Review and Propose Measures to Improve Public Distribution System

JUNE 2014

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Preface

I am Mayank Verma, a student of IIM Lucknow batch 2013-15. I grew up in Delhi and am currently a resident of Ghaziabad, UP. I have a Bachelor of Engineering (B.E) degree in Computer Engineering from NSIT, Delhi. I am an active member of Indian Leprosy Foundation. I joined Rakshak Foundation because it is one of the prominent NGOs. Rakshak Foundation provided an opportunity to be a part of a social initiative and to understand the implementation and functions of a government-run scheme.
Acknowledgements

I am highly indebted to Shri Ashish Gupta, IG, STF, Lucknow for his guidance and constant supervision as well as for providing the necessary information and references regarding the project.

I would like to convey my special regards to Smt. Archana Aggarwal, Food Commissioner, Lucknow and Shri S.K. Singh, OSD (Food Commission), Lucknow for providing valuable resources and information regarding the Public Distribution System.

I would also like to thank the participants of the survey, without them the report would not have been able to achieve its goal and Rakshak Foundation for providing the opportunity to become a part of a social initiative.
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Executive Summary

Public Distribution System of India is one of the largest distribution system in the world. Incepted with an aim to provide food security to the starving population of the country, the system has been reviewed and modified in accordance with the changing in the requirements. The emphasis has been shifted from providing food security to the whole population to targeting the priority households in order to provide them a means to purchase food grains at a subsidized rate. The combination of good monsoon years and a policy of ensuring relatively higher returns from the production of food grains has resulted in a surplus of food grains than the requisite quantity.

Despite these improvements and the claims of surplus accumulation of food grains than the prescribed buffer stock in the godowns of the Food Corporation of India, India still has around 25 percent of the world’s hungry poor with forty eight percent of under-five aged children malnourished, over one-third of the world’s 150 million malnourished under-five age population. India was ranked as high as 65 in 2009 with a global hunger index of 23.9. A country on its way to become a developed nation cannot deserve to be a country where people suffer due to hunger. This shows that there is a severe need to review the current Public Distribution System and provide measures to strengthen it.

In order to review the current Public Distribution System the project has been divided into two parts:

1. To understand the organizational structure of Public Distribution System, understand the hierarchy and the operations involved from procurement of food grain to their distribution to the public.
2. Conduct an extensive survey of both Fair Price Shop owners and PDS card holders to understand various aspects. Issues of the Public Distribution System at the lowest level to ascertain whether the claims are backed up by their proper implementation and what improvements if made would be beneficial for the public.

After combining and contemplating the findings, the project would aim to provide a detailed review of the current Public Distribution System and provide measures to improve the system in order to make it more beneficial for the public.
Some of the major key findings have been:

1. The Delhi region has a stable system with very small number of complaints. The families are contended with the quality of the food grains. However, the BPL and AAY families which are termed as priority households find it difficult to satisfy their requirements as they are not able to pay the market prices of the additional food grains purchased.

2. The equality of prices between all the categories is not a good practise as clearly APL families are comfortable in paying a higher amount for the commodities. Thus the government can reduce its subsidy expenditure by transferring the overhead expenses on to the APL families by marginally increasing the prices.

3. The e-portsals of the states are not properly updated as they do not display the recent change in prices after the enactment of National Food Security Act, 2013. The central e-portal “PDS Portal of India” do have up to date information however the information related to many states is absent from the portal. Being a central portal, the portal should collaborate with state portal in order to be a central hub of information which can reduce the inefficiency due to the time lag caused by the paperwork.

4. The Haryana Public Distribution System has excluded Above Poverty Line families from subsidized allocation and has a Below Poverty Line comprising of both Central Below Poverty Line and State Below Poverty Line households. One of the major issue is the suspension of certain Fair Price Shops thereby causing overburden of allocation and stocking of foodgrains on other fair price shops functioning in the region.

5. The Uttar Pradesh Public Distribution System has continued differential pricing of foodgrains across APL, BPL and AAY categories. However, the allocation has been normalized to 35 Kg. per card across all the categories. The base year for calculation of allocation of fair price shops in an area has not been updated since 2001 and thus has caused a burden on fair price shops of accommodating higher number of families than the prescribed norm of 4000 units per fair price shop.
1. Introduction

1.1 Background Information

After the independence of India, one of the greatest issues faced by the new Government of India was to encounter the severe shortage of food. To counter the issue, the government made considerable efforts to improve the production of food grains and focused on developing a good supply and distribution mechanism to increase the penetration of the system. Thus, the policy of Public Distribution System was enacted, reviewed, and modified from time to time in accordance with the changing economic and consumption pattern of the country.

The Public Distribution System is generally misunderstood as a policy incepted to provide subsidized food grains to the lower income group of the society.

However, the main ideology in introducing the Public Distribution System was to provide food security by providing the government a means:

1. **To control the prices of essential food grains**: It was used as a control mechanism to check any abrupt change in the prices of specific food grains. The aim was to keep in check the inflation rate of essential commodities. Eg. If the prices of the food grains in an area would increase above the market rate, the government used the system to distribute the commodity at or below market rate on the Fair Price Shops thereby bringing the prices back to the market rate.

2. **To ensure the availability of specific essential commodities throughout the year**: The Fair Price Shops were used to provide specific commodities like rice, wheat throughout the year, thereby reducing the impact of under or over-production of the commodities. The mechanism involved was: Any commodity if over-produced was stored in government warehouses as a buffer stock which was then used in the case if certain year witnessed lower productivity or any case of irregular or special cases like drought or famines. This ensured that there would not be a problem of starvation of the population or wastage of the food grains.

This Public Distribution System when introduced was termed as Universal Public Distribution System. The policy reviews have created what we can say as three different stages in the evolution of Public Distribution System:

1. Universal Public Distribution System (UPDS)
2. Targeted Public Distribution System (TPDS)
3. National Food Security Act (NFSA)

1.1.1 Universal Public Distribution System (UPDS): As stated earlier the main ideology behind UPDS was to ensure availability of essential food commodities to the entire population. This idea was in sync with the condition of India during the Independence era when scarcity of food was one of the greatest issue and ensuring food security was a concern. Thus ration was introduced in the year 1942. Post-independence government tried to decontrol the system but it lead to an increase in prices of the commodities and the government had to reintroduce control in 1948.

Food Corporation of India: FCI was introduced in 1965 to regulate the procurement, distribution and creating a buffer of the stock. Thus FCI godowns were setup as a stocking mechanism to accommodate the buffer stock procured by the government and earmarked for distribution under PDS.

1.1.2 Targeted Public Distribution System: To increase the benefit of the system and target subsidy allocation to the lower income group of the society, government went forward to introduce Targeted Public Distribution System (TPDS) in June, 1997.

Under Targeted Public Distribution System the government issued special cards to Below Poverty Line (BPL) Families to provide a subsidized prices of the commodities to them.

The families were divided into three categories with respect to their income level:

1. Above Poverty Line (APL)
2. Below Poverty Line (BPL)
3. Antyodaya Anna Yogana (AAY)

The Below Poverty Line (BPL) category includes the really poor and vulnerable sections of the society such as landless labourers, marginal farmers and wage earners of the informal sections of the economy. The identification of BPL families is the preview of the state government and identification is made as per the estimates adopted by the central Government and distinctive ration cards issued. The village councils/local councils finalize the list drawn up by the designated authorities.

Under Antyodaya Anna Yojana (AAY) scheme the poorest among the BPL families are selected and issued AAY ration cards. The scheme initially targeted the 5% of the population who couldn’t have 2 square meals a day. It now also brings into consideration BPL households headed by widows, terminally ill persons, disabled persons or persons above 60 years with assured means of subsistence or societal support. The identification of AAY families and issuing of distinctive ration cards is
the responsibility of the state government. The village councils finalize the list of AAY families in the village.

As the Department of Food, Civil Supplies & Consumer Affairs is entrusted with ensuring that essential commodities are under the Public Distribution System reach all citizens so as to ensure food security regardless of the individual’s position in economically or otherwise, all those households who are not covered under BPL or AAY are issued ration cards nonetheless. These families come under the category of Above Poverty Line (APL).

Earlier (1997-2000), under TPDS the allocation to each type of card holder were the same but in later years (starting from 1st April 2000) in accordance with the general consensus of increasing the allocation to BPL families and to better target the food subsidy, the allocation to BPL families was doubled from 10 Kg to 20 Kg with Central Issue Price or CIP as 50 percent of the economic cost. APL allocation was fixed to the level of 1997 and the CIP was held at 100 percent of the economic cost thus ensuring that the entire subsidy was directed toward the BPL population. The base year was also shifted from 1995 to 2000 thus witnessing an increase in the number of BPL families. Since then there have been many central and state level changes made in the Public Distribution System in lieu of the increasing population and prices of the commodities. In some states, the essential commodities like rice and wheat are allocated according to the number of members in the family and other commodities which are considered unaffordable by BPL families have been exclusively earmarked for those families only.

1.1.3 National Food Security Act:

The National Food Security Ordinance, 2013 was promulgated on July 5th 2013 and became the National Food Security Act, 2013 after receiving clearance from the Parliament and assent of the President on September 10th 2013. The key features of the Act are:

1. Coverage of two-third of the population: Depending on the economic status of the State, the Act covers upto 75 percent of the rural population and 50 percent of the urban population.

2. Eligible Households: Instead of the earlier three category system a new system constituting of Priority Households and Antyodaya Anna Yojana families has been introduced. The allocation for Priority Households would be 5 Kg. per member and Antyodaya Anna Yojana families will receive 35 Kg. of foodgrains per card. The subsidized prices for the commodities are Rs. 3, 2 and 1 per kg. for rice, wheat and coarse grains respectively. These prices would remain the same for a time-period of three years after which reviewed prices would be issued keeping into consideration that the issued prices would not exceed the minimum support price (MSP) in case of wheat and coarse grains and derived MSP of rice.
3. **Food Security Allowance**: In case of non-supply of the entitled quantity of foodgrains, the family would be entitled to receive a food security allowance to compensate for the difference between the purchase price and FPS prices. The amount and timing would be prescribed by the Central Government.

4. **Women Empowerment**: For the purpose of issue of ration card, the eldest women in the family (above 18 years) shall be the head of the household.

5. **Grievance Redressal Mechanism**: Every State Government shall put in place an internal grievance redressal mechanism which may include call centres, helplines, and designation of a nodal officer for each district to be the District Grievance Redressal Office (DGRO).

6. **Transparency and Accountability**: Every State Government is required to set up a Vigilance Committee to regularly supervise the implementation of the schemes, inform DGRO about any violation of the provisions of the Act.

7. **Social Audit**: Provisions have also been made for proper disclosure of records relating to PDS and social audits.

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**1.2 Main Problems, their scope and impact on the society**

Despite the improvements and the claims of surplus accumulation of food grains than the prescribed buffer stock in the godowns of the Food Corporation of India, India still has around 25 percent of the world’s hungry poor with forty eight percent of under-five aged children malnourished, over one-third of the world's 150 million malnourished under-five age population. India was ranked as high as 65 in 2009 with a global hunger index of 23.9. A country on its way to become a developed nation cannot deserve to be a country where people suffer due to hunger. This shows that there is a severe need to review the current Public Distribution System and provide measures to strengthen it.

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**1.3 Goals and Objectives**

The aim of the project is to provide a detailed review of the current Public Distribution System in order to identify the shortcomings and their causes. The project would provide recommendations which can strengthen the Public Distribution System.

**Tasklist:**

1. Providing an overview of the different stages in the evolution of Public Distribution System to understand the need for review of the system.
2. Gather information about the supply chain system of the current Public Distribution System.

3. Review the current control measures and checking system on various levels of Public Distribution System.

4. Review of the various initiatives taken up by the government to understand the feasibility and efficiency issues in their nationwide implementation.

5. Studying the allocation of food grains in states with high PDS user population

6. Analyzing the cost incurred by the government in supporting the system

7. Analyzing the efficiency of the e-portals related to PDS designed on state and central level

8. To conduct a detailed survey of FPS owners and PDS card holders to understand the issues faced by the consumers and the cause of those issues.

9. Propose various measures that can be incorporated in the current PDS to increase its efficiency.
2. Methodology

2.1 Literature Search

The research report on Food Security and Targeted Public Distribution System was analysed to understand the basis of Public Distribution System and the need to shift from the Universal PDS to Targeted PDS. It provided insights on the ideology behind the introduction of the system and the shortcomings witnessed in the later years that led to the review of the system and introducing Targeted PDS which focussed on providing subsidized food grains to Below Poverty Line families.

The Public Distribution System review in the Tenth Five Year Plan (2002-2007) report by Planning Commission was analysed to understand the impact of Targeted PDS since its introduction. The report provided quantitative data on the expenses incurred as a percentage of total annual government expenditure in providing food subsidy under Public Distribution System and the number of families under BPL category. It also provide information regarding the earlier estimation of proportion and number of poor in each state by the Planning Commission.

The National Food Security Act, 2013 was analysed to understand the changes in prices and allocation of food grains to the families belonging to various categories under Targeted PDS.

2.2 Field Visits

The field visits were done to understand the current organizational structure of Public Distribution System and to observe the functioning of Fair Price Shops.

2.2.1 Field visits to Food Commission Office of Lucknow: To understand the organizational structure and functioning of Public Distribution System, it was necessary to meet the officials of Food Commission. They provided detailed operational structure that helped in understanding the supply chain system of PDS, the checking system and governing authorities at each level of the system.

2.2.2 Field visits to Fair Price Shops: To understand and review the functioning of Fair Price Shops it was necessary to visit these shops and observe their operations. Since the food grains to families are provided by Fair Price Shops, they are the most important entity as it directly impacts the proper functioning of the entire Public Distribution System. Visiting these shops helped in understanding the issues faced by the shop owners and buyers in procurement, stocking and issuing of food grains.
2.3 Surveys

A detailed survey of PDS card holders and Fair Price Shop owners was required to understand the issues at the lowest level of the system. PDS card holders are the main beneficiary of the Public Distribution System, thereby it is important to understand their requirements and issues to know whether the system in place is actually benefitting the society or there is a deficiency that can be addressed to further bring the system closer in achieving its desired goal. Fair Price Shops are the most important entity and if they are not able to run cost effectively there are chances that they might close down which would decrease the penetration of the system. Thus it is important to understand the issues faced by the shop owners in order to provide measures that can improve the efficiency of the system.

2.4 Meetings and Interviews

<table>
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<tr>
<th>Date</th>
<th>Name</th>
<th>Designation</th>
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<th>Topic of Discussion</th>
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<td>IG, Special Task Force, Lucknow</td>
<td>Special Task Force, Lucknow</td>
<td>Project details and meetings</td>
</tr>
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<td>09/04/14</td>
<td>Smt Archana Aggarwal</td>
<td>Food Commissioner, Lucknow</td>
<td>Food Commission, Lucknow</td>
<td>Supply chain system of PDS</td>
</tr>
<tr>
<td>14/04/14</td>
<td>Shri S.K Singh</td>
<td>OSD Lucknow</td>
<td>Food Commission, Lucknow</td>
<td>Checking system and initiatives by government</td>
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<td>28/04/2014</td>
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<td>IG, Special Task Force, Lucknow</td>
<td>Special Task Force, Lucknow</td>
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<td>26/05/2014</td>
<td>Shri Ashish Gupta</td>
<td>IG, Special Task Force, Lucknow</td>
<td>Special Task Force, Lucknow</td>
<td>Analysis and recommendation based on the findings</td>
</tr>
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Please refer Appendix A for details*
3. Government Efforts

3.1 Government initiatives

3.1.1 Door Step Delivery: In this initiative State government proposed to directly deliver the commodities to Fair Price Shops. In Uttar Pradesh, the district that first witnessed this system was Barabanki (near Lucknow). However the nationwide implementation would be of greater concern the reasons being the huge size of the network and also some of the regions are inaccessible due to infrastructure problems like improper or absence of road transport. The invigilation however of the system would be much better since it would be directly done by state government official instead of relying on contractors.

3.1.2 Permitting FPS to sell commodities not covered in PDS: As a small but successfully run initiative the main ideology behind it was to make FPS as an all-product shop where consumers can purchase other products of daily requirements apart from food commodities only. However the visit to various Fair Price Shops made it evident that only a small variety of products like pulses etc. were being sold at these shops. The major reason that can be cited was that customers have to line-up in long queues to buy products from Fair Price Shops. Since these products were not covered in PDS there was a small variation in prices with respect to near-by provision stores.

3.1.2 Digitization: Currently in its initial phase the government has implemented it at top level only and is now in process to provide an End-to-End digitization. This technological advancement if properly done would be a milestone in the history of Public Distribution System. After reviewing certain e-portals maintained at central and state level it was cited that the portals were not updated regularly. Most of them were unorganized as the retrieval of information was quite difficult due to randomly placed data. However the most properly maintained and organized e-portal was “Public Distribution System Gaya” (Bihar) which had the relevant information like Date of Distribution (highly useful for FPS owners to know the date of procurement of their allocation), block-wise allocation, names and procurements made by the specific Fair Price Shop owners. This can provide motivation to other states to maintain an e-portal that can be useful and easy to navigate. The central e-portal “PDS Portal of India” do have up to date information however the information related to many states is absent from the portal. Being a central portal, the portal should collaborate with state portal in order to be a central hub of information which can reduce the inefficiency due to the time lag caused by the paperwork.
4. Results and Discussions

4.1 Findings from the literature

Universal Public Distribution System was introduced to provide food security to the starving population of India. It provided government a mechanism to control prices of essential commodities to keep the inflation in check and to ensure the availability of the food grains throughout the year thereby decreasing the impact of calamities like famines, drought by ensuring a proper stock keeping mechanism.

However in following years some of the shortcomings of the UPDS became evident. A major issue was that low income group or the families that are now deemed under the category of Below Poverty Line (BPL) or Antyodaya were not able to get the benefit as they did not have proper knowledge about the PDS and its policy as most of them had a moderate to low educational background. Also higher income families, able to have the means to procure large quantities of food grains made the supply insufficient to fulfil the food grain needs of Below Poverty Line families. Thus there was a growing demand to limit the procurement capacity of higher income families in order to ascertain that the main aim of the Public Distribution System which was to ascertain the fulfilment of food requirements of the Indian population could be achieved.

Targeted Public Distribution System was introduced in June 1997, to ensure that the poor families were able to receive the benefit of the subsidized food grain distribution. The system categorized families according to the family income. The states were given the responsibility to identify the families that would fall under each category and establish a pricing mechanism. The prices for Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY) were fixed by the central government by providing a Central Issue Price (CIP). The CIP was a factor of the economic value of the food grain. For eg, CIP of food grains for APL is 100 percent of the economic value of the food grains whereas CIP of food grains for BPL and AAY are a small fraction (generally 40-50 percent) of the economic value of the commodity.

**Why Subsidize:** Subsidy was provided because it became evident that availability of food grains was not the only required condition to provide food security. It was also necessary that the poor had the means to purchase the available food grains. There exist a large proportion of population which was not able to have two square meals a day as they were not able to purchase the food-grain even at the prices offered by Fair Price Shops.
4.2 Finding from the fields and impact on the theoretical focus of the project

4.2.1 Organizational Structure of Public Distribution System: This section provides a brief about the Public Distribution System as a Supply Chain Management system. The various entities involved, information about the checking system, the control measures taken up by the government in smooth functioning of the system are stated in detail in the section.

1. The Supply Chain system of PDS:
   a. Government of India: From the stock purchased by the Government of India, a specific amount of food grain is earmarked for Public Distribution System. The government of India has delegated Food Corporation of India (FCI) established in 1965, the authority to allocate food grains to the state. The food grains are stored in the FCI warehouses. The first allocation was done after conducting a pilot survey of a state and according to the information received the allocation to other states was done. Currently, the government has incorporated Census of India (a decadal survey of Indian population) to provide the required data in order to correctly estimate the number of families coming under each category of TPDS. The base year is then updated and assigned as the recent census year. After the allocation is done, the state governments are given a duration of 50 days to procure the stock from the FCI warehouse. The transportation of food grain from FCI warehouses to State godowns is undertaken by contractors.
   b. State Government: State government after the procurement of the allocated food grains, direct them to the state godowns located throughout the state in accordance with the number of Fair Price Shops serviced by each of the godown. Sometimes the allocation may be higher than the required amount in order to keep it as a buffer keeping future variations of supply-demand into consideration.
   c. State Godowns: State godowns allocate the food grain to each Fair Price Shops, ensuring the timely procurement and advance payments by the Fair Price Shops. Each Fair Price Shop is required to submit the advance of the next month by 21st of the current month. The procurement by Fair Price Shops is done in accordance with the date assigned to the shop. These dates along with the corresponding Fair Price Shops are mentioned on the roaster kept at each of the godowns. The procurement dates range from 22nd-30th. This process has been in place since 1988. This process tries to ensure that the food-grains are available for distribution from 1st day of every month.
   d. Fair Price Shops: India has a network of around 4.62 lakh Fair Price Shops. The allocation of 1 FPS is assigned for a population of 4000. The selection of the
owner of an FPS is in accordance with the reservation system of the particular state. FPS has certain norms to fulfil like maintaining stock and sales register, notice board stating the commodities available and their prices. Also a sample of each commodity for consumers to evaluate are available to ensure the quality of the commodity. In rural area, from assigning of FPS to evaluation and functioning of it has high involvement of Pradhaan of the village. Government has itself provided the power to Pradhaan to ensure systematic functioning of the FPS. However it can be both productive and counterproductive. Pradhaan being the highest chosen authority in the rural area can have the impact and control which government officials cannot have. However, position of Pradhaan being political do attract political rival parties to introduce incorrect complaints which cause huge government expenses. Also giving power to a single person can cause a misuse of his position.

**Commission:** FPS being a business entity demands a return. Thus government provides a commission per quintal of the commodities sold. The commission provided varies state to state. For eg. In Delhi the commission issued is Rs. 35/quintal and in Uttar Pradesh the commission is Rs. 17/quintal. However this is a very low amount and the feasibility question has been raised regarding the functioning of FPS. Government has taken several measures to overcome the shortcomings which would be discussed further in detail.

**Vishesh Vitran Divas:** Every month, one day (or maximum of 2 days) is allotted as Vishesh Vitran Divas. On the specific day officials of food commission are present to invigilate the process of distribution by the FPS owners. The day witnesses highest turnout of people to purchase the commodities. Any complaints/issues are also addressed directly by the officials.

### 2. Four stage checking system in PDS:

- **Gazette Officers:** Physical capacity verification to ascertain the efficient storage of the allocation. This verification is done by 2 gazette officers.
- **State government employee:** The official ensures correct procurement by the Fair Price Shops. He/She ensures that the procurement is in accordance with the date specified and the allocation to the FPS.
- **Gram Vikas Adhikari:** He/She verifies the incoming stock of the FPS, to ensure there are no discrepancy in the allocation from godown and the stock reaching the FPS. This verification in done during 1st-4th day of the month.
- **Gram Committee:** It verifies that the stock procured by the FPS has been completely distributed. It provides the FPS owner with a Praman Patra (Verification Notice) that has to be submitted to the godown inspector to issue next stock from the godown.
3. **Governing Authority at each level of Supply Chain:**

**Government of India (FCI):** Chairman, Food Corporation of India

**FCI Godowns:** Depot Manager

**State Godowns:** Supervised by Regional Food Controller and District Food and Marketing Officer

**Fair Price Shops:** Tehsil/District Suppliers

4. **Control Measures Undertaken:**

a. **Decadal check of Ration Card:** This provides multiple benefits for the government
   i. Aligning the card holder population with the recent census data. Thus ensuring timely update of the allocation of food grains to specific state or category of card holder. It also provides government with a correct estimation of the subsidy expenditure
   ii. Review of discrepant cards (incorrect categorization of a family). Cancellation of multiple cards issued to single family.

b. **End to End Digitization:** Introduced in 2010, this initiative could help curb many issues related to Public Distribution System
   i. Would be able to automatically reject multiple card allocation to a single family.
   ii. Would enable frequent update of the information at each level of the supply chain thereby reducing the instances of discrepancies and provide a direct controlling mechanism.

4.2.2 **An analysis of Delhi Region:**

Allocation and Prices as mentioned on the Website of Delhi State Civil Supplies Corporation:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>APL Allocation</th>
<th>Price/Kg</th>
<th>BPL and Antyodaya (AAY) Allocation</th>
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Table 1: Allocation and Prices prior NFSA in Delhi

In Delhi, the allocation of wheat and Rice was same for all the categories (APL, BPL and AAY). However, BPL and Antyodaya Anna Yojana (AAY) were also provided
sugar at a subsidized price form FPS. The prices of the commodities varied according to the category as evident in the table.

A commission of Rs. 35 per quintal is given to the FPS owners for wheat and rice. However, the commission on sugar varies from Rs. 10 to zero per quintal. The transportation charges vary according to the category specific supply of commodity i.e. for commodities earmarked for APL, the transportation charges are Rs. 60 per quintal, Rs. 30 for BPL and Rs. 15 for AAY. The retail price of goods for APL is calculated by summing up the Central Issue Price (CIP), Transportation charges and Commission of FPS owner. For BPL and AAY the CIP is considered as the retail issue price and the other charges are paid by the state government.

After the enactment of National Food Security Act, 2013, the prices of the commodity have been changed to Rs. 2/Kg of Wheat and Rs. 3/Kg of Rice for both APL and BPL (including AAY) card holders. The allocation of APL is same as stated above however Antyodaya are now being provided 35 Kilograms of food grains per card.

A survey of 40 households of Delhi was conducted, the target was to cover the area with high PDS card holder density, thus areas like Seemapuri and Shahdara were covered. The survey of 4 Fair Price Shops of the area was also conducted.

The results are as follows:

90 percent (36 out of 40) of the households were PDS card holders. The family income of 80 percent of households was in the range of 10,000-50,000 per annum. These families constituted of both APL and BPL card holders. Since the BPL limit stated by the state in based on per capita income it is evident that BPL card holders were families with 6 or more members. The major issue cited by the households that did not have PDS cards was that they were not provided newly issued PDS cards and ration was not being provided on previous cards. The family income of these household was in the range of 10,000-50,000 per annum which constitutes priority household category. Out of 40 households, 18 households were BPL card holders (Yellow colour card) and the remaining 18 were APL card holders (White colour card).

All the PDS card holder families purchased and in totality of their prescribed allocation from the Fair Price Shops. The families were aware of the allocation as it was duly stated on the boards in Fair Price Shops. The BPL families stated that their food grain requirements were fulfilled by the current allocation. The average additional monthly purchase was 1 kilogram of wheat per person compared to 4 kilograms (2 kg wheat and 2 kg rice) by APL. However this was majorly due to huge difference between the market price and the issue price of FPS. The market price of Wheat flour is Rs. 22 per kilogram whereas the issue price of FPS for wheat is Rs. 2 per kilogram. The cost for grinding is around Rs. 4 per kilogram, thus 1 kilogram of
wheat flour had a cost of Rs. 6. Similarly, market price of rice similar to the quality issued by FPS was Rs. 35-40 per kilogram. BPL families could not pay these high prices and thus limited their consumption to the amount of food grains procured from FPS.

The card holders were satisfied by quality of food grains provided by FPS. There were few instances of bad quality wheat issued by FPS (1-2 time in the previous year). The families were however reluctant to file a complaint even when they were aware that District Grievance Redressal Officer (DGRO) are assigned to address the issues. The families that did went to complain (4 out of 40) received a positive response and the issue was resolved within 15 days. However, as stated by FPS owners, the supply to FPS is done at late hours and they have to accept whatever quality is provided. Also, being the election year, the monthly supplies were delayed to an extent of 7-10 days.

When asked for their opinion on whether they would prefer direct subsidy transfer under which they are provided cash subsidy of the amount of difference between the market price and FPS issue price or food coupons which can be redeemed at any authorized provision store, the majority of the families (33 out of 40) preferred food coupons.

The reasons cited were:

a. The uncertainty of timely transfer of cash to their accounts. Families are generally of the opinion that these transfers would be met by delay caused by officials. If the money is not transferred timely they would not be able to purchase commodities.

b. The uncertainty of the prices of the commodity. The current situation of high inflation has caused an uncertainty about whether the prices would remain the same during the time the price is estimated by the government and the cash is transferred to their accounts i.e. the time of purchase. There is a chance that the prices may rise and thus the difference has to come out from their pockets.

4.2.3 An analysis of Haryana Region:

Allocation and prices mentioned on Haryana Food and Supplies Department website

<table>
<thead>
<tr>
<th>Commodity</th>
<th>BPL</th>
<th>Antyodaya Anna Yojana</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Allocation</td>
<td>Price/Kg</td>
</tr>
<tr>
<td>Wheat</td>
<td>3Kg/Person</td>
<td>2</td>
</tr>
<tr>
<td>Sugar</td>
<td>Max. 2 Kg/Card</td>
<td>13.50</td>
</tr>
<tr>
<td>Kerosene</td>
<td>Max. 8 ltr./Card</td>
<td>13.63</td>
</tr>
<tr>
<td>Total</td>
<td>5 Kg./Unit</td>
<td>35 Kgs./Card</td>
</tr>
</tbody>
</table>

Table 2: Allocation and Prices in Haryana
Haryana has a chain of 9219 Fair Price Shops (2673 Urban and 6546 Rural) to satisfy requirements of 2.50 Crore card holders.

The commission of Fair Price Shops are as follows:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Commission (in INR)</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>32</td>
<td>per quintal</td>
</tr>
<tr>
<td>Sugar</td>
<td>71</td>
<td>per quintal</td>
</tr>
<tr>
<td>Kerosene</td>
<td>438</td>
<td>per Kilo Litre</td>
</tr>
</tbody>
</table>

Table 3: Commission rates of FPS as per quantity

Average monthly margin of Fair Price shop is Rs. 3220.14 as stated on the Food and Supplies Dept. website of Haryana. The most significant variation in the Haryana PDS is the removal of APL from the subsidized distribution list. This was enacted to reduce the burden of subsidy on the state government as families coming under APL are better off than other weaker sections of the society. This can be considered a brave move considering that the Lok Sabha elections were near and the governments usually overspend on public policies to attract voters.

The BPL category has been expanded to include both Central BPL and State BPL families. Normally, state governments are allowed to state the limits of Poverty Line in their states, however the implementation of National Food Security Act has instead brought a category of Priority Households and no particular specification of the category has been stated in the bill. Thus the state governments are finding it difficult to categorize families under the category of priority households. To prevent chaos under this situation, the state government have expanded their BPL category. However Haryana Government has used an acceptable norms in which they have included the families coming under Below Poverty Line according to the Central Poverty Line specification and termed them as CBPL and maintained the status of the families under State specific Below Poverty Line as SBPL. This is more relevant as compared to Delhi PDS in which all families coming under either APL or BPL have been categorized under Priority Households, resulting in a high increase in subsidy expenditure.

The allocation and expenditure of Haryana Govt. for the year (2013-14) is as follows:

<table>
<thead>
<tr>
<th>State Allocation (in MT)</th>
<th>APL</th>
<th>Antyodaya BPL(CBPL+SBPL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>108989.6</td>
<td>211881.3</td>
</tr>
</tbody>
</table>

Table 4: Allocation and Expenditure of Haryana for year 2013-14
The allocation and expenditure for previous year (2012-13) was:

<table>
<thead>
<tr>
<th></th>
<th>APL</th>
<th>Antyodaya</th>
<th>BPL(CBPL+SBPL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Allocation (in MT)</td>
<td>NA</td>
<td>113731</td>
<td>128813.4</td>
</tr>
<tr>
<td>Expenditure (in Cr.)</td>
<td>NA</td>
<td>5.69</td>
<td>25.47</td>
</tr>
</tbody>
</table>

Table 5: Allocation and Expenditure of Haryana for year 2012-13

As evident the expenditure on Antyodaya Anna Yojana has declined but there is a high increase (about 47 per cent) in the expenditure on BPL cards. This affirms that allocation on per card basis is more cost effective than per unit as the number of families covered under the system remains the same. This would also prevent the government from the obligation of feeding every mouth and would thus motivate family planning by these families as they would not be able to provide basic facilities like shelter, food and education if they have a large family.

A survey of PDS card holders and FPS shops of Gurgaon and Sona region of Haryana was conducted to understand the issues faced in the proper implementation of the Public Distribution System. 39 households and 3 fair price shops participated in the survey, the details of the survey are as follows:

<table>
<thead>
<tr>
<th></th>
<th>BPL</th>
<th>APL</th>
<th>Antyodaya</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of families</td>
<td>25</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Avg Members</td>
<td>6</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Allocation</td>
<td>5/unit</td>
<td>NA</td>
<td>35/card</td>
</tr>
</tbody>
</table>

Table 6: Survey details of Haryana region

The families were aware of the prescribed allocation however there is no allocation of Rice in the state PDS and it has been substituted with equal allocation of wheat to the families. The colour of the cards were Yellow, Green and Pink for BPL, APL and AAY respectively. The prices to BPL and AAY were subsidized, however APL card holders also received 5kg/unit foodgrains at a price charged at 100 percent of the economic value. This price was comparatively lower than the market price thus APL families with relatively lower income still preferred to purchase from the Fair Price Shops.

An additional facility of wheat grinding was available at the fair price shops with a rate of Rs. 2-3/Kg. which was lower than the rates charged by other shops (Rs. 4-5/Kg.). This was beneficiary both to the PDS card holders and FPS owners. The card holders could directly get wheat flour instead of making an additional trip to the grinding shop and that too at a lower price. It also provided an extra source of
income to the FPS owners in order to compensate low commission rates. Thus the FPS owners were not concerned about the low commission rates.

A major anomaly witnessed was the long term suspension of some fair price shops which resulted in overburden on both stock and manpower on the nearby fair price shops. The average suspension duration noted of 3 fair price shops were above 6 months and was resulting in issues in proper distribution of foodgrains. The government should be more active in the cases of suspension as it would directly impact the supply-chain of the system. Whatever maybe the reason of suspension, the government should provide a deadline for resuming the functioning of fair price shop by resolving the issues quickly and take the required steps.

Apart from these issues, no major quality or supply issue was stated by the families and most of the families were content with the allocation.

A major environment issue that could be caused was providing subsidized kerosene to the PDS card holders. The government should take measures to promote use of LPG or PNG by reducing or alleviating the subsidy on kerosene. The initial implementation can be done at regions where LPG or PNG connection are available in order to prevent chaos by sudden change in the subsidy or allocation of the kerosene.

### 4.2.4 An analysis of Uttar Pradesh Region:

Allocation and prices as per Uttar Pradesh Food and Supplies Department website:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>BPL</th>
<th>Antyodaya Anna Yojana</th>
<th>APL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Allocation</td>
<td>Price/Kg</td>
<td>Allocation</td>
</tr>
<tr>
<td>Wheat</td>
<td>23Kg/Card</td>
<td>4.65</td>
<td>-</td>
</tr>
<tr>
<td>Rice</td>
<td>12Kg/Card</td>
<td>6.15</td>
<td>-</td>
</tr>
<tr>
<td>Sugar</td>
<td>700g/unit</td>
<td>13.50</td>
<td>700g/unit</td>
</tr>
<tr>
<td>Kerosene</td>
<td>3-5 ltr/Card</td>
<td>12.5-13.5</td>
<td>3-5 ltr/Card</td>
</tr>
<tr>
<td>Total</td>
<td>35 Kg./Card</td>
<td>35 Kgs./Card</td>
<td></td>
</tr>
</tbody>
</table>

Table 7: Allocation and Prices of Uttar Pradesh region

Since the implementation of NFSA, the allocation of all categories has been normalized to 35 Kg/Card, however the prices as per NFSA have only been allocated to Antyodaya Anna Yojana. The prices for BPL card holders are pegged at 50 percent of the economic value of the commodity and transportation and other overhead charges. The prices for APL card holders are at 100 percent of the economic value of
the commodity and other overheads. The overheads include transportation charges and commission rate of fair price shops.

The prices are lower than the market prices of the commodity as the Minimum Support Price (MSP) set by government is lower than the prices the farmer can receive if it is sell to a retail supplier. The average market price of wheat flour is Rs. 22 and that of rice (comparable to the quality sold at FPS) is Rs. 35.

A survey of 39 PDS card holder households and 4 fair price shops from Ghaziabad and Lucknow region was conducted to identify certain issues related to the functioning of state public distribution system.

The details of the survey is as follows:

<table>
<thead>
<tr>
<th></th>
<th>BPL</th>
<th>APL</th>
<th>AAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>21</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Avg Member</td>
<td>8</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 8: Survey details of U.P region

The basic commodities like wheat and rice are issued from 5th to 21st of every month through fair price shops. For specific commodities like kerosene and sugar certain days specified as Vishesh Vitran Divas are communicated through local newspapers to inform the card holders about the days when the specific commodity would be distributed through fair price shops. Normally 3 days are allocated for the distribution of these commodities every month. This mechanism helps in keeping the damage in check as the dates of distribution of these fragile commodities are usually the next day of the arrival of the commodity at the fair price shops. A roaster is kept both at the godowns and fair price shops specifying the dates of procurement and distribution of the commodity.

The distribution of the commodities through fair price shops was done smoothly however despite the state specification of 1 fair price shop for 4000 units, the fair price shops were overburdened as the average coverage of fair price shops was estimated at around 5000-6000 units. The major reason was the relative high increase in the population compared to the rate of introduction of new fair price shops. The allocation of fair price shops is conducted on the basis of information received through Census 2011 and in the next three years there has been an increase in the number of members per card and new card holders.

However the issue related to increase in number of members per card was addressed by introducing allocation on per card basis for each category. The basis year for population estimation is 2001 and has not been updated since then. This has caused an imbalance between the demand and allocation of the state. The improper specification of allocation of a particular commodity (mainly wheat and rice) has also caused an imbalance in the supply chain of PDS. To counter the issue
8 regions of the state namely Faizabad, Varanasi, Devipatan, Allahabad, Mirzapur, Gorakhpur, Basti and Azamgarh have normalised AAY allocation to 10 Kg. Wheat and 20 Kg. Rice. It is necessary to specify the allocation of these commodities in other regions to support a consistent supply chain system by preventing the deficiency or excess of a particular commodity due to over or under-allocation to the region.

Monthly allocation of foodgrains to Uttar Pradesh by Central Government for year 2013-14 and 2014-15 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>APL</th>
<th>BPL</th>
<th>AAY</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>231945</td>
<td>230475</td>
<td>143290</td>
<td>605710</td>
</tr>
<tr>
<td>2014-15</td>
<td>154630</td>
<td>230457</td>
<td>143308</td>
<td>528395</td>
</tr>
</tbody>
</table>

Table 9: Comparison of Allocation of U.P for year 2013-14 and 2014-15

As evident after the implementation of allocation on per card basis, the burden of allocation and thereby the expenditure has been reduced by 14 per cent.

4.2.5 Overall analysis of the survey:

Total number of families surveyed: 114

Total number of members (units): 770

Chart 1: Distribution of households surveyed by category  
Chart 2: Distribution of total members of the surveyed family
Chart 3: Category-wise calculation of Average Units (members) per card

Chart 4: Category-wise calculation of average allocation per card
5. Recommendations, Scope and Strategy for Implementation

5.1 Recommendation & Scope

1) **Recommendation:** In Delhi, the prices of commodities have been equalized throughout all the categories. However, after analysing the current condition some changes can be implemented:

1. Increase monthly allocation of BPL from 5 to 6 kilograms per person by increasing the allocation of wheat to 5 kilograms and keeping rice allocation constant. This would be able to completely satisfy the requirements of BPL families.
2. Increase allocation of AAY from 35 to 40 kilograms per card as it became evident that the families were larger in size and being in AAY was resulting in a lower allocation with respect to equal sized BPL families.
3. Increase the commission of FPS owners to Rs 50 per quintal.
4. Increase the issue prices of APL to incorporate the additional expense (transportation and commission expenses) in the prices of commodity. The transportation expense is Rs 60 per quintal and new commission expense is Rs. 50 per quintal.

**Scope:** A reduction in government expenditure on subsidy under PDS by Rs. 2.33 crores along with increase in allocation of BPL families to 6 kg per person and AAY to 40 kgs. per card.

**Flowchart:**

<table>
<thead>
<tr>
<th></th>
<th>AAY</th>
<th>BPL</th>
<th>APL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>1502</td>
<td>2765</td>
<td>8121</td>
</tr>
<tr>
<td>Wheat</td>
<td>3755</td>
<td>6293</td>
<td>27474</td>
</tr>
</tbody>
</table>

Table 10: Current allocation of Delhi category wise

<table>
<thead>
<tr>
<th></th>
<th>Economic Value</th>
<th>CIP</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>8.3</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Wheat</td>
<td>6.1</td>
<td>2</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Table 11: Difference between Economic value and issue price

<table>
<thead>
<tr>
<th></th>
<th>AAY</th>
<th>BPL</th>
<th>APL</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>8711.6</td>
<td>16451.75</td>
<td>50756.25</td>
<td>75919.6</td>
</tr>
<tr>
<td>Wheat</td>
<td>17273</td>
<td>29891.75</td>
<td>138743.7</td>
<td>185908.5</td>
</tr>
<tr>
<td>Total</td>
<td>25984.6</td>
<td>46343.5</td>
<td>189500</td>
<td>261828.1</td>
</tr>
</tbody>
</table>

Table 12: Government Expenditure as per current prices and allocation (in Rs.'000)
**Table 13**: New Expenditure after the implementation of the recommendation (in Rs. ‘000)

<table>
<thead>
<tr>
<th>New Govt Exp</th>
<th>AAY</th>
<th>BPL</th>
<th>APL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>8936.9</td>
<td>16866.5</td>
<td>43041.3</td>
</tr>
<tr>
<td>Wheat</td>
<td>20464.75</td>
<td>36578.06</td>
<td>112643.4</td>
</tr>
<tr>
<td></td>
<td>29401.65</td>
<td>53444.56</td>
<td>155684.7</td>
</tr>
</tbody>
</table>

**Table 14**: New issue prices of FPS

<table>
<thead>
<tr>
<th>Issue Price</th>
<th>AAY</th>
<th>BPL</th>
<th>APL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>3</td>
<td>3</td>
<td>4.1</td>
</tr>
<tr>
<td>Wheat</td>
<td>2</td>
<td>2</td>
<td>3.1</td>
</tr>
</tbody>
</table>

**2) Recommendation**: Since the implementation of NFSA, states are finding it difficult to categorize the households under the category of Eligible households. To normalize the situation across states it is necessary to provide a mechanism of identifying whether a particular family comes under Eligible household category to prevent unnecessary expansion of the PDS. Following mechanism can be implemented at Central or State level to identify Eligible household families:

1. Identify the family income of the households from the data provided by the current Census (Census 2011), sort the families according to income to identify bottom 75 percent rural households and 50 percent urban households. The income thus derived can be used as a benchmark to identify the Eligible households.

2. Maintain the status quo of the Antyodaya Anna Yojana family, however normalize the base year to the current Census year (2011) to correctly identify the number of families coming under AAY. The income limit is to be maintained at 15,000 per annum.

3. For Priority Households, instead of a per unit allocation, implement a per card allocation in order to prevent overburden on PDS to accommodate the large families and promote family planning among these households. The allocation should be limited to 30 Kg./Card with an option of review. This limit is identified by considering a family of 6 persons including a 2 children limit. For any increase in the number of children above this limit there would be no increase in the allocation, however if an adult member is included in the card beyond the limit of 6, an increase in allocation of 4 Kg./card would be provided which would successively decrease i.e. increase of 3Kg./card for the 8th member, 2Kg./card for the 9th member and so on. This would reduce the burden on the system to accommodate large families and promote family planning. It would also result in a decrease in the duplication of members on multiple cards.

**Scope**: A proper estimation of the required allocation while considering the coverage of families as recommended by the committee. The resulted allocation is 62452.72 tons. This allocation would be able to suffice the requirement of 49.89 percent of the population.
Flowchart:

Following is the flowchart for Haryana State:

Estimated Population and coverage under NFSA, 2013

<table>
<thead>
<tr>
<th>(in Lacs)</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>165.315</td>
<td>88.216</td>
<td>253.531</td>
</tr>
<tr>
<td>Coverage</td>
<td>90.28</td>
<td>36.21</td>
<td>126.49</td>
</tr>
</tbody>
</table>

Table 15: Population and Coverage estimation of Haryana State

The coverage is estimated as per the recommendation by Chief Secretary of using the data as per the Socio Economic and Caste Census (SECC) conducted by Ministry of Rural Development and Ministry of Housing and Urban Poverty Alleviation Department, Government of India. 54.61 percent of rural and 41.05 percent of urban population is the target given by the Ministry of Consumer Affairs under NFSA, 2013. Total coverage for the state would be 49.89 percent of the population.

Category-wise estimate of population and number of families:

<table>
<thead>
<tr>
<th>(in Lacs)</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
<th>Families</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAY</td>
<td>8.26575</td>
<td>4.4108</td>
<td>12.66655</td>
<td>1.584569</td>
</tr>
<tr>
<td>Priority Households</td>
<td>82.01425</td>
<td>31.7992</td>
<td>113.8135</td>
<td>18.96891</td>
</tr>
</tbody>
</table>

Table 16: Estimation of AAY families and Priority Households

The AAY population has been estimated as 5 percent of the total population as the criteria set by the government while estimating the family income of the families to be included in AAY was to include the 5 percent of the population which were termed as poorest of poor. To calculate the number of families, the average family size as derived from the survey results (8 for AAY and 6 for BPL) was used.

Allocation to the estimated number of families as per the recommendations:

<table>
<thead>
<tr>
<th>(in Tons)</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAY</td>
<td>3616.266</td>
<td>1929.725</td>
<td>5545.991</td>
</tr>
<tr>
<td>Priority Households</td>
<td>41007.13</td>
<td>15899.6</td>
<td>56906.73</td>
</tr>
</tbody>
</table>

Table 17: Allocation as per the stated recommendations

The allocation is as per the recommendation of 35 Kg. for AAY and 30 Kg. for Priority households. Since in the survey the average family size of these families was 6, thus no additional allocation is required.
6. Suggestions for future work

To diversify the study of Public Distribution System, it is necessary to conduct surveys in several states to understand the variations in the implementation and consumer feedbacks of Public Distribution System. The research could further be extended to include the survey of other states.

The food grain consumption variations across states can be identified that further help in providing a detailed overview of the requirements variation of the people and analyse whether it could be met by modifying the current PDS in a cost effective manner.
7. Conclusion

In order to have a positive impact of a social policy, it is necessary to have a periodic review of the system in place so that the policy is able to achieve its desired goal. A comprehensive review of a social policy cannot be achieved without understanding the requirements and issue of the final beneficiary. A thorough analysis of the operational structure is important to understand the functioning of the system. After collaborating the findings we would be able to provide an efficient review of the strategy which can provide measures to strengthen the policy and help it in achieving its objective more effectively.

Here a comprehensive review of the current Public Distribution System has been provided after detailed analysis of the operational structure and a comprehensive survey of the PDS card holders. The issues identified have been stated and certain recommendations have been provided to rectify the problems. The aim of the proposed recommendations is to provide a cost effective resolution of the issue currently faced by the system. If a good trade-off policy can be designed that can be beneficiary in uplifting of the financially weaker section of the society, it can be readily accepted as the nation can only prosper if all the sections of the society are benefitted.
8. References

1. Dr. Ruth Kuttumuri “Food Security and Targeted Public Distribution System in India”, LSE Asia Research Centre (38)(2011):10-23
5. http://www.pdsportal.nic.in/
8. Planningcommission.nic.in
9. Dfpd.nic.in
9. Most Important Learnings

1. In Karnataka, instead of allocating BPL cards on family income, introduced a list of 15 categories of family that cannot be granted BPL cards. These categories included family with a two-wheeler with 100 CC capacity, a government employee, an income-tax payer and those having three hectares of dry land. The families not falling under these categories were eligible for a BPL card. It seemed like a much better and comprehensive criteria than the family income criteria we currently have.

2. The BPL families are limiting their consumption to their current allocation majorly due to huge difference between the market price and the issue price of FPS. Thus government needs to increase their allocation to provide them sufficient food grains and have a better target of the subsidy.

3. When asked for their opinion on whether they would prefer direct subsidy transfer under which they are provided cash subsidy of the amount of difference between the market price and FPS issue price or food coupons which can be redeemed at any authorized provision store, the majority of the families (around 90 percent of the 114 families surveyed) preferred food coupons.

4. Jammu and Kashmir is the only state that has a full 35 Kg. allocation of foodgrains to all categories of Card holders when Food Security bill has allocated this quantity specifically to Antyodaya Card holders (economically weakest section of society). The state has been provided a fairly good allocation under the Public Distribution System.
10. Appendix A

Meetings and Interviews

Date: April 07, 2014
Time: 6:30 PM
Duration of Discussion: 2 hours

Discussion [Please use bullets]:

1. Mentor asked the basis and motivation behind taking the project
2. Mentor suggested me to proceed further by specifying and reviewing the tasks to be undertaken to formulate the objective
3. Mentor provided me referral to different ministry officials to understand the operational structure of the Public Distribution System

Action Items before next discussion, please include timeline:

1. Meetings with the Food Commission officials [3 days]
2. Research on the evolution of the Public Distribution System [1 day]
3. Research on the study material provided by the officials [2 days]
4. Contemplate the findings on the operational structure of the system [1 day]

Date: April 28, 2014
Time: 4:00 PM
Duration of Discussion: 1 hour

Discussion [Please use bullets]:

1. Report on the operational structure of the Public Distribution System
2. The detailed overview regarding the information provided by the officials of food commission was delivered
3. Questionnaire designing for the Consumers and owners of Fair Price Shops
4. Detailed discussion regarding the main objective and further course of action

**Action Items before next discussion, please include timeline:**

1. Questionnaire for consumers and owners of Public Distribution System
2. Pilot survey to understand whether the questionnaire is able to provide the required inputs that can provide both qualitative and quantitative data

**Date:** May 26, 2014

**Time:** 6:00 PM

**Duration of Discussion:** 1 hour

**Discussion [Please use bullets]:**

1. Report on the survey findings of Delhi, Haryana and Uttar Pradesh PDS card holder families and fair price shops
2. Discussion regarding the approach to be taken for the analysis of the research findings.
3. Discussion on the recommendations to be formulated to increase the efficiency of the Public Distribution System

**Action Items before next discussion, please include timeline:**

1. Analysis of the survey findings of Haryana and Uttar Pradesh regions. [4 days]
2. Formulation of strategy that can be implemented at the national level to increase the efficiency of the system. [3 days]
11. Appendix B

Questionnaires:

11.1 Questionnaire for PDS card Holders:

1. Are you a PDS card holder?
   a. Yes
   b. No

2. Which type of card holder is the family?
   a. APL
   b. BPL
   c. Antyodaya

3. The family size
   a. 3
   b. 4
   c. 5
   d. 6 or more

4. Family income
   a. 10,000-50,000
   b. 50,001-1,00,000
   c. 100,001-2,00,000
   d. 2,00,000 and above

5. Do you purchase commodities from FPS
   a. Yes
   b. No
6. Are you aware of the prescribed allocation stated by the government for specific card holders
   a. Yes
   b. No

7. What is the average monthly consumption requirement of the family
   a. Wheat-
   b. Rice-
   c. Sugar-
   d. Kerosene-

8. Is the consumption satisfied by the current allocation under PDS
   a. Yes
   b. No

9. Average monthly purchase from the FPS
   a. Wheat-
   b. Rice-
   c. Sugar-
   d. Kerosene-

10. What is the difference in the pricing of a provision store vis-à-vis FPS prices
    a. Wheat-
    b. Rice-
    c. Sugar-
    d. Kerosene-
11. For the given price are you satisfied by the quality of commodity provided by FPS
   a. Yes
   b. No

12. Is there any instance of wrongdoing by the FPS owner
   a. Yes
   b. No

13. If Yes, What were the issues in concern

14. Are you aware of the grievance addressing committee
   a. Yes
   b. No

15. Which government official do you generally approach to address the issues

16. Were the grievances resolved
   a. Yes
   b. No

17. If the issue was not resolved, were you able to approach higher authority
   a. Yes
   b. No

18. How much time did it took to address the issue
   a. Within 15 days
   b. 15-30 days
   c. Unresolved till date

19. If PDS is discontinued, which option would you prefer most
   a. Direct subsidy transfer- Cash transfer of specific amount according to the government prescribed nutritional amount
   b. Food coupons-Providing food coupons to the family which can be redeemed by the family from any provision store at the given government issued pricing
11.2. Questionnaire for Fair Price Shop Owners:

1. How long has the FPS been in operation

2. Who is the major customer of the FPS
   a. APL
   b. BPL
   c. Antyodaya

3. Has the FPS been able to run feasibly (cost effectively):
   a. Yes
   b. No

4. If No, why are you still continuing with the business

5. What is the average monthly purchase of
   a. APL-
   b. BPL-
   c. Antyodaya-

6. Have there been any issues in the proper running of FPS in recent years:
   a. Yes
   b. No

7. If Yes, what was the reason
   a. Supply
   b. Demand
   c. Any other, specify (bribery etc.)

8. If Supply
   a. Insufficient supply
b. Irregular supply

c. Poor quality

9. If Demand

a. Lower than average demand (month)

b. Excessive demand (month)

c. Customers demanding a commodity not available in FPS

10. Any specific instance of the issues

11. Steps taken by government authorities to address the issues

12. What were the noticeable improvements after the implementation of those steps

13. Which other commodity is highly demanded by the customers
“The highest measure of democracy is neither the ‘extent of freedom’ nor the ‘extent of equality’ but rather the highest measure of participation.”

- A.D. Benoist

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