

PDS with Cash Payment or Food Coupons : Why it won't work in India

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(Abbreviations used :

PDS : Public Distribution System ; CP : Cash Payment ; FC : Food Coupons ; NGS : Neighbourhood Grocery Store/Shop ; SM's : Supermarkets ; DS : Departmental Stores; FPS : Fair Price Shops.)

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 PDS may be replaced by a system of Direct Cash Transfer under which a fixed amount of cash will be given to the eligible families to enable them to buy food rations in the open market. Or, alternately, they may be provided with Food Coupons with which they could buy rations of food, according to the entitlement of the family, from designated shops in the open market as is the case in USA and some other countries.

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.

3. The proposed system also raises a number of crucial issues of how and whether, if at all, the Govt. could overcome them – critical as they are to its successful implementation. These are discussed below.

4. **Direct Cash Transfer** : If cash is paid, how will it be ensured that cash will be used only for the purpose for which it is given and not diverted or misused by the family or any of its members ? This is particularly relevant in the case of BPL families who need the PDS most and in whose case the scope for, and possibility of, misuse/diversion of Cash is even more. It is a well-known fact that among many PDS families, especially in the BPL/Low Income Groups in both Urban and Rural areas, one or more members are given to vices like drinking, gambling, wayward spending, etc. and there is every likelihood that any cash doled out to them for buying rations will be misused putting the family into jeopardy.

5. If any such misuse takes place, the family will be hit hard. There is no way the Administration can prevent this possibility unless it is decided to credit the Cash directly to a Designated Shop from where the Beneficiary Families will procure the items every month as per their entitlement.

6. **System of Food Coupons (FC's)** : If FC is issued, what is the guarantee that the Coupon will not be sold to a third party who may procure items on another family's

card. If, however, the Coupons are issued mentioning the Family Card Number, and production of Coupon and the Family Card at the time of procurement of items is insisted upon, such transfer/sale of Coupons can be checked to a large extent as transfer and misuse of Card may not be easy.

7. **Frequency of issue of CP or FC :** Will Cash be paid or FC issued once a year to families covered under the scheme ? Once-a-year issue will reduce the clerical and administrative work involved.

8. The **amount of Cash paid** or the **type of FC** issued will vary according to the entitlements of the family.

9. **Sourcing the items :** Will the beneficiaries be able to source their requirements with Cash Payment or Food Coupons from any of the Neighbourhood Grocery Stores (NGS) or Supermarkets (SM's) ?

or

Specified stores -- specified for each block/set of Family Card Holders (FCH's) ?

10. **Stocking the items :** Ensuring that shops stock adequate quantities of items covered under PDS and do not turn away families on the plea of non-availability of items will be a difficult task. This will be a **critical question especially in Urban centres** -- towns and cities -- with multiple shops as the shops would be spread out and monitoring them will be difficult. The task will be further complicated if beneficiaries are not attached to designated shops but are free to procure from any shop.

11. Also, unless the no. of families that will source their requirements is known, NGS or SM's will not be in a position to cater properly to all the customers who may approach these stores month after month, and many of the families may be turned away on the plea of non-availability of items, a problem existing in the present system.

12. **Quality of items :** Another important question is whether the PDS Card-holders will be supplied normal variety of rice, wheat, etc. at subsidized PDS rates or a different variety as is now being supplied through Fair Price Shops ? If it is the former, Govt. will have to make good the difference between the price of the item and the price paid by PDS beneficiaries to the Stores which will involve complex accounting processes. And if it is the latter, Govt. will have to ensure steady supply of the PDS variety of items to all concerned Stores which will involve complex logistical and inventory problems.

13. **Settlement of dues & Accounting :** Settlement of dues / claims by the shops will also be a complex process if FC's are issued. It will be even more difficult if beneficiaries can procure items from any of the Stores, and not a designated shop. Accounting and settlement of dues to Shops may be easier in mofussil / rural areas where there are just one or two shops from where beneficiaries will procure their monthly rations, but will be a complex matter in towns and cities with multiplicity of Shops authorized as sources of supply of PDS items.

14. **Conclusion** : The main merit in the proposed scheme of CP/FC will be the abolition of the vast chain of ill-equipped and ill-managed Fair Price Shops (FPS's) across the country, which is the bane of most of the last-mile delivery problems under the present system, resulting also in savings of remuneration/commission paid to these shops. It will free the system and the PDS beneficiaries from the stranglehold of these Shopkeepers, middlemen and smugglers who were playing havoc with the system.

15. But, as already stated, neither the system of Cash Payment nor Food Coupons will work in Indian conditions, for reasons discussed above. It will rather 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 owing to the widespread network involved in the system.

16. Taking into consideration the various factors discussed above, and in view of the complexities and drawbacks involved in the proposal to give Cash or Food Coupons, it would be prudent to adopt the proposal discussed in the Main Paper, which would be in the nature of strengthening the existing system by modifying it so as to plug the various loopholes in it. This, of course, calls for radical steps / changes requiring also the active participation of all Stakeholders – the Govt., Private sector, Civil Society and Citizenry at large.

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