

# India's Public Distribution System and Pandemic

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## Abstract

Public Distribution System (PDS) has evolved as a system of management of scarcity through distribution of food grains at affordable prices. Over the years, PDS has become an important part of Government's Policy for management of food economy in the country. It is additional in nature and is not intended to make available the entire requirement of any of the commodities distributed under it to a household or a section of the society. PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government, through Food Corporation of India (FCI), has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments. The operational responsibility including allocation within State, identification of eligible families, issue of Ration Cards and supervision of the functioning of Fair Price Shops (FPSs) etc., rest with the State Governments. Under the PDS, presently the commodities like wheat, rice, sugar and kerosene are being allocated to the States /UTs for distribution. Some States/ UTs also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oils, iodized salt, spices, etc. The vision of the project is to ensure Food Security for citizens of the country.

**Keywords:** Public Distribution system , Food Corporation of India, Food Security,

## Introduction

The **Public Distribution System (PDS)** is a food security system that was established by the Government of India under the Ministry of Consumer Affairs, Food and Public Distribution to distribute food and non-food items to India's poor at subsidized rates. Major commodities distributed include staple food grains, such as wheat, rice, sugar and essential fuels like kerosene, through a network of fair price shops (also known as ration shops) established in several states across the country. Food Corporation of India, a government-owned corporation, procures and maintains the PDS.

As of June 2022, India has the largest stock of grain in the world besides China, the government spends 750 billion. Food is procured from the net food surplus states, mainly from the smaller but richer states of Haryana and Punjab, which provide 70-90% of wheat & 28-44% of rice of India's Public Distribution System (PDS), which is then redistributed to other net negative producer states which produce less than what they consume. The distribution of food grains to poor people throughout the country is managed by state governments. As of 2011 there were 505,879 fair price shops (FPS) across India. Under the PDS scheme, each family below the poverty line is eligible for 35 kg of rice or wheat every month, while a

household above the poverty line is entitled to 15 kg of food grain on a monthly basis, redeemable with a card.<sup>[4]</sup> However, there are concerns about the efficiency of the distribution process. In coverage and public expenditure, it is considered to be the most important food security network. However, the food grains supplied by the ration shops are enough to meet the consumption needs of the poor. In the 1980s and 1990s, the PDS was criticized for its urban bias and its failure to serve the poorer sections of the population effectively. The Targeted PDS is expensive and until the early 2000s there was a lot of corruption (i.e., people did not get all of what they were entitled to).

### **How does the PDS System in India work?**

There are two systems of procurement of foodgrains: a Centralized Procurement System (CPS) and a Decentralized Procurement System (DCP). Under the CPS, the Food Corporation of India (FCI) is responsible for the procurement, storage, transportation, and bulk allocations of food grains to state governments. Under the DCP, state governments undertake direct purchase of foodgrains, and are also responsible for the storage and distribution under NFSA and other welfare schemes.

Food grains are procured from farmers by FCI or a state government, depending on the procurement system in place, at government-notified prices known as the Minimum Support Price (MSP). The total cost of procurement is then MSP plus other incidental costs such as transportation. The foodgrains are then sold by FPS at a subsidized price, which is called the Central Issue Prices (CIPs). The difference between the total cost of procurement and CIP is reimbursed by the GoI to FCI (in the case of CPS) and states (in the case of DCP) as food subsidy.

The PDS system faces several challenges and bottleneck issues. Firstly, over the past few years, there has been an increasing gap in GoI's allocation for food subsidies and reimbursements claimed by the FCI. Consequently, since 2013-14, FCI's debt has increased almost four times. The outstanding debt at the start of FY 2020-21 stood at more than 3 lakh crores as on 31 December 2020.

Secondly, there are significant exclusion errors with eligible beneficiaries not being able to access PDS. The current calculations of eligible beneficiaries is based on the 2011 Census data. Since 67% of the population is to be covered under NFSA, according to the 2011 Census, the number of beneficiaries to be covered comes up to 81.4 crores. However, this calculation does not take into account the population growth over the last decade. If we take the 2020 projected population as per the Ministry of Health and Family Welfare, an additional 10 crore beneficiaries should be covered under the NFSA.

### **India's Public Distribution System in the Pandemic**

The PDS system in India, with its focus on the distribution of food grains, took shape in the 1960s due to a critical shortage of food. In June 1997, the Government of India launched the Targeted Public Distribution System (TPDS), which was linked to poverty estimates. Under the PDS, states were required to formulate and implement foolproof arrangements for the identification of eligible beneficiaries for the delivery of foodgrains, and for grain distribution in a transparent and accountable manner at the level of the Fair Price Shop (FPS).

The National Food Security Act (NFSA) enacted in the year 2013, delinked the coverage under TPDS from erstwhile poverty estimates. Eligible households/beneficiaries under NFSA comprise the Antyodaya Anna Yojana (AAY) households and persons belonging to the Priority Households (PHH) categories. As per NFSA norms, among Priority households, each member is entitled to 5 kgs of grain

per month at Rs. 2/kg for wheat and Rs. 3/kg for rice. Antyodaya households get 35 kegs/month at the same price, irrespective of family size.

Coverage under NFSA was linked to the population estimates and inter alia entitles up to 75 % of the rural population and up to 50 % of the urban population to receive subsidized food grains under the TPDS. It thus covered nearly two-thirds of the country's population.

### **Importance in the Pandemic**

The global COVID-19 pandemic has overwhelmed India's health infrastructure and disrupted the economy. Additionally, recent data on malnutrition paints a worrying picture. India has one of the highest proportions of undernourished children in the world, in terms of both stunting and wasting. Moreover, the National Family Health Survey 2015-16 and 2019-20 rounds show that there is either stagnation or worsening of several malnutrition indicators in several states. (The NFHS-5 data pertain to the situation before the onset of the COVID-19 pandemic.)

Studies have shown that households continued consuming less food several months after the nationwide lockdown in 2020, than before it. A survey by the Centre for Sustainable Employment at Azim Premji University found that over 75 % of the households were eating less during the lockdown than before it. There was a slight recovery post-lockdown, but 60 % of the households still reported eating less than before the lockdown. Moreover, disadvantaged households have been disproportionately affected. For example, almost half of the informal workers in a survey said that they were eating less than before. In this context, PDS can be all the more important to help vulnerable families tide over the pandemic-induced food insecurity.

As the pandemic spread through the country, the GoI announced the Pradhan Mantri Garib Kalyan Anna Yojana, providing 5 kegs of rice or wheat and 1 kg of pulses to eligible people free-of-cost, in addition to the regular entitlement of quota of foodgrains. The scheme was initially meant to be implemented from April 2020 to June 2020 but was later extended till November 2020. In April 2021, as the second wave of infections spread, the GoI again announced 5 kegs of free foodgrains per person per month for the months of May and June. This was further extended till November 2021.

But, as systemic issues such as the significant exclusion errors of eligible beneficiaries persist, vulnerable families are likely to struggle to cope with the economic effects of the pandemic.

### **Efficacy of India's Food Security Response during COVID-19**

As part of its response to the COVID-19 outbreak, the Government of India (GoI) announced a range of programs under the Pradhan Mantri Garib Kalyan Yojana (PMGKY). The government provided free food grains for more than 800 million beneficiaries of the National Food Security Act (NFSA), 1 2013 under the Pradhan Mantri Garib Kalyan Anna Yojana (PM-GKAY). PM-GKAY targeted the bottom 67% of the population identified under NFSA. However, a new section of poor and migrant workers who lost their livelihoods due to the lockdown remained out of the ambit of NFSA and, possibly, other safety net programs. To address this segment, the government launched the Atma Nirbhar Bharat package. Together, these two initiatives made the food security coverage almost universal for the vulnerable population. Annex 1 provides the details of these programs. We discuss key lessons learned and findings on the performance of India's Public Distribution System (PDS) below.

**The importance of in-kind benefits**

When the pandemic disrupted markets and profiteering and inflation skyrocketed, many households were able to escape the lockdown thanks to in-kind support during COVID-19. Successful benefit delivery to disadvantaged households was made possible by India's well-established and vast PDS network. It is important to have a balanced mix of cash and in-kind benefits since food grains were distributed to beneficiaries more efficiently than cash benefits. It also emphasizes how important it is to fortify these mechanisms and give them a stronger beneficiary-centric focus.

The efficiency of delivery under PDS outperformed many leading cash transfer support programs announced under PMGKY during the lockdown, as illustrated in Table 1. This was despite the in-kind nature of the program that needed a massive supply chain to function. Households that reported that they did not receive food support in both rounds mentioned the unavailability of stock at fair price shops (FPSs) as the primary reason.

Reforms, such as portability under PDS, also made the system more beneficiary-centric and responsive. The portability of ration cards under the “One Nation One Ration Card (ONORC)” initiative facilitates the divisibility of entitlements and helps migrant beneficiaries access their entitlements despite migrating to a different village, town, or state. Realizing the potential and importance of ONORC during the crisis, the GoI accelerated its implementation<sup>3</sup> and made it an integral part of the AtmaNirbhar Bharat Abhiyaan.

**Table 1: Delivery of benefits under different support programs announced as part of PMGKY, as reported by respondents during the two rounds of the study**

Type of support	Program	% of households that reported receiving benefits (May, 2020)	% of households that reported receiving benefits (September, 2020)
Cash support	Multiple programs	57%-84%	75%-95%
In-kind support	PDS	91%	94%

PDS in India relies on the Biometrically Authenticated Physical Uptake (BAPU) model to deliver food grains. Many states suspended biometric authentication temporarily to limit the spread of COVID-19 and ensure the safety of beneficiaries.

**Distribution of Foodgrains During Covid-19 Crisis**

Under the Phase-I of the pro-poor Pradhan Mantri Garib Kalyan Anna Yojana (i.e. PMGKAY-I), the Department on 30.03.2020 had allocated a total of about 121 Lakh Metric Tons (LMT) of foodgrains to all States/UTs for additional free-of-cost distribution to the beneficiaries covered under the National Food Security Act, 2013 (NFSA) for a period of 3 months i.e. from April to June 2020. As per reports available in the Department, an average of about 94% foodgrains were distributed by States/UTs in each of the three months of under PMGKAY-I.

In July, the scheme was further extended for a period of another 5 months i.e. from July to November 2020, and under Phase-II of the scheme (i.e. PMGKAY-II), the Department on 08.07.2020 had allotted

approx. 201 LMT foodgrains, free of cost, to all States/UTs for a period of 5 months. So far, under PMGKAY-II, as reported by States/UTs, about 90% and 85% of monthly foodgrains for the months of July and August 2020 have been distributed, whereas for the month of September nearly 20% foodgrains have been distributed.

Under the Targeted Public Distribution System (TPDS) reforms, the Department is implementing One Nation One Ration Card (ONORC) plan with an objective to introduce nation-wide portability of all NFSA ration cards and enable the migrant ration card holders under the Act, to seamlessly access the Public Distribution System (PDS) anywhere in the country and lift their entitled foodgrains from any electronic Point of Sale (ePoS) enabled Fair Price Shop (FPS) of their choice, by using their existing/same ration card after biometric/ Aadhaar authentication on ePoS device at the time of lifting of foodgrains from the FPS. So far, this facility is enabled in 26 States/UTs covering about 65 Cr. beneficiaries, i.e. nearly 80% of total NFSA population in the country. In wake of the COVID-19 crisis, the implementation of ONORC plan has been made an integral part of the Atma Nirbhar Bharat Abhiyan (ANBA).

### **Food Security Response During Covid-19 and PDS Best Practices in some States/Union Territories**

As the COVID outbreak started, the Government of India announced food safety schemes like the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) for NFSA beneficiaries and Atma Nirbhar Bharat Package (ANB) for Migrants/Stranded Migrants easing the hardships faced by the poor/vulnerable beneficiary due to economic disruptions caused by the COVID-19 outbreak.

This compendium aims to highlight the joint efforts of The Government of India and UNWFP India in ensuring food security during the COVID-19 crisis in India by swift and efficient response through India's Targeted Public Distribution System (TPDS), ensuring inter and intra State Portability of Ration Cards in TPDS through One Nation One Ration Card Scheme, reducing transportation cost through Supply Chain Optimisation, conducting social audit and awareness generation, bringing PDS operations on to a single window through a central dashboard and introducing rice fortification.

### **Persistent problems with PDS: An assessment of the Covid-19**

This note summarizes the findings of a survey conducted by students at IIT Delhi to evaluate the functioning of the PMGKAY scheme across Uttar Pradesh, Haryana and Punjab. It reveals that many households did not receive their entitled ration during the pandemic, and highlights disparities in the states' distribution efforts along with long-standing issues of the Public Distribution System like exclusion errors due to difficulty in obtaining ration cards for family members, and AAadhar-linkage.

On 23 December, the central government announced the roll back of the temporary *Prime Minister Garib Kalyan Ann Yojana* (PMGKAY) scheme. Piyush Goyal, the Union Minister for the Consumer Affairs, Food and Public Distribution Ministry announced that the subsidised food grains under the National Food Security Act (NFSA) will continue to be provided for free from January 2023. "The free portion of that scheme [PMGKAY] has been added to the NFSA. Now, the entire quantity of 5 kg and 35 kg under the NFSA would be available free of cost. There is no need for additional food grains," he was quoted as saying in media reports.

The PMGKAY scheme, launched in April 2020 – in response to the Covid-19 pandemic and the lockdown imposed to mitigate it – provided an additional five kilograms of ration to existing beneficiaries under the NFSA. The government claimed that around 800 million priority households



(PHH) and *Antyodaya Anna Yojana* (AAY) card holders under NFSA had benefited from the PMGKAY scheme.

When the PMGKAY was operational, there were multiple reports of people not receiving the ration but few systematic studies of the problem. The discontinuation of the scheme from January 2023 presented a last chance (before recall issues would undermine such an attempt) to conduct field surveys to not only estimate the extent of exclusion, but also to audit the functioning of the scheme during Covid.

**Minimum Support Price and Public Distribution System**

The survey instrument was also designed to estimate the number of households which were receiving ration under the PMGKAY scheme, while also selling their produce to the government at Minimum Support Price rates, thereby simultaneously benefitting from both. Our findings suggest that the overlap between the two is small, in part due to the high incidence of landless households in the sample (see Table 2).

More than two-thirds of the sample households were landless, and among those who did own land the average land holding size was 0.5 acres. Around 10% of the respondents reported that they sell food grains to the government. This proportion was highest in Aligarh, where the proportion of landless households (54%) was lowest among the survey districts.

**Table 1. Households benefiting from PDS and MSP**

	Overall sample	Sonipat (Haryana)	Aligarh (Uttar Pradesh)	Ludhiana (Punjab)
<b>Proportion (%) of landless households</b>	69	69	54	88
<b>Average landholding size (among households that own land), in acres</b>	0.5	1.08	0.7	0.2
<b>Proportion (%) of PHH households that cultivate either wheat or rice and sell to the government</b>	8.12	6.6	12.9	4.4

**Lack of documentation and other exclusion issues**

The survey also revealed other malpractices. In all the surveyed districts, most people did not have their ration cards – instead, they had a photocopy of the first page of their card and biometric authentication which was used to access PDS benefits. For instance, in Aligarh, the normal practice adopted by dealers was to collect the thumb impression of PDS beneficiaries at their home and distribute ration after two or three days.

On average, the household size was 6.4 in Aligarh, 4.6 in Ludhiana and 5.3 in Sonipat. In contrast, on average, the number of people within households registered for the ration cards was only 3.4, 3.4 and 4.9 respectively. This suggests that many people are being excluded from the PDS, even among entitled households.

In Aligarh and Sonipat, there were households which were not able to receive ration throughout the duration of the PMGKAY scheme because they did not have an Aadhaar card. Elsewhere too, respondents complained that adding members was difficult especially without Aadhaar. For instance, in Ludhiana, our team noticed some family members who hadn't been added to the ration card and others who weren't removed. Marriage was a major reason for this – daughters who got married were not removed from the ration card, and newly-wed daughters-in-law were not added. At the same time, newborns were also not added. In Aligarh, households without an Aadhaar card reported challenges adding new members to their ration card. If the daughter is married, the dealer deducts the amount of ration, even if her name was on the ration card, since dealers usually belong to the same locality and are aware of social events like marriages.

## **Conclusion**

Our survey suggests that the PDS which is mostly used for self-consumption, is an important part of a household's food security. However, while it clearly establishes the need to provide ration to households, it also brought to light various violations of both PMGKAY and PDS policies and highlighted issues of exclusion errors. We found lapses where, due to Aadhar linkage problems, eligible beneficiaries were kept out of the social safety net of PDS during a difficult time like the Covid-19 crisis.

Within the three surveyed districts, we found that the PDS performed the worst in Punjab, where most of the beneficiaries were not able to purchase the entitled amount of ration. This finding merits further investigation. The better results in Uttar Pradesh are also noteworthy because of the state's poor performance in earlier studies (Drèze and Khera 2015, Gupta and Mishra 2018). They suggest that in the run up to the state elections, the state may have made efforts to make the PDS work better.