

Revamping PDS – Alternatives

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The Public Distribution System in India has been a critical life-line and a safety net, especially for the Very Poor (Below Poverty Line) and Lower Income Groups, in ensuring supply of select essential commodities at subsidized rates and thus insulating them, to a great extent, from inflation. But it is widely known and acknowledged that the loopholes in the system have been exploited by various vested interests which has made the system decrepit defeating its objectives to a considerable extent.

A number of studies have gone into its working and some of the State Govts, , it must be said to their credit, have made concerted efforts to plug the loopholes and streamline it.

The paper below analyses its present state and what needs to be done to remove its deficiencies and put it on a much more sound footing. It analyzes the options before the Govt. and suggests some radical measures to pull it out of the mess in which it finds itself now. It is also the conclusion in this paper that neither the system of providing Cash or Food Coupons to beneficiaries, which is being mooted in some quarters, will work in Indian conditions, and that the best course is to strengthen the existing system by adopting some radical measures.

The impact of implementing the reforms in PDS, as outlined here, on the livelihood of the masses, will be comparable, both in scope and scale, to the widespread benefits resulting from the introduction of schemes like MNREGA and National Food Security Act (NFSA). In fact, even the successful implementation of NFSA will depend on the adoption of the kind of reforms suggested here.

Public Distribution System (PDS) of India is one of the largest such exercises in the world under which, month after month, essential commodities are supplied to millions of citizens through hundreds of thousands of retail outlets – **Fair Price Shops (FPS)**. An estimated **91 million households** – i.e., 45 % of the total households in India – comprising a **population of 400 million** (the total number of households in India as per

2001 Census was 191.96 million) are accessing the PDS facility through a network of about **478,000 FPS** spread across the country. While the objectives of the Scheme are laudable, it is well-known that its implementation is far from satisfactory, nay, even deplorable. Some of the major infirmities of the system are listed below.

2. Existing Scenario and its Drawbacks

- **A) Poor infrastructure:** Fair Price Shops (FPS) under the PDS suffer from poor infrastructure. Almost every PDS shop is housed in cramped accommodation, often just a small room, with grossly inadequate space for storage and its proper functioning;
- **B) Location:** They are mostly located in congested localities, in unhygienic environs, especially in Urban areas. The customers who come to buy their requirements have to stand in long queues on the road-side and in the open;
- **C) Storage facilities:** Storage facilities for items in the shops are most unsatisfactory – conditions in most places are ideal for rodents and other creatures to feast on the items during closed hours of the shop;
- **D) Improper staffing:** The shops are left in the care of individuals /Agents who, in many cases, are semi-literate persons with inadequate education and training in rendering such a vital and critical service to the community (and most of the FPS clientele are also semi-literate or illiterate) which calls for a great degree of commitment and service motive;
- **E) Lack of transparency:** There is complete lack of transparency in the operation of the system which enables the functionaries of the FPS to falsify records, deny the legitimate requirements of customers on the specious plea that stocks are not available and to divert stocks to the Open Market for selling at higher prices / profiteering;
- **F) Lack of communication:** Non-display of stocks received, sold and held, and price of items on Notice Board for information of Users/public as required under rules;
- **G) Irregularities in operations:** There are complaints of FPS charging higher than the prescribed price for items, under-weighting items, supplying poorer quality stocks and diverting better stocks to Open Market;
- **H) Wilful harassment of customers:** Beneficiaries having to make repeated visits to obtain certain items due to irregular supplies or concealment of information by the Store;
- **I) Helplessness of FPS customers:** The fact that a good majority of PDS beneficiaries belong to lower income groups, are less educated and hence quite vulnerable is taken advantage of by the FPS functionaries as they know they are not in a position to prefer any complaint against the PDS shop.
- **J) Unwillingness of customers to complain:** The beneficiaries are also chary of making any complaint fearing reprisal and unhelpful attitude on the part of FPS functionary towards the complainant which factor is exploited by the FPS shop operative;

- **K) Virtual lack of supervision/monitoring of FPS:** The situation is made all the worse by a virtual lack of supervision/monitoring over the services of FP shops and what little supervision is there is rendered ineffective due to factors like negligence, collusion of supervising personnel with FP shops and corruption.

3. Need for a new PDS / FPS Architecture

3.1 **FPS to be Co-operative Stores :** First and foremost, there is need for a **total change in the Organisational set-up of the PDS / FPS**. The entire chain of FP shops, both in Urban and Rural areas, should be taken out of the hands of individual Agents, wherever it is so, and run as a Co-operative set-up – Co-operative Stores – with proper arrangements for the Accounting of Stocks, Sales and Revenues and **strict monitoring of FP stores by Citizens’ Oversight Committees** in each area. (see Section 12 below). The FP Co-op. Stores will be placed under the Co-operative/ Civil Supplies Deptt. in the States.

3.2 **Capacity of a FP Store :** Presently, a FP store may be catering to / serving 500 to 800 families (Ration Card holders) in Urban areas and about 200 too 500 families (or even less depending on the population in the village(s) covered) in Rural areas. FP stores in Urban areas could serve more families to make the store a viable entity, especially after their **re-organization, modernization and computerization** as envisaged in this paper.

4. FP Shops to be Staffed with Women :

4.1 Considering that FP Shops are meant to cater to the essential needs of Households, this work can be ideally and best handled by women. A sizeable section of customers who come to buy items is also womenfolk who can have better interface with female staff. The scope and tendency for malpractices, now prevalent on large-scale, will also be considerably reduced, if not eliminated, by feminizing the staffing of FPS.

4.2 Women for FP stores may be drawn from various Women’s Self-Help Groups (in some States this system is already in vogue) in Urban & Rural areas, which are already existing or to be newly formed. 2 or 3 (or more) women, based on the No. of Families / PDS Card-holders to be served, may be engaged to serve in these Stores They will be paid suitable Honorarium for their services. The resources for this will be found from the money saved from Commission now being paid to FPS Agents and with additional funds being provided as required

5. Provide Better Infrastructure: Scope and Need for PPP Mode

5.1 The FP Co-op. Stores in **Urban areas** will be housed in **accommodation to be constructed** on a portion of plots belonging to Govt. – such as Municipal / Corporation sites or sites belonging to Govt. depts. like Revenue, PWD, Electricity Board, etc. The Stores will have to be located, as far as possible, close to areas habited by Lower Income Group families, who are the major beneficiaries of PDS .The Stores in

Rural areas will be located in a Hall to be constructed in the compound of Panchayats, wherever there is space, or otherwise, on a plot as close to Panchayat Office as possible. Proximity to Panchayat Office is suggested as it will ensure better watch over the functioning of the Store.

5.2 The accommodation required will be mostly limited (depending again on No. of Card-holders to be served) – a spacious Hall with a Storage Room. The Hall should be sufficiently spacious to provide for 2 to 3 (or more) counters and queueing space for the customers inside as against the present practice, in most places, of beneficiaries having to stand on the road to procure the items.

5.3 It has to be particularly ensured that the **Storage Room and Storage arrangements** (shelves/racks) are so planned and built as to ensure hygienic condition, free from the menace of rodents, etc.

5.4 **Construction of FP Stores through Public-Private Partnership (PPP) mode:** This is suggested as the No. of Stores to be built will be very large and dispersed, and it will be difficult for Govt. alone to undertake such a mammoth task. Also many private bodies like Corporate houses / firms, Industry / Trade / Merchants Associations, etc. will be willing to undertake this task in their respective areas as a part of Corporate Social Responsibility (CSR). Besides, many philanthropic families / individuals, Rotary/Lions Clubs and other Social Welfare organizations in Urban and Rural areas will come forward to participate in a laudable societal venture like this. Their participation / contribution may be suitably acknowledged in the FPS building.

6. Why the Need for Better Infrastructure for FPS ?

6.1 Middle and Upper classes source their requirements of Groceries, etc. at large, modern Supermarkets, Departmental Stores, etc. which have now been mushrooming in Urban and even semi-Urban centres. As against this, the Low Income/ BPL Groups get their Essentials through the ill-equipped, congested and unhygienically-located FP Shops, which not only present a forbidding appearance but also offer most unsatisfactory services with complaints galore (of non-supply of items even when FP Shops receive adequate stocks, over-pricing, under-weight supply, false entries in Ration Cards, etc.,) which go virtually unheeded. This discriminatory situation in facilities available to different classes of society creates a '**Class Divide**' and feeling of neglect and dissatisfaction among the lower sections who now suffer it silently.

7. Issue Ration / Family Card in the name of Female member of the family

7.1 The Ration or Family Card should be issued in the name of the female member, i.e., wife / mother, instead of the male member as is the case now, because the Card is issued primarily to empower the family to buy food rations for the family. Thus while the Card will list all members of the family, the Card will be issued in the name of the female member (except where there is no elder female member). The power to apply for Ration / Family Card, to apply for incorporating any changes in the composition of the family,

transfer of the Card to a new address, its cancellation, etc. will vest only in the person in whose name it is issued as suggested above.

7.2 The Card will carry the photos of both the elder female and male member of the family – i.e., of wife and husband (except where there is only one of them) – instead of that of the male member only as at present.

7.3 There is an analogous case of houses built for the weaker sections in rural areas with grant from the Govt. under the Indira Awas Yojana (IAY) scheme of the Ministry of Rural Development, Govt. of India being allotted only in the name of the female member of the family, in whom all rights for the house rest, as a measure to empower women and ensure their security.

8. Transparency in Operations:

8.1 This is the most crucial link in the chain of operations of PDS. Every FP store should have a Notice Board prominently displayed in the Store, for viewing by customers, which will show for each item the Total Stocks held and their Unit price. Additional columns will be provided to show further Stocks received, Total sold and Balance stocks held. (see Table given below). **This Board should be updated every day** at the close of the day. Suitable easy-to-write Display Boards can be provided for this purpose.

8.2 **At present, though Rules provide for this procedure, either a Board is not kept at all or if the board is displayed, it is intentionally not filled up to keep information on Stocks received and sold under wraps.**

Notice Board

Date :

Item	Unit Price (Per kg/ltr)	Opening stock	New stock received	Total sold	Balance stock
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9. Computerised operations & Accounting :

9.1 All FP stores should be provided with **Electronic Cash Registers (ECR's)** at each Sales Counter in which every sale effected will be automatically recorded and the transaction will be simultaneously printed by feeding the Family/Ration Cards into the ECR (just like Bank transactions are printed by Banks in the Pass Books of Depositors). The ECR's will be so programmed as to record every transaction done with quantities sold and price charged for each item for each Ration Card with the Ration Card No. and give Total sales effected and Balance stocks held of each item at the close of the day automatically. As and when fresh stocks are received, they will be entered in the ECR.

9.2 **Ration Cards with Bar Codes** : To prevent a Store from recording fictitious Ration Card Nos. and Sales without actually selling the items (with a view to divert such stocks to black market), the feasibility of issuing **Ration Cards with Bar Codes** should be explored so that only after scanning the Bar Code with a Scanner can a transaction be effected through the ECR's. It should be possible to programme the ECR's to ensure this. These steps will ensure that no fictitious sales can be effected as without having a Ration Card, sale cannot be recorded in the ECR, and no false sales can be shown since every sale will get recorded with prices charged in the system and in the Family/Ration Cards through the ECR and eventually give the Total Sales and Total Collections at the end of the day.

9.3 **The costs involved in issuing Ration Cards with Bar Codes, providing ECR machines and Scanners and UPS to ensure ability to operate ECR's even if there is power failure will be more than offset, in the long-run, by savings derived by preventing false sales, falsification of sales records and leakages in the system, and the benefits of ensuring a fairly fool-proof PD system thus benefiting millions of people.**

10. **Unique Identity (UID) Number / Card** : Once the proposed scheme of UID Number / Card (named “Aadhaar”) is also issued to PDS beneficiaries, it will be an additional check and help to further tighten the checks and prevent misuse as production of the UID Card along with the Family Card, at the time of procurement of PDS items, can be insisted upon. Perhaps, the **UID Card Number will have to be incorporated on the Family Card to make this check complete and even more effective**

11. **Training of Personnel :**

11.1 Staff recruited to work in FP stores will have some basic educational qualification, say, High school level, and need to be given initial basic training in the operation and first-line maintenance of ECR machines, use of Bar-Code Scanners, UPS, etc. (Presently, many such female personnel can be found at Sales Counters in Super markets who handle with competence ECR machines, Scanners, etc.)

11.2 Appropriate arrangements for the maintenance of ECR machines and other peripherals must be made at District and Tehsil levels.

12. **Monitoring PDS : Managing & Oversight Committees**

12.1 **Managing Committee** : In Urban centres, a Group / Cluster of FP Shops will be managed by a compact Managing Committee with one Representative from the District Administration – may be from Co-operative or Revenue Dept., 2 Reps. from Civil Society – preferably Social Activists or public-spirited persons, a Rep. of PDS Card-holders (who will serve in Voluntary capacity) -- and a qualified Accounts/Finance Officer from a local Govt. Dept. The entire Committee will be nominated by Collector/Dy. Commissioner of the District to whom the Committee will be answerable.

12.2 In Rural areas, i.e., villages, the Committee will consist of 2 Members from the local Panchayat, 2 Social Activists/Public workers, 2 Reps. of PDS Card-holders and an Accounts and Finance Officer from nearby Govt. office.

12.3 The **Managing Committee** will have overall responsibility for all aspects of the operations of the FP Shops, their satisfactory management, proper accounting of Stocks, Sales and Finances, and above all redressal of grievances of PDS customers. The Committee members will visit FP stores jointly or severally to inspect its working and check the records of sales, collections, stocks received, sold, held, etc.

12.4 **Oversight Committee** : Besides, in Urban centres where there will be a number of FP shops, there should be one or more Oversight Committees depending on the size of the City/Town and spread of FP Shops. This Committee will consist of 4 or 5 citizens from the local area who are socially-conscious and public-spirited persons ready to visit jointly FP Shops periodically. This Committee will have the authority to look into the books and check the Stocks of items in FP Shops. Members of this Committee will be drawn from a Panel of such persons (who could be retired persons from civil and defence services and private sector, local NGO's, Social organizations, Mahila Samajs, etc) who offer to serve in voluntary capacity for this purpose. The Panels will be kept at District/ Tehsil levels by District Collectors/ Dy. Commissioners of Districts.

12.5 Without putting such Monitoring and Control mechanisms in place, the system is bound to become again decrepit and dysfunctional.

13. Direct Cash Transfer / Food Coupons not advisable

13.1 There have been suggestions from various quarters that in view of the improper functioning of, and leakages in, the PD system, the heavy carrying and administrative costs involved without commensurate benefits to the targeted groups, the system of Direct Cash Transfer may be adopted under which a fixed amount of cash will be given to the eligible families to buy food rations. Alternately, they may be provided with Food Coupons with which they could buy rations of food, according to the entitlement of the family, from normal designated shops.

13.2 Both the above alternatives will not work in India as in many cases, especially among the lower and weaker sections of people who need food security the most, Cash will not be invariably utilized for buying rations. Instead, in many instances, the money granted will be frittered away in buying liquor, etc. leaving the family in the lurch. Even Food Coupons, if given, may be sold by the recipients to others for some consideration again leaving the family in dire straits.

14. Implementation on Mission Mode & Corporate Identity

14.1 As this will be a massive scheme and widely dispersed, with wide ramifications, it will have to be implemented on a **Mission Mode in a time-bound manner.**

14.2 Standard Designs & Corporate Identity for FP Stores: Standard architectural designs for FP stores, Counter and display arrangements can be prepared in consultation with eminent Architects to provide appropriate and pleasing ambience and ensure quality of construction. All FP shops will have uniform **Corporate Identity** – signages, emblems, logo, etc. so that every FP store anywhere in the country will have a distinct identity and can be easily identified and accessed by the public.

15. Conclusion & Summary of Proposals:

15.1 Neither the system of Cash Payment (CP) nor Food Coupons (FC) will work in Indian conditions, for reasons discussed in Para 13 above, and will lead to a serious breakdown of the system, which will make it even worse than the present system. And, what is more, it will lead to large-scale complaints from the beneficiaries which will be well-nigh impossible to redress.

15.2 The following steps / reforms are essential, in the present system, if we are to bring about a Qualitative change in the working of PDS and take it to a new, higher and perceptible level of efficiency :

- Infrastructure of Fair Price Shops (FPS) must be radically improved . (Para 5 above)
- Staffing pattern of FPS should be changed. (Paras 4 & 11)
- Ration / Family Card must be issued in favour of Female member of the family. (Para 7)
- Computerise the operation of all FPS both in Urban & Rural areas. (Para 9)
- Ration / Family Cards to bear Bar-coded Number & Unique Identity Number (Aadhaar) when it is issued. (Paras 9.2 & 10)
- FPS staff, who will have some basic educational qualification, must be suitably trained. (Para 11)
- Monitoring of FPS to be strengthened with Managing & Oversight Committees. (Para 12)
- Standard architectural designs will be evolved for FPS of various sizes to ensure uniformity and quality of construction. (Para 14.2)
- A common Corporate Identity for PDS and FPS should be evolved to ensure their easy identification throughout the country. (Para 14.2)
- The entire reforms and scheme should be implemented in a time-bound manner and on a PPP - Mission Mode, with the active involvement of Civil Society, throughout the country. (Paras 5.4 & 14.1)

15.3 Unless the Infrastructure of PDS is improved and structural changes in the control and staffing of FP Shops are brought about, as indicated / suggested above, the existing deficiencies will persist making PDS largely ineffective and not fulfilling the avowed objective to the desired extent.

15.4 The impact of implementing radical reforms in the Public Distribution System, as outlined above, on the livelihood of the masses, will be comparable, both in scope and scale, to the widespread benefits envisaged from the introduction of schemes like MNREGA and National Food Security Act (NFSA). In fact, the very success of NFSA will depend on such fundamental changes in the PDS.

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