



PERFORMANCE OF PUBLIC DISTRIBUTION SYSTEM AS A POVERTY ALLEVIATION PROGRAMME IN DIBRUGARH DISTRICT OF ASSAM

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ABSTRACT :

Poverty remains a major problem faced by India economy from pre-independence to present era. Government of India has been undertaking various strategies to eradicate poverty since independence. Out of various strategies undertaken by government of India, provision of minimum basic requirement through public distribution system is an important one. But the effectiveness of this policy is an issue of concern in present time. Various shortcomings like targeting error, poor product quality etc. arise some questions regarding the performance of this policy. This paper is an attempt to evaluate the performance of this policy in the context of Assam.

KEYWORDS : Public Distribution System, Poverty.

I. INTRODUCTION:

From pre independence period to present era poverty remains a major problem faced by Indian Economy. According to the Food and Agricultural Organization, India alone accounts for over 400 million poor and hungry people. Since independence, poverty alleviation remains a major goal of India's five year planning. The poverty alleviation strategy undertaken by government of India under different five year plan can broadly be divided into three categories, viz., rapid economic growth, various poverty alleviation schemes and the provision of basic requirements. The basic requirements are provided through the Public Distribution System (PDS). Under PDS, government purchase the marketable surplus of the farmers at minimum support price and the grains thus procured are used for the distribution to the consumers through a network of fair price shops or to build up buffer stock. Over the years, PDS has become an important part of government policy for food management in India. The main objective of PDS is to provide some essential consumer goods to the poor section at cheap and subsidized price so as to protect them from the negative impact of rising price and to provide the nutritional security. But PDS is said to be supplemental in nature. Because, it does not make available the entire requirement of any commodity to a family.



I.I. A brief history of PDS:

With the rationing introduced in 1939 in Bombay by British govt. to ensure equitable distribution of food grains to the urban consumers in the face of rising prices was the first government intervention in food distribution in India. In the sixth price control conference held during September, 1942 formulated the basic principles of a Public Distribution System for India. The Food Department, set up in December, 1942, formulated

an All India Basic Plan that dealt with issues such as procurement, contracts for purchasing agents, public distribution, inspection and storage. The basic objective of the then emerging policy was stabilization of food prices. A new dimension in food management was brought by the Green Revolution and food self-sufficiency. In 1965 the Food Corporation of India (FCI) was established to undertake purchase, storage, movement, transport, distribution and sale of food grain and other food stuff. In 1984, Department of Food and Department of Food and Civil supplies were constructed by govt. of India. Focusing on disadvantaged areas in 1992 The Essential Supplies Programme gave way to Revamped Public¹ distribution (RPDS). Under RPDS, 1752 blocks falling under Desert Development Programme (143), Drought Prone Areas Programme (602), Integrated Tribal Development Projects (1073) and Designated Hill areas (69) were identified as economically and socially backward region. Essential commodities- wheat, rice, levy sugar, imported edible oil, kerosene and soft coke were supplied in the RPDS blocks at subsidized prices. In 1997 Targeted Public Distribution System (TPDS) was introduced with two categories Above Poverty Line (APL) and Below Poverty Line (BPL) population. In this system BPL families were provided food grains at half of economic cost while APL families were provided at economic cost. In order to make TPDS more focused and to target the hungry section (those who sleeps without two square meals a day) the govt. of India launched Antyodaya Anna Yojna in the year 2000.

I.II. Targeted Public Distribution System:

The Targeted Public Distribution System was introduced was introduced in the year 1997, focusing on poor. Under Targeted Public Distribution system the state government had to identify the poor for delivery of food grains and for its distribution in a transparent and accountable manner. The scheme when introduced, was intended to benefit about 6 crore poor families for whom a quantity of about 72 lakh tones of food grains was earmarked annually. The identification of the poor under the scheme is 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 BPL families was provided to the State as 'transitory allocation' for which a quantum of 103 lakh tones 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. The allocation of APL families was retained at the same level as at the time of introduction of TPDS but the Central Issue Prices (CIP) for APL were fixed at 100% of economic cost from that date so that the entire consumer subsidy could be directed to the benefit of the BPL population. The end retail price is fixed by the States/UTs after taking into account margins for wholesalers/retailers, transportations charges, levies, local taxes etc. Under the TPDS, the States were requested to issue food-grains at a difference of not more than 50 paise per kg over and above the CIP for BPL families. Flexibility to States/UTs has been given in the matter of fixing the retail issue prices by removing the restriction of 50 paise per kg over and above the CIP for distribution of food grains under TPDS except with respect to Antyodaya Anna Yojana where the end retail price is to be retained at Rs.2/ a kg. for wheat and Rs.3/ a kg. for rice.

To work out the population below the poverty line under the TPDS, there was a general consensus at the Food Minister's conference held in August 1996, for adopting the methodology used by the expert group set up by the Planning Commission under the Chairmanship of Late Prof. Lakadawala. The BPL households were determined on the basis of population projections of the Registrar General of India for 1995 and the State wise poverty estimates of the Planning Commission for 1993-94. The total number of BPL households so determined was 596.23 lakh. Guidelines for implementing the TPDS were issued in which the State Governments had been advised to identify the BPL families by involving the Gram Panchayats and Nagar Palikas. While doing so the thrust should be to include the really poor and vulnerable sections of the society such as landless agricultural labourers, marginal farmers, rural artisans/craftsmen such as potters, tappers, weavers, black-smiths, carpenters, etc. in the rural areas and slum dwellers and persons earning their livelihood on daily basis in the informal sector like potters, rickshaw-pullers, cart-pullers, fruit and flower sellers on the pavement etc. in urban areas. The Gram Panchayats and Gram-Sabhas should also be involved in the identification of eligible families.

I.III. Organizational set up of Public Distribution System:

PDS is operated under the responsibility of both state government and central government. The activities like procurement, storage, transportation and bulk allocation of food grains to the state government are performed by central government, through Food Corporation of India (FCI). On the other hand, the operational responsibility including allocation within the state, identification of BPL families, issue of ration card, supervision of the functioning of fair price shops etc. are to be performed by state government. Under PDS some essential commodities like, rice, wheat, sugar, kerosene are provided at a subsidized price. Moreover some states also distribute additional items of mass consumption like pulses, edible oil, iodized salt etc. through PDS.

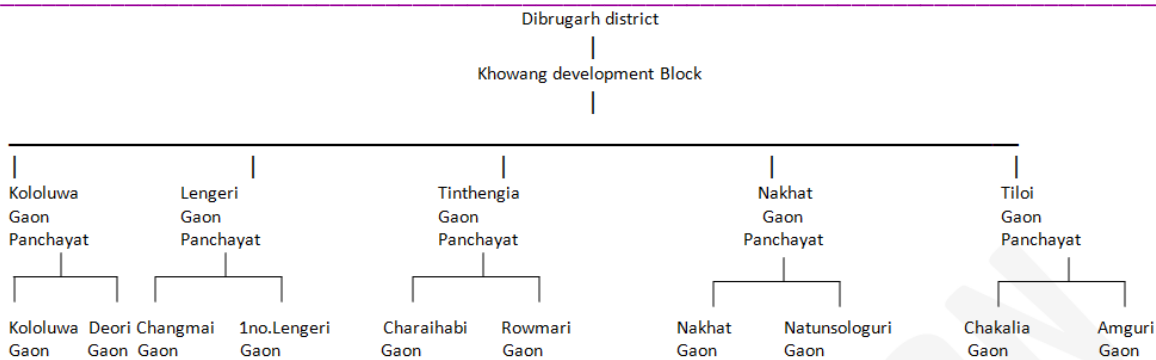
II.OBJECTIVES:

The main objectives of the study are to analyze -

- The present status of Public Distribution System in Assam.
- To study the error in targeting of PDS.
- To find out the quality of PDS commodities.
- Comparison between public distribution system and employment guarantee schemes.

III.METHODOLOGY:

The study is based on both primary and secondary data. Primary data are collected through sampling method. On the other hand secondary data are collected through statistical records published by Government houses, statistical institutes, published research articles etc. For primary data, in the first stage, one development block of Dibrugarh district, i.e., khowang development block is selected. Then five GaonPanchayat and two villages from each GaonPanchayatis selected. After that from each village, ten household and one fair price is surveyed. Therefore the sample design for the study is in the following manner-



Thus ten villages are selected from five Gaon Panchayat and then ten household and one fair price from each village are selected. Therefore total household surveyed are hundred no. and total fair price shop surveyed are ten no.

On the other hand, different secondary data used in the study are-

- (i) Assam statistical handbook
- (ii) Economic Survey of Assam
- (iii) PEO report

IV. RESULTS AND DISCUSSION:

In Assam, PDS has been performing a vital role in ensuring food accessibility to a good number of population with a network of of more than 34,536 fair price shops covering 39 lakh family under APL category, 12.02 lakh families under BPL, 7.04 lakh household under Antodaya Anna Yojana (AAY) and 13 lakh under Mukhya Mantri Anna Suraksha Yojana (MMASY). In Assam average number of population covered per FPS were about 863 during the year 2003-04. But the real picture of the PDS in Assam is not very much appreciable. This is because of high targeting errors, leakages, irregular arrival of grains to fair price shops, inability to purchase PDS commodities by the poor families, commercialization of PDS commodities by the agents and co-operative officers, low quality commodities, underdeveloped transportation facilities in rural areas which in turn compels the FPS agents to impose extra charge on the consumer etc. So far as the targeting errors is concerned, a very high inclusion error is observed in Assam as compared to the other states. The following table shows a comparative scenario of errors in some states.

Table 1: A Comparative scenario of errors in some state

States	Exclusion error	Inclusion error
Assam	47.29%	17.16%
West Bengal	31.74%	10.23%
Bihar	29.81%	12.20%
Uttar Pradesh	26.75%	13.25%
Punjab	7.75%	12.33%
Andhra Pradesh	3.20%	36.39%

Source: PEO report, 2005.

Moreover, a very high leakage(25%-50%) is found in Assam accompanied by Gujarat, Himachal Pradesh, Karnataka, Maharashtra and Rajasthan. However, Bihar and Punjab have recorded abnormal leakage (more than 75%) in the country.

IV.I. Targeting error observed in sample survey:

The observed villages are mainly agrarian and they follow traditional type of cultivation. Since, Kololuwa and Sologuri villages are situated on the bank of the Burhidihing tributary (one tributary of Brahmaputra River), sometimes they are affected by flood. For several reasons economic condition of most of the people of the observed villages are not sound. A large number of the people highly depend on PDS commodities. However, the demand for PDS food grains (mainly rice) is seasonal. After harvesting season (generally December to April), demand for PDS rice is comparatively low than the other seasons.

So far as targeting error is concerned in the sample villages the following results were found.

Table 2: Errors in sample villages

Villages	Total Households using PDS	Non-Poor	Poor beneficiaries			Inclusion of non-poor households	Exclusion of poor households
		APL	BPL	MMASY	AAY		
Kololuwagaon	135	41	35	40	19	13	22
DeoriGaon	162	52	40	43	27	9	21
ChangmaiGaon	138	40	37	32	29	11	18
1 No. Lengeri	162	34	42	62	24	4	15
Charaihabi	170	55	24	51	40	3	14
Rowamari	125	37	23	39	26	10	19
Nakhat	119	45	16	36	22	2	13
NotunHologuri	126	39	21	53	13	3	12
PhatikaChowaCkalia	150	54	13	73	10	7	16
Amguri	85	27	11	31	16	7	9

Source: sample Survey

Note: i. For the convenience of study we broadly categories total PDS beneficiaries as non-poor (APL) and poor, where the latter includes BPL, MMASY (MukhyaMantri Anna SurakhyaYojana) and AAY (Antoyodaya Anna Yojana)

ii. AAY is a centrally launched scheme to provide food grains to the poor sections at highly subsidized price.

iii. MMASY is a scheme launched by the Govt. of Assam to cover the poor who deserved but excluded from the BPL list of centrally launched TPDS.

To know the magnitude of the errors we have computed targeting ratios for each sample villages as follows:

Table 3: target ratios of the sample villages

Villages	TR ₁ (Inclusion Error) or the Ratio of number of poor people using PDS to the total number of people using PDS	TR ₂ (Exclusion Error) or the ratio of number of poor people using PDS to the total number of poor
KololuwaGaon	69.62	81.03
DeoriGaon	67.90	83.96
ChangmaiGaon	71.01	84.48
1 no. Lengeri	79.01	89.51
Charaihabi	67.64	89.14
Rowmari	70.4	82.24
Nakhat	62.18	85.05
NotunHologuri	69.04	87.87
PhatikaChowaChakalia	60.00	85.71
Amguri	68.23	86.56

Source: Sample Survey

From the table it is clear that in all the sample villages the exclusion errors (deprivation of poor from the system) are higher than the inclusion errors (Inclusion of non-poor people in the system). It reflects a negative scenario of PDS. Because, the deprivation of poor is more harmful than the inclusion of non-poor in the system.

IV.II. Relationship between income level and off-take of PDS commodities:

During sample survey the relationship between income of the respondent and their off-take of PDS commodities was observed. It was seen that with lower income people purchase less amount of commodities from PDS. With the increase in income people purchase more. So there is a positive relationship between income and off-take. Sometime the non-poor people do not purchase PDS commodities. But this is not due to absence of income. This is mainly due to poor quality of the commodities, availability of the commodities at their home, their affordability to purchase from open market etc. From this, a conclusion can be drawn that people having low income purchase (demand) less PDS commodities due to lack of their economic accessibility. Similarly, people having higher income level of income also demand less of these commodities due to poor quality and affordability to go to open market. So the implication is that along with subsidized food government should emphasize on their income generation schemes. It will help the people to increase their purchasing power and PDS will become more effective. This positive relation can be made invalid if PDs commodities are provided in installment basis. This is observed in some other states of the country like Punjab, Kerala etc. In these states PDS commodities are provided in weekly system. Therefore the expenditure on PDS commodities become low and the poor section can purchase it.

IV.III. Purchasing power of respondent and the quality of the commodities:

About 27% of the poor beneficiaries cannot purchase the whole allotted amount to them. Rice under MMASY and AAY are provided once every month. Therefore the total cost becomes high so that the poor people cannot purchase the whole allotted amount. According to them, rice should be provided in installment system. About 29% respondents prefer weekly system, 47% respondent prefer twice in a month, while 3% respondent prefer to daily system. Moreover, sometimes the FPS agents are incapable to bring whole allotted amount to them. As a result, the beneficiaries do not get actual allotted amount as per the rule of PDS.

So far as the quality of the commodities concerned, about 33% of the respondents in the sample villages said about the poor quality of the commodities. Sometime they do not purchase the commodities due to low quality. This problem is mainly associated with PDS rice. For other commodities they do not get the problem of poor quality. However,, this problem is not permanent. Complain about poor quality mainly come from APL families. Because, PDS rice becomes inferior good for them and sometime they do not purchase commodities from PDS.

IV.IV. PDS vs. Cash Transfer:

Most of the people do not prefer cash transfer. Only 11% of the respondents prefer cash transfer. About 89% (Basically BPL categories) prefer subsidized food. It has many reasons. Firstly, according to them, the system of cash transfer will be more complicated to them. Because, the financial institutions (banks) are far away from their villages. So, in cash transfer another cost will emerge in transaction or withdrawal of cash. Secondly, the process of cash transfer will be lengthy one. Their experience from NREGS showed that cash payment through bank takes a long time and sometime become uncertain. Thirdly, some women respondent argued that if cash transfer is done rather than food, then their husband will use it in unproductive means like drinking. Fourthly, in the time of high inflation, small amount of cash (equal to price of PDS commodities) will not be sufficient to meet food requirement.

IV.V. PDS and Employment Guarantee Schemes (EGS):

In this paper an attempt has been made to examine whether PDS and EGS are substitute or complementary. From the sample survey it is clear that only PDS cannot help in removing poverty. Along with subsidized food through PDS some other employment and income generation schemes are essential. PDS provides only subsidized food. But only the subsidized food can help in removing poverty. It is said to be a short term process of removing poverty. To make the poverty alleviation programs effective in long run some other factors like saving, incentives to work are to be considered. PDS does not help in these factors. Incentive to work is very much essential for poverty alleviation for the long run. Under PDS incentive to work is very less. During the sample survey it was observed. Some respondent informed that before some year (when AAY and MMASY were not implemented) they went to work on daily basis. At that time they compelled to go for work. But now a day due to availability of food at highly subsidized price they do not work regularly. So it can be said that PDS has reduced work incentive to some extent, which is harmful for the economy in the long run. In the wage earning activities making of some saving is possible. But in PDS saving is not possible. So to remove poverty in the long run, implementation of effective income generation and employment generation schemes are essentials along with subsidized food.

V. MAJOR FINDINGS AND POLICY IMPLICATIONS:

- i. Both error in inclusion and error in exclusion are present in the sample villages. Error in exclusion is higher than the error in inclusion. Theoretically, error in exclusion is more severe than the error in inclusion. Because the large number of poor are deprived by the scheme. So, it can be said that PDS is less pro-poor in rural areas of Assam. Hence the goal of poverty alleviation by PDS is partially achieved.
- ii. Main causes of exclusion error-
 - A. Division of poor families
 - B. Migration of households (poor) from one place to another.
 Main causes of inclusion error-
 - A. Some of the households were initially poor. But with the passage of time they have come across the poverty line. But they are still in the BPL lists.
 - B. Some households illegally included their names in BPL lists in spite of being non-poor.
 Moreover, some kinds of political interventions also stimulate the inclusion and exclusion error.
- iii. In the village areas the demand for PDS commodities (especially rice) is seasonal. Generally the demand for PDS rice is low after harvesting.
- iv. Sometimes the FPS agents are incapable to purchase total amount of PDS commodities allotted to them so as to fulfill the demand of all beneficiaries due to financial constraints.
- v. Poor people (about 27%) cannot purchase the whole allotted amount of commodities against them due to lack of their economic accessibility. So, installment system will make PDS more effective.
- vi. PDS cannot provide quality food all time. Sometime PDS provides very poor quality of food. People do not purchase these commodities in spite of having economic accessibility.
- vii. To increase work incentive of the people, implementation of employment guarantee scheme (EGS) is necessary. Moreover, in EGS inclusion error is expected to be less.
- viii. The problem of exclusion of poor can be reduced to some extent if the system of issuing new card becomes simple so that the new poor households formed due to division of joint families and migration can obtain new ration cards immediately.
- ix. Frequent revision of the BPL lists is very essential to minimize the problem of inclusion of the non-poor. Political unbiasedness will help in effective implementation of this policy.
- x. Provision of installment system of PDS commodities is expected to increase accessibility in PDS.

VI. CONCLUSION

In spite of having various problems in PDS, it has been playing an important role in providing food subsidy to the poor. One of the important advantages of PDS is its coverage. But with the increase in

population, land under cultivation has been decreasing. Therefore in future agricultural production is expected to decline. Moreover due to food subsidy government expenditure goes on increase day by day. Therefore regarding viability of PDS, emphasizing EGS becomes need of hour. Government should give more emphasize on employment generation schemes along with PDS. It will provide more food accessibility and enlarge the choice of the beneficiaries. It is expected that error in inclusion and exclusion will be less in EGS as compared to PDS. Because, under EGS generally the poor people prefer to work for their livelihood, but the non-poor do not prefer this as they have other means of livelihood.

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