

Public Distribution System or Cash Transfer: A Policy Alternative for Food Security

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Abstract— *Food security in India has to be understood as a torment fact, as with marginal increase in the incomes of poor they are unable to meet their food requirement and bind to reduce their expenditure on the other necessities like health, education and sanitation. High economic growth rates have failed to improve food security in India leaving the country facing a crisis in its rural economy. Currently, millions of people around the country are suffering with the problems of hunger and malnutrition. Although, PDS (Public Distribution System) had played a major role to achieve the objective of food security. But, it is deeply felt that food security measures adopted in India are not enough, so improvement in the policy of public distribution system is the demand for the hour. This paper analyses that at present the gigantic challenge is not only improving the system of PDS, but trying to work out alternate policy measure to provide food security combined with shelter, safety, health, self-esteem etc. The paper makes an attempt to find out Cash transfer policy not only as a substitute to currently operation PDS but as a complimentary policy to achieve the socialistic goal of food security. It attempts to provide more substantial measure to deal with the issue of food security*

- To analyze the various issues relating to food crisis in India.
- To study the various Food Schemes in India.
- To work out the suitable policy tool to deal with the problem of food crisis.

3. PUBLIC DISTRIBUTION SYSTEM

Looking in to the concerns of Indian economy such as population outburst, low level of per capita income and high level of poverty, a strong food security system had always been required. The Public Distribution System (PDS) evolved as a system of management of scarcity of food and as a channel for distribution of food grains at affordable prices to achieve the goal of food security. With the rising issue of food security in India, PDS has become a focus area of Government's policy to manage food economy in the country. 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 namely wheat, rice, sugar and kerosene are being allocated to the States/UTs for distribution. These commodities are considered as the commodities of basic needs. Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oils, iodized salt, spices, etc on subsidised prices.

Another effort and improved step in the achievement of food security goal was targeted PDS. The Targeted Public Distribution System (TPDS) was introduced with effect from June, 1997. Identification of the poor and transparency in the distribution system was a main concern for this particular policy. States were required to formulate and implement foolproof measures for the identification of the poor and for

1. INTRODUCTION

Food security in a country applies to the availability of sufficient food to all the residents of a country. The goal becomes relatively more important when it is being taken for a constitutionally socialist democracy, where food is the right of all. Household food security exists when all members, at all times, have access to enough food for an active, healthy life. According to the Food and Agriculture Organization (FAO), food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.

2. OBJECTIVES

The main objective of this study is to analyze the various policy measures available to deal with the Food Security. The other objectives are:

- To study the various challenges faced by government during the implementation different methods of Food Security in India.

the upright and accountable delivery of food articles through government run fair price shops. Guidelines for implementing the TPDS were issued in which the State Governments had been advised to identify the BPL families by involving the Gram Panchayats and Nagar Palikas. While doing so the thrust would be to include the really poor and vulnerable sections of the society such as landless agricultural labourers, marginal farmers, rural artisans/craftsmen such as potters, tappers, weavers, black-smiths, carpenters etc. in the rural areas and slum dwellers and persons earning their livelihood on daily basis in the informal sector like potters, rickshaw-pullers, cart-pullers, fruit and flower sellers on the pavement etc. in urban areas. The Gram-Sabhas would also be involved in the identification of eligible families.

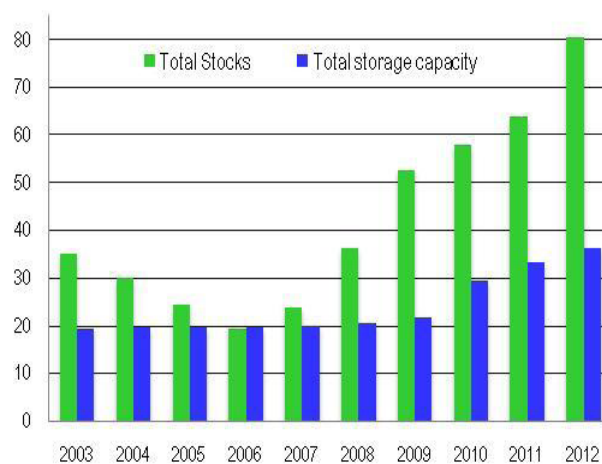
Related steps have also been taken to improve the food security network and a landmark decision has come into force as National Food Security Act, 2013. The coverage, entitlements of foodgrains, etc. under the NFSA, 2013 had undergone change as compared to those under the existing TPDS. NFSA, 2013 provides for coverage of up to 75% of the rural population and up to 50% of the urban population at the all India level under TPDS. Under the NFSA, 2013, the priority households are entitled to receive food grains @ 5 kg per person per month at the issue prices of Rs.3.00, Rs.2.00 and Rs.1.00 per kg for rice, wheat and coarse grains respectively. The existing Antyodaya Anna Yojana (AAY) households, however, will continue to receive 35 kg of food grains per households per month. (*Draft, NFSA, 2012*)

4. NEED FOR ALTERNATIVE POLICY MEASURE

PDS has been adopted with a view to provide guaranteed food to meet the socialist goal of the country, where right of good food has to be fulfilled with the distribution system. PDS is one of the most important policy measures currently available to provide not only food security to people, but also income support by freeing some income to buy other essentials. To some extent it also protects people from the price fluctuations in the market. Policy formulation may be free of errors, however, problems still exist on the implementation part of the PDS such as exclusion errors in identification of the poor (where genuinely poor households are left out of the (below poverty line) BPL lists); irregular supply, food grain leakages even before the rations reach the fair price shops (FPS) and so on. Expert studies have shown that PDS suffers from nearly 61% error of exclusion and 25% inclusion of beneficiaries, i.e. the misclassification of the poor as non-poor and vice versa. Another challenge is the leakage of food grains during transportation to the ration shop and from the ration shop itself into the open market.

There are several specified issues to be noticed with regard to trends in procurement and production of food grains. As recent data show, the central government procures about 33% of the quantity of cereals produced within the country. However, the amount decided for procurement is expected to

increase under the NFSA, raising concerns regarding the sustainability of existing procurement and delivery mechanism. Financial feasibility also comes under question as centre bears a large financial burden, the food subsidy, because the cost of procuring and delivering food grains is about six times its sale price. It is foreseen that the food subsidy will rise steadily due to the increased procurement of grains under the Act, related costs and other factors. Furthermore, a performance audit by the CAG has revealed a serious shortfall in the government's storage capacity. Given the increasing procurement and incidents of rotting food grains, the lack of adequate covered storage is bound to be a cause for concern.



Source : Food Corporation of India; pdsportal.nic.in; PRS

Fig. 1: FCI's storage capacity v/s food grain stock

Fig. 1 provides a clear cut picture of the shortfall government has about the procurement of food article in different years. Following is the information extracted from the figure:

- 2006 was the only year where foodgrain stock was more or less equal to the storage capacity;
- With the steeply rising food grains stocks, FCI's storage gap increased from 5.9 million tonnes in 2007-08 to 33.2 million tonnes in 2011-12;
- As of 2012, food grains stocks of different food articles were at 80.5 MT, nearly double the total storage capacity available with FCI;
- This implies that a certain amount of grains is being stored in unscientific storage, leading to the rotting of food grains.
- It further implies that either the unscientifically stored foodgrain is going waste or if the rotten food is distributed it will further create manifold health and nutrition problems among the population receiving the rotten foodgrain.

5. CASH TRANSFER

India is switching to *cash transfer* model where families depending on welfare will receive cash sums directly in their bank accounts. Since a decade, government has indicated a proclivity for a policy of cash transfers in lieu of subsidies it provides to people under PDS and various welfare schemes (health, education, agriculture, food rations, etc). The World Bank and United Nations Development Programme (UNDP) are key organisations pushing cash transfer policies in India, arguing that people do not receive their entitlements and benefits related to basic services, and so it is time to adopt alternatives, the best one being to transfer cash instead of providing services and substance. UNDP argues: “Cash transfer schemes are also being advocated in the Indian context as a measure of enhancing the efficiency of delivery of government programmes. It is well known that the administrative cost of delivery of services in the country is high, there are substantial leakages, and inter-sectoral coordination is not optimal. It has been argued by some that the amount of Rs 2,000 billion that is spent annually on food, fuel and fertiliser subsidies may be better utilised by providing cash directly to the beneficiaries or to the gram panchayats (locally elected village councils) that in turn can implement schemes for the poor...”.

6. PDS V/S CASH TRANSFER

Correction is a need of the hour in the system. Apart from the overall poor implementation of PDS, some of the states like Tamil Nadu and Chhattisgarh have come out with an outstanding result in terms of implementation of the policy. Thus, this cannot be concluded that dismantling the PDS system is the only way-out. Further, Cash transfer as a replacement of PDS may also face the similar errs. It looks quite possible that many of the problems with the PDS, such as targeting to wrong beneficiaries and leakages, will remain even in the case of cash transfers.

The Right to Food Campaign strongly feels that the Public Distribution System (PDS) must not be dismantled, as it plays an important role in not only improving people’s access to food but also revitalizing agriculture and promoting food production. Repeated studies are showing that the Indian growth experience is lopsided, benefitting only a few while the majority of the population continues to face poverty and deprivation. The Arjun Sengupta committee identified 77% of the country’s population as being vulnerable since they live on less than Rs. 20 per day. It is well known that almost half the children in the country are malnourished, 70% of women are anemic and one-third of all adults have a low body mass index. Hunger and starvation-related deaths continue to occur in different parts of the country. Further, due to agrarian distress and lack of livelihood opportunities a large number of poor are migrating to urban areas in search of a better life. It is the duty of any democratic government to provide basic services such as health, education, food and nutrition to all.

Looking into this grave reality of the Indian economy’s structure, it becomes really important to decide that whether providing basic food items will fulfill the requirement of the poor or they should be provided with the opportunity to buy more nutrition for themselves. A lot many studies have been conducted on the issue of the viability of PDS or working out an alternative to achieve food security in the country. Pilot surveys are being conducted in various parts of the country to work out the feasibility of substituting cash transfer for PDS. Here, we will take an example of study undertaken by Delhi government in collaboration with UNDP

7. DOES CASH GUARANTEE FOOD SECURITY?

A study was initiated by the Government of Delhi and SEWA under GNCTTD – UNDP project to test the feasibility of replacing cash transfer to PDS for BPL families. Under this project, a period of 1 year i.e. Jan. – Dec 2011 was selected. 450 BPL families of Raghbir nagar area of west Delhi were selected to experiment. Following are the certain observations made in the study:

- There has not been any significant decrease in the consumption of food grains due to replacement of PDS with cash transfer;
- A significant increase in the consumption of eggs, pulses and meat has been observed (basket of product out of PDS);
- Cash transfer does not necessarily help household to shift from hazardous medium of fuel to a safe mode of cooking i.e. LPG;
- It has been observed that cash transfer helps households to spend more on better health facilities (switching from government hospitals to private hospitals);
- Cash transfer to some families increases the performance of PDS shops in that area;
- There has not been any significant increase in consumption of alcohol because of cash transfer

Thus, the project claims that cash transfer does not affect food security adversely but it helps in reduction of indebtedness of the population, it allows them to switch over much more nutritional variety of food, it allows them to manage their budget on different heads like food, health, education etc. Over and above all this, cash transfer has a spill over effect on the food being distributed through fair price shops, as population dependency on fair price shops had gone down during the experiment period, making FPS much more efficient.

The Central government has taken an appreciable step in this regard by introducing Jan Dhan Yojana which will provide a base infrastructure to transfer money into poor people’s account. Further these accounts may be linked with the Aadhaar card being provided to the public as an unique

identification number to track the cash records effectively. A lot many questions are being raised about the viability of this scheme on the grounds of illiteracy, unawareness of the importance of savings and investments and how to use cash in positive manner. It's being argued that PDS is any day a better solution because it at least ensures the availability of food items in the hands of poor. Other skeptics have questioned that providing cash rather than transfer to food subsidies may lead to "unwarranted" consumption, which may raise non productive use of cash. This may well be the case, but ignores the possibility for fungibility in house hold consumption in the present system. Subsidized foodgrains provides addition purchasing power in the hands of beneficiaries which may further be used for unwarranted consumption. In reality many studies and the government data gives a picture that more than half of the procured food grain goes as waste because of improper storage facilities available. At the second stage, corruption in the distribution systems eats rest of the available food. Thus, to a large extent, PDS fails to serve the purpose of food security. In my views Cash transfer may give a better result in those areas where the level of literacy is relatively high and where the population is aware about the positive use of money. A proper training is required in this regard.

8. RECOMMENDATION AND SUGGESTION

When we talk about the full fledged nationwide implementation of cash transfer, it is important to keep in mind certain facts. That, it's a scheme to help poorest of the poor people, the scheme is yearning to ensure food security as well as social security objectives. Certain points are important before implementation of cash transfer and expect a positive response:

- A proper and infallible identification system to identify the poorest of the poor class;
- An infrastructure to transfer funds in poor people's bank accounts;
- A clear cut guideline that how the money is supposed to be use;
- A dependable and reliable mechanism to implement the devised system;
- A robust and resilient audit system which ensures the positive use of the given cash;
- A provision of withdrawing the benefits of cash transfer from the families found guilty in the improper use of money given to them;

A strictly auditable and conditional cash transfer system is advisable in the present scenario as implementing cash transfer may lead to a situation which promotes non viable consumption as well as wastage of national resources.

9. CONCLUSION

Numbers of studies have been conducted on the subject of food security. Some argue in favour of physical food distribution system while, the others argue in favour of cash transfer. Looking into the devastating situation of hunger, malnutrition and poverty, a serious step is required to be taken in this regard. Despite knowing the facts and difficulties related to both the policy measures, devising a single policy to perform the objective of food security is a tough task. In my views, a mix of policies (Physical food grain distribution system and Cash transfer) will work out in a better way.

This paper was confined to the critical qualitative analysis of the subject. It strongly feels that sticking with one policy measure will not provide optimum solution to the problem of food security but diversification to more than one solution may work out well. Combining PDS with a flow of conditional cash transfer will provide with an opportunity to deal with the problem in better way.

The paper strongly recommends that to run two parallel policy measures to deal with food security

issue, the first thing India needs is to strengthen the agricultural conditions in the country. With a strong agricultural base, a strong infrastructure is needed to handle the task of procurement, storage and distribution. At the same time, a strong banking system through which cash transfer scheme can be implemented is required.

Development of the adequate infrastructure to implement the policy is not the only requirement, but identification of the areas where PDS will work efficiently and where Cash transfer will give better results, also required. Thus, central as well as state government need to work out the best possible way for identification and then implementation of a policy mix. This is how the issue of food security can be dealt with.

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