



Feb 23-24, 2019

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Case: Public Distribution System (PDS) in India

Public Distribution System is a structure sponsored by a government and includes chain of shops trusted with the work of distributing basic food and non-food commodities to the disadvantaged group of the society at very low prices. The central and state governments shared the accountability of regulating the Public Distribution System. While the central government is responsible for procurement, storage, transportation, and bulk allocation of food grains, state governments hold the responsibility for distributing the same to the consumers through the established system of Fair Price Shops.

The objectives of the Public Distribution System are as follows:

1. To protect the low income groups by guaranteeing the supply of certain minimum quantities of food grains at affordable price.
2. Ensuring equitable distribution.
3. Controlling the price rise of Essential Commodities in the open market.

Evolution

India's Public Distribution System (PDS) is the largest distribution network of its kind in the world. PDS was introduced around World War II as a war-time rationing measure. Before the 1960s, distribution through PDS was generally dependent on imports of food grains. It was expanded in the 1960s as a response to the food shortages of the time

Subsequently, in 1997, the government launched the Targeted Public Distribution System (TPDS), with a focus on the poor. TPDS aims to provide subsidized food and fuel to the poor through a network of ration shops. Food grains such as rice and wheat that are provided under TPDS are procured from farmers, allocated to states and delivered to the ration shop where the beneficiary buys his entitlement. The centre and state governments share the responsibilities of identifying the poor, procuring grains and delivering food grains to beneficiaries.



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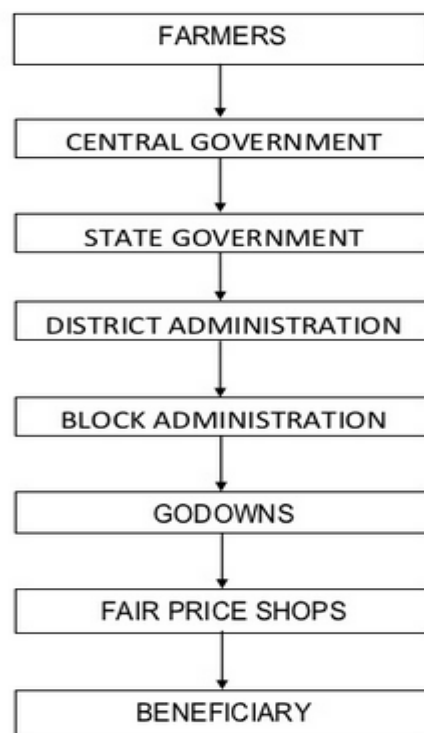
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In September 2013, Parliament enacted the National Food Security Act, 2013. The Act relies largely on the existing TPDS to deliver food grains as legal entitlements to poor households. This marks a shift by making the right to food a justiciable right.

Implementation Flow Chart :



Technologies Reforming PDS

- **Aadhaar Linked and digitized ration cards:** This allows online entry and verification of beneficiary data. It also enables online tracking of monthly entitlements and offtake of food grains by beneficiaries. Eighteen crore ration cards have been linked to Aadhaar cards in the country. This has resulted in savings of ₹14,000 crore due to weeding out of bogus ration cards.



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- **Direct Benefit Transfer scheme (DBT):** Under the Direct Benefit Transfer scheme, cash is transferred to the beneficiaries' account in lieu of food grains subsidy component. They will be free to buy food grains from anywhere in the market. As on June 2016, around ₹1.2 lakh crore were disbursed through the DBT platform to nearly 30 crore beneficiaries.
- **Computerized Fair Price Shops:** FPS automated by installing 'Point of Sale' Device to swap the ration card. It authenticates the beneficiaries and records the quantity of subsidized grains given to a family. There are a total of 5.22 lakh fair price shops across the country.
- **Use of GPS technology:** Use of Global Positioning System (GPS) technology to track the movement of trucks carrying food grains from state depots to FPS which can help to prevent diversion.
- **SMS-based monitoring:** Allows monitoring by citizens so they can register their mobile numbers and send/receive SMS alerts during dispatch and arrival of TPDS commodities.\
- **Use of web-based citizen's portal:** Public Grievance Redressal Machineries, such as a toll-free number for call centres to register complaints or suggestions.

Consumer Problems in India

1. **Targeting Error:** A major problem associated with whole idea is 'BPL targeting', 26.3% of the non-poor households hold a BPL or AAY cards whereas 60% of the poor households have neither. This problem is particularly serious in states like Bihar, Assam, Odisha and Madhya Pradesh.
2. **Under Weighing:** This is basically a problem of corruption at ground level (fair price shops), where the shopkeepers use corrupt services to cheat and measure wrong



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weight. Also lack of viability induces FPS owners to divert food-grains and enter into other malpractices. Planning commission based on primary data finds that nearly 40% of food grains are diverted from PDS. The extent of diversion is especially high in states like Haryana, Punjab, Madhya Pradesh, Uttar Pradesh.

3. **Storage:** Another major problem of public distribution system is storing of articles. The Tamil Nadu Civil Supplies Corporation after procuring the commodities from the Food Corporation of India, instructs the fair price shops to take delivery immediately. The fair price shops under the management of the Civil Supplies can retain the commodities even in the godowns of the Civil Supplies Corporation. Whereas the fair price shops run by the co-operative societies find it very difficult to store the commodities. Naturally they resort to private rented warehouses for storage. This forces the dealers to resort to malpractices. Also there is an imbalance in the availability of storage capacity across regions. On the one hand, there is a shortage of space in consuming states, such as Rajasthan and Maharashtra, which together account for 13 percent of the total capacity of the FCI.¹⁰ On the other hand, 64 percent of the total storage capacity is concentrated in states undertaking large procurement such as Punjab, Haryana, Andhra Pradesh, Uttar Pradesh and Chhattisgarh.
4. **Transport:** Timely transport and delivery of goods is another major issue our system is facing.
5. **Cost of Distribution:** It is said that PDS is not cost effective, its operations are too costly and the ratio between procurement and transportation is too high pointing to 'wasteful' movements. It is also mentioned that storage losses are very high. However, if one was to analyse the various costs of FCI, it will be seen that almost 80% of the costs of FCI are non-controllable and FCI just cannot do anything if these rise.



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Suggestions:

- Inferior quality goods should not be distributed in public.
- Special Task Force (STF) may be formed by government to look after the issue of adulteration.
- To avoid over crowd, token system or timeslot may be allotted to consumers.
- The inventory level of goods and goods to be distributed are to be displayed in public.

Questions:

- Q1. How to scale the solution on rural level?
- Q2. Provide a High Level Algorithm for implementing PDS?
- Q3. How can web services be employed for better efficiency of PDS?
- Q4. Suggest some alternative to ration card to prevent counterfeiting.
- Q5. How can we decrease the cost of implementation of PDS?
- Q6. Suggest measures to prevent leakage of products during transportation.



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