains among PDS stores</li> <li>▪ Ration shops get full food grains from the poor, no incentive to turn the poor away</li> </ul>	<ul style="list-style-type: none"> <li>▪ Food coupons are not indexed for inflation; may expose recipients to inflation</li> <li>▪ Difficult to administer; there have known to be delays in issuing food coupons and reimbursing shops</li> </ul>

## Way Forward

- PDS is one of the biggest welfare programmes of the government, helping farmers sell their

produce at remunerative prices as well as the poorer sections of society to buy food grains at affordable rates.

- Its effectiveness can be enhanced with **technology based solutions** as is evident from some of the states' successes towards the same. Shifting towards DBT is another idea, but with caution.
  - In its report on State finances, the **Reserve Bank of India (RBI)** has advised States that are planning to shift to cash transfer to be cautious while effecting the migration.
  - **Economic survey 2016-17** also highlighted the need for more caution and better infrastructure while replacing subsidised PDS supplies with DBT.
- Strengthening of the existing TPDS system by capacity building and training of the implementing authorities along with efforts to plug leakages is the best way forward.
- It can be further strengthened by the increased public participation through **social audits** and participation of SHGs, Cooperatives and NGOs in ensuring the transparency of PDS system at ground level.
- To enhance the nutritional level of masses, **bio-fortified foods** need to be distributed through the PDS that will make it more relevant in the backdrop of prevalent malnutrition in India.

[For Mind Map](#)

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