

AN EVALUATION OF PDS IN MAHARASHTRA – A CASE STUDY

* *Mr. Chandanshiv M M, Research Student, Dept. Of Economics, Dr. Babasaheb Ambedkar Marathwada University, Aurangabad, Maharashtra, India.*

** *Dr. S. S. Narwade, Associate Professor, Dept. Of Economics, Dr. Babasaheb Ambedkar Marathwada University, Aurangabad, Maharashtra, India.*

INTRODUCTION

The recent note of the National Advisory Council (NAC) 2011 on the Draft Food Security Bill recommended expanded coverage (75 per cent) with phased universalization of food subsidy. It also discussed the cash alternative to grain transfer through PDS. This recommendation is important as National Commission for Enterprises in the Unorganized Sector (NCEUS) in 2007 reported 77 percent of India's population lives on consumption level of Rs. 20 per day. Another study by Deaton and Dreze in 2008 showed that India has largest number of malnourished people in the world. Thus the role of the PDS is important in the context of achieving food security in India.

The PDS has two objectives, one of providing subsidized foodgrains to households below poverty line (i.e. income transfer) and maintaining buffer stock of foodgrains for price stabilization. Targeted PDS was introduced in 1997 to provide foodgrains at subsidy to households below poverty line. The food subsidy has considerably increased from Rs. 6,066 cr in 1996-97 to Rs. 27,800 cr in 2003-04 to 58242-45 crores during 2009-10 (GOI, 2010)

The PDS is expected to help large number of the population which is below poverty line to achieve food security. But from the beginning various doubts were raised about the implementation of PDS. It is said that this system has benefited most to rice and wheat crop and large farmers from Punjab, Haryana, and Andhra Pradesh (Kripa Shankar, 2002). Procurement of rice and wheat from couple of states and its highly distribution through PDS in India has led to downward pressure on prices of rice and wheat in other states, which adversely affected the large number of poor farmers. Many times large buffer stock of these crops has led to their exports at subsidized rates (Kripa Shankar, 2004).

INEFFICIENCIES IN PUBLIC DISTRIBUTION SYSTEM (PDS):

The shift to targeted Public Distribution System (TPDS) in 1997 was based on results of various studies in the early 1990's (Ahluwalia 1993; Parikh 1994; World Bank 1996) which showed universal Public Distribution System (PDS) was inefficient and did not reach the real poor. Ahluwalia (1993) estimated that only 17 percent of wheat lifted by shopkeeper reaches final consumers. He said problem with the PDS is the amount of leakages of foodgrains and other commodities in the form of losses in transport and storage and diversion of it to the free market. Parikh (1994) made the note that 98 percent of household did not make any purchase from PDS in UP. A study by Jos Mooij (2001) of PDS in Bihar and Jharkhand showed that only a small part of the PDS foodgrains reaches the cardholders, poor people have no cards meant for the BPL and foodgrains don't reach the PDS shops in village.

Radhakrishnan (1996) study reveals that under the PDS, the cost of transferring one rupee of income to the poor was Rs. 5.37 and Parekh (1994) said for every rupee spent less than 22 paise reach the poor.

Later on the studies of last decade have shown that targeting BPL approach in Public Distribution System (PDS) which was introduced in 1997 did no better and in reality increased inefficiency and leakages in Public Distribution System (PDS). It is observed that margin of PDS shopkeepers is very less, but at the same time he has to bear the transportation and handling cost of foodgrains and also make illegal payments to supply department (Dreze 2002). This has resulted in large scale black marketing of PDS foodgrains. Kriesel and Zaidi (1999) have estimated that leakages amount to 40 percent of the foodgrains in the country.

High level committee appointed by Ministry of food and consumer affairs (2002) recommended return to universal PDS. The committee found that the targeted PDS was a failure. According to Planning Commission consumption of grains from PDS shops was only 46 per cent of the grains supplied to them in 2004-05, down from 72 per cent last decade. Thus it showed that more than 50 per cent grain was diverted to open market. Another study by Dutta and Ramaswami (2001) about efficiency of PDS in Andhra Pradesh and Maharashtra found that in Maharashtra 30 percent of the poor are excluded from PDS because of incomplete coverage. This is not the case in Andhra Pradesh as PDS is universal. Due to universal PDS, more people have benefited from PDS in Andhra Pradesh.

Dreze (2002) has noted that average consumption of foodgrains from PDS per capita per month at the all-India level was 1.02 kg in the rural areas in 1999-2000. The offtake of foodgrains was 53 per cent of allotted quota and that too is not distributed honestly to the poor households in UP. According to Economic Survey of 2002-03, 22 percent of rice and 21 percent of wheat allotted to shopkeeper was lifted at the all – India level. The nexus between PDS dealers, politicians and civil supply officers has made the PDS less efficient. Much inefficiency in the PDS is due to the inclusion and exclusion errors of households (Swaminathan & Mishra 2001, Hirway 2003).

Planning Commission (2008) shows that leakages from the PDS doubled after targeting. It also showed that more than half (54 per cent) of the grain taken off for the targeted Public Distribution System (TPDS) disappeared before it reached buyers in fair price shops (FPS).

The 64th The National Sample Survey (NSS) round of 2007-08 shows that more than 50 per cent households reported purchase from PDS in Andhra Pradesh, Himachal Pradesh, Kerala and Tamil Nadu where PDS is extended to near Universal away from the targeted PDS. The poor states of Assam, Bihar, Jharkhand and Uttar Pradesh which continued with TPDS reported low PDS purchase and high leakages.

A study by Svedberg (2012) shows that each rupee transferred to poor households through the targeted Public Distribution System (TPDS), the Government of India (GOI) had a budget expenditure of Rs. 9, the said figure is Rs. 3.65 given by Planning Commission (2008). The study found that almost two-thirds of the poor households were not covered by TPDS and 62 per cent of all BPL and Antyodaya Anna Yojna (AAY) cards were in the hands of non-poor

households. This suggests a large systemic inclusion and exclusion errors in targeted Public Distribution System (TPDS).

HOPE FROM THE PDS:

All above studies showed that the targeted Public Distribution System (TPDS) has failed to deliver food subsidy to poor. It had problems of targeting like unfair exclusion, unjustified inclusion and considerable leakages in PDS. But the recent works on PDS in India especially in the states Chhattisgarh and Orissa have found the revival of PDS.

A study by Raghav Puri (2012) in Chhattisgarh revealed that majority of the households were satisfied with the functioning of their ration shops and were getting their foodgrains regularly at current prices. Chhattisgarh Government changed management of ration shops from private dealers to village peoples, their organizations like panchayats, self help groups etc. Government also stopped distribution of foodgrains through private owners and it was directly supplied to panchayats to reduce the leakages in distribution. As the central government targeted PDS is a failure, it was made quasi-universal PDS covering 80 per cent of villagers. The names of beneficiaries were painted on front wall of the ration shops which also helped to exclude fake beneficiaries. Another study by Ankita Aggarwal (2011) in Orissa found that all the respondents were getting full quota of rice and it was given regularly every month. Three-fourth of the respondents told that overall functioning of the PDS had improved and they are getting more food than earlier. Author study by Reetika Khera (2011) observed the revival of PDS in India. The Nine-state survey finds that respondents received 84-88 per cent of the full entitlement. This success of PDS recently is due to the expansion in the PDS coverage though not universalisation. These studies have found that revival of PDS in some states is because of the additional efforts of the state governments to expand coverage of PDS, reduce price through their own resources and use of IT in PDS management. States are supplying other commodities like pulses, edible oil through PDS.

NEED OF THE PRESENT STUDY:

Thus some recent studies on PDS in India have observed the revival of PDS in India. Studies by Raghav Puri (2012) in Chhattisgarh, Ankita Aggarwal (2011) and Reetika Khera (2011) revealed that majority of the households were satisfied with the functioning of their ration shops and were getting their foodgrains regularly at current prices. Majority of the people told that overall functioning of the PDS had improved and they are getting more food than earlier. These studies have found that revival of PDS in some states is because of the additional efforts of the state governments to expand coverage of PDS. To understand the ground reality about PDS in Maharashtra, we carry out a small survey to study the working of PDS in Beed.

District Beed is a part of economically backward Marathwada region of the state of Maharashtra. Most of the land in Beed district is arid and semi-arid. The agriculture in this district mostly depends upon rainfall which is less. The rainfall in district during 2010-11 was 674.37 ml. which was less than the state average of 1300 ml. (Government of Maharashtra, 2011). Agricultural production and productivity has remained low in this district. Majority of the principle crops in

Beed district have registered below the state level average productivity (Government of Maharashtra, 2010).

As a result the Poor agriculture and industrial development workers from the Beed district migrate to other parts of Maharashtra in search of employment. Majority of the workers from this district works as sugarcane cutters. 65 per cent of sugarcane cutters in the state of Maharashtra belong to Beed district (Madekar, 2010). Insufficient rain, scanty irrigation which is 16.22 per cent to gross cropped area (Socio-economic Survey of Beed, 2011) has resulted into foodgrains scarcity and drought prone like situation in Beed. The proportion of cultivators and agricultural labourers is quite high in Rural Beed. It is 24.47 per cent and 14.67 per cent respectively (Socio-economic Survey of Beed, 2011). Thus public distribution system has to play important role in satisfying food requirement of the people. So we have decided to study the working of PDS in Beed district of Maharashtra. It is an attempt to find out whether PDS meets the food requirement of the people or not. We have also tried to find out whether people prefer cash over grain subsidy or not.

OBJECTIVES OF THE STUDY:

Following are the important objectives of the present study..

1. To take review of the studies so far on PDS in India.
2. To study the working of PDS in Beed district of Marathwada.
3. To find out whether people prefer cash to grain subsidy to meet their food requirements.

HYPOTHESES:

To carry out the study on working of the PDS in Beed district of Maharashtra, we have developed the following hypothesis..

1. PDS works efficiently in Beed district.
2. People prefer cash over grain subsidy to meet their food requirements.

RESEARCH METHODOLOGY:

The present study is based upon primary as well as secondary data. To collect the required primary data about PDS a survey is undertaken in three taluqas of Beed district namely Ambajogai, Kej and Beed. We selected five villages from each taluqa at random. From each village we selected five households from BPL, APL and Antyodaya Anna Yojana (AAY) at random. Thus we surveyed total 75 PDS beneficiaries and 15 PDS dealers in our study through questionnaire schedule. To study the efficient working of PDS in Beed district indicators like availability required commodities through PDS, regular opening of PDS shops, quality of foodgrains, display of price lists, charging proper price, foodgrain transportation costs etc are used. The secondary data is collected through reputed journals, books, internet and socio-economic survey of Beed district, economic survey of Maharashtra etc. For the purpose of analysis we used simple statistical techniques like percentages and ratios.

FINDINGS OF THE SURVEY:

Some recent studies on PDS in India have observed the revival of PDS in India. Studies by Raghav Puri (2012) in Chhattisgarh, Ankita Aggarwal (2011) and Reetika Khera (2011) revealed

that majority of the households were satisfied with the functioning of their ration shops and were getting their foodgrains regularly at current prices. Majority of the people told that overall functioning of the PDS had improved and they are getting more food than earlier. These studies have found that revival of PDS in some states is because of the additional efforts of the state governments to expand coverage of PDS. To understand the ground reality about PDS in Maharashtra, we carry out a small survey to study the working of PDS in Beed.

As per 2001 census the total population of Beed District is 21 Lakh, out of which 5.45 lakh i.e. about one-fourth populations is beneficiary of the PDS. The majority of PDS cardholders in the district i.e. 45.25 percent are from BPL followed by APL cardholders (44.97 percent) and the 8.49 percent are Antyodaya card holders.

Table Number 01
Beneficiaries of PDS in Beed District (31-05-2001)

Sr. No.	Ration Card Category	Total Beneficiaries	Percentage
1	White	4,588	0.86
2	APL	2,44,876	44.97
3	BPL	2,46,452	45.25
4	Antyodaya	46,161	8.49
5	Annapurna	2,448	0.48
Total		5,44,525	100.00

Source: Civil Supplies Department, Beed District

The various commodities that are supplied through PDS are rice, wheat, sugar, edible oil, pulses and kerosene. Majority of the households (68 per cent) under survey said that wheat, rice and kerosene supply is regular but the supply of sugar, edible oil and pulses happened to be irregular. More than half of the beneficiaries (54 percent) are not satisfied with the quality of the foodgrains supplied through PDS. But still they purchased foodgrains at these shops as they have no enough money to purchase it from open market.

Table No 02
Agricultural Land owned by Beneficiaries

Number of Beneficiaries not having Agricultural Land	35 (46.67 per cent)		
Number of Beneficiaries having Agricultural Land	40 (53.33 per cent)	Irrigation facility available	12 (30 per cent)
		Irrigation facility not available	28 (70 per cent)

Source: Data Collected through Individual Survey, 2011

Study found that almost half of the beneficiaries were landless labourers (46 per cent). Those having land only 30 per cent had irrigation facility while 70 had no irrigation facilities. Thus majority of the households depend upon PDS for their foodgrain requirements.

Table No 03
Number of Time Purchasing made during a Month

Sr.No.	Number	Number of Beneficiaries	Percentage
1	Once	21	28.00
2	Twice	47	62.67
3	Thrice	07	09.33
	Total	75	100

Source: Data Collected through Individual Survey, 2011

Among the beneficiaries 63 percent households make twice and 9 per cent make thrice purchase of foodgrains during a month from these shops. It was not due to the irregular supply or non-availability of foodgrain stocks but lack of income compelled households to purchase foodgrain twice/thrice during a month. All these households who make twice or thrice purchase of commodities said insufficient money is hurdle to make purchase from PDS. PDS has relevance for the poorest section of the population in rural areas. If poor have no money to purchase foodgrains from PDS it loses it's relevance for them.

Table No 04
Average Income Received during a Month from Various Sources

Sr.No.	Number	Number of Beneficiaries	Percentage
1	Once	25	33.33
2	Twice	09	12.00
3	Daily	41	54.67
	Total	75	100

Source: Data Collected through Individual Survey, 2011

It is obligatory for PDS dealers to open the shops twice per day but only half of the dealers (53 per cent) were found doing so and the remaining dealers (47 per cent) opens it only in the morning. As majority of the beneficiaries were daily earners (54.67 per cent) they cannot go to work the day they visit fair price shops. Thus there was income loss on the part of labourers as these shops are not opened for twice a day. It was also observed that half the households have family size of 4 to 8 persons and one-fourth has family size of more than 8 persons. Households are entitled to get 35 kg of foodgrains (20 kg wheat and 15 kg of rice) on their ration cards. But due to large size of family supply of 35 kg of foodgrains is insufficient.

Table Number 05
Households Requirement and Quantity of Commodities Received
(Kilograms)

Sr. No.	Commodities	Average Requirement	Entitlement	Average Received
1	Wheat	40	20	16
2	Rice	19	15	10
3	Sugar	1.5	0.5	0.1
4	Kerosene	3 ltrs.	2 ltrs.	0.5 ltrs.

Source: Data Collected through Individual Survey, 2011

This happened as new cards were not issued in the last many years to the family members. The old people in the family have their names in the beneficiary list. But these lists are not updated during the last many years. It was also observed that the households did not receive the full entitlement of wheat and rice. On an average households received average 26 kg of foodgrains through PDS which was considerably insufficient seen their requirements. 92 per cent of the households under study recorded that their food requirements were not fulfilled through PDS.

It is obligatory on the part of the PDS dealers to display the foodgrain price list. But according to 97.33 percent households we surveyed said that such price list was not displayed. Issue price of wheat and rice crops were unchanged since 2000. These issue prices for wheat and rice are Rs. 4.15 per kg and Rs. 5.65 per kg respectively for BPL households and Rs. 6.10 per kg and Rs. 8.30 per kg respectively for APL households. But 77 percent beneficiaries have recorded that PDS dealer's charge more prices for these foodgrains. It is possible for the PDS dealers to sale foodgrains at higher price than its issue prices as price list is not disclosed by PDS dealers. It was also found that 40 per cent of the PDS dealers transport foodgrains from 10 to 25 kms and one-third dealers transport it from more than 25 kms. This increased the transportation cost of PDS.

This study has found many leakages in the PDS in Beed district. But still 89.33 percent of the households want this system to be continued. The people do not want cash transfer recommended by NAC (2011) as a substitute to PDS. There is a possibility of misuse of cash by the family for non-food items including liquor. The market place and the bank branches are away from village it can also affect the purchasing of foodgrains by poor. People are also worried about the food inflation. So the people strongly prefer grain subsidy to cash. Thus on the basis of study carried out about working of the PDS in Beed district of Maharashtra, both the hypotheses are found to be rejected.

CONCLUDING REMARKS:

Many problems in PDS like leakages and benefits to non-poor have originated due to the exclusion of households from this system that is due to targeted PDS. Finding people BPL is difficult task in this country as policy makers, economist's studies shows number of people BPL range from 23 per cent to 77 per cent. So if this system is made universal, as it is possible shown by Kaustav Bannerjee (2011), it would work efficiently. If Government procure other commodities like millets, coarse cereals, pulses and edible oils (some states are procuring) the universalisation of PDS can be reality. The decentralized procurement and storage would bring down the transportation and storage cost of PDS. The experience of Chhattisgarh and Orissa shows that operating PDS through village panchayats with computerization of food stock management, use of GPRS and IT can be a solution for the better working of the PDS (Khera 2011, Puri 2012).

One of the important observations of the study is that food security programs like supply of foodgrains through PDS and income generating programs like MNAREGA are not substitute to each other. These schemes are complementary as majority of the poor people cannot make purchases from the fair price shops due to lack of income. Thus it was observed that PDS alone

can not satisfy the food requirement of the people. Poor people must be provided employment through employment guarantee schemes so that they can take benefits of programs like PDS.

It was observed that almost half of the beneficiaries had no agriculture land. They were working as landless labourers. Others who had agriculture land but majority of them had no irrigation facility. Thus people's dependency upon PDS was significant. But the study showed that the new cards were not issued during the last many years. So the divided families have no ration cards. So it is necessary to update the list of APL / BPL / Antyodaya Anna Yojana households and issue cards to these households. The supply of pulses and edible oil was observed to be irregular. Only rice and wheat were regularly supplied through PDS. The foodgrains quantity received by the households was not only inadequate but less than the allotted quota. Majority of the beneficiaries were also dissatisfied about the quality of foodgrains. The regular supply of it can meet not only the food security but also nutritional requirement of the households. For this we need regular supply of coarse cereals, pulses and edible oil through PDS. There is a need of strategic shift in our procurement policy.

It was also observed that price list was not displayed by the PDS dealers, so it led to charging high price than the issue price for the foodgrains. So display of issue price in front of the fair price shop for each foodgrain item is necessary. As forty per cent of the PDS dealers have to bring foodgrains from 10-25 kms. and thirty-three per cent from more than 25 kms the decentralized procurement would bring down the transportation and storage cost of PDS.

The households have expressed strong preference for distribution of grain over cash as against the recommendation of NAC (2011). The cash transfer will also have problems of targeted PDS like unfair exclusion, unjustified inclusion, administrative loss, possibilities of leakage in PDS can be seen in cash transfer as well. Foodgrains subsidy protects poor consumers from rising prices. There is a possibility of misuse of cash by the family for non-food items including liquor. The distant market place and the bank branches a can also affect the purchasing of foodgrains by poor. Studies on cash and kind transfer programs show that people do prefer cash to grain transfer (Ahmed 2009; Aggarwal 2011 and Parsai 2011). Thus in India just by cash transfer to poor we cannot achieve the food security.

REFERENCES:

1. Ahmed, A.U., A. R. Quisumbing, M. Nasreen, J. F. Hoddinott and Bryan E. (2009), Comparing Food and Cash Transfers to the Ultra Poor in Bangladesh, International Food and research institute, Research Monograph No. 163, Washington DC accessed through <http://www.ifpri.org/sites/default/files/publications/rr163.pdf>
2. Aggarwal, A (2011), 'The PDS in Rural Orissa: Against the Grain?' , EPW, Vol. XLVI, No. 36, Sept. 3, pp. 21-23.
3. Ahluwalia, Deepak (1993), Public Distribution of Food in India, Coverage, Targeting and Leakages, Food Policy, 18, No. 1, pp. 33-54.
4. Ashok Kotwal, Milind Murugkar and Bharat Ramashwami (2011), Perspective on Cash Transfer: PDS Forever, EPW, Vol. XLVI, No. 21, May 21, pp. 72-76.

5. Bannerjee, Kaustav (2011), Decentralised Procurement and Universalised PDS, EPW, VOL. XLVI, No. 52, Dec. 24, pp. 19-22.
6. Dreze, Jean (2002), Food Security Programmes in U P: An Autopsy, paper presented at National Level Seminar on Labour and Poverty in U P , G B Pant Institute, Allahabad .
7. Deaton and Dreze (2008), Nutrition in India: Facts and Interpretation, Working Paper, Princeton University.
8. Dutta, B. and Ramaswami, B (2001), Targeting and Efficiency in the Public Distribution System – Case of Andhra Pradesh and Maharashtra. Economic and Political Weekly. 36(18) :1524-1532
9. Government of India, Economic Survey of India, Various Issues.
10. Government of Maharashtra, Economic Survey of Maharashtra, Various Issues.
11. Government of Maharashtra (2010), Socio-economic Survey of Beed District, 2009-10. Directorate of Economic and Statistics, Mumbai
12. Himanshu, (2011), ‘Food or Cash: The subsidy conundrum’, Mint 1 March, <http://www.livemint.com>
13. Hirway, Indira (2003), Identification of BPL Households for Poverty Alleviation Programme, EPW, Vol 38, No. 45, Nov. 8.
14. Jos, Moij (2001), Food and Power in Bihar and Jharkhand PDS and it’s Functioning, EPW, August 25, pp. 3289-3299.
15. Khera, Reetika (2011), Revival of Public Distribution System: Evidence and Explanation, EPW, Vol. XLVI, No. 44 & 45, Nov. 5, pp. 36-50.
16. Khera, Reetika (2011), Trends in Diversion of Grain from the Public Distribution System, Economic and Political Weekly, 46(21):106-114
17. Krishnaraj, Maithreyi (2005), Food Security: How and For Whom?, EPW, Vol. XL, No. 28, pp. 2508-2512, July 09.
18. Kripa, Shankar (2002), Starvation Deaths in UP and PDS, EPW, Vol. XXXVII, No. 42, pp. 4272-4273, October 19.
19. Kripa, Shankar (2004), How Efficient is TPDS in Tribal Areas, EPW, Vol. XXXIX, NO. 21, May 22, pp. 2093-2096.
20. Madekar, Aparna (2010), Beed Zilla Vishesh (in marathi), Aparna Publication, Beed, p.5
21. Majumdar, B (2002), Public Distribution System of Essential Commodities as a Social Safety Net, G B Pant Institute, Allahabad.
22. National Advisory Council (2011), Note on the Draft National Food Security Bill, accessed through www.nac.nic.in
23. Parikh . S (1994), Who Gets How Much from PDS: How Effectively Does it Reach the Poor? Sarvekshana, 17 (3), Jan-March.
24. Parsai, G (2011), Survey in Delhi Find Slum Women Prefer Relation to Cash Transfer, The Hindu. 7 April, 2011
25. Puri, Raghav (2012), Reforming the Public Distribution System: Lessons from Chhattisgarh, EPW, Vol. XLVII, No. 5, February 4, pp. 21-23.
26. Radhakrishna, R (1996), Food Trends, PDS and Food Security Concern,. Indian Journal of Agricultural Economics. January-June

27. Svedberg, P (2012), Reforming and Replacing the Public Distribution System with Cash Transfers, Economic and Political Weekly. 47(71):53-62
28. Swaminathan, Madhura & Veeta Mishra (2001), Errors of Targeting, EPW, Vol. 36, No 26, 30 June.