Evaluation Study on Role of PDS

What is PDS?

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- The Public distribution system (PDS) is an Indian food Security System for the poor people established under the Ministry of Consumer Affairs, Food, and Public Distribution.
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- It was also envisaged as a means of dealing with nutritional deficiency.
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- The Central government is responsible for procurement, storage, transportation, and bulk allocation of food grains.
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- The State governments are responsible for distributing the same to the consumers through the established network of approximately 5 lakh Fair Price Shops.
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- Major commodities distributed include wheat, rice, sugar, and kerosene.
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What is the need for the study?

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- It was launched as a universal programme during the early years after Independence.
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- However, since it was widely criticised for its urban bias, it was subsequently streamlined through the launch of the Targeted PDS (TPDS) in June 1997.
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- This greater access to subsidised grains for the poor was expected to reduce malnutrition.
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- However, most national level surveys conducted during this period did not find any correlation between PDS use and decline in malnutrition. It is also expected that with a rise in incomes, households would increasingly buy higher quality grains from the market rather than the PDS shops.
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- But it is found that rather than declining, PDS use has risen sharply in both urban and rural areas for the poor as well as the non-poor.
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What is the study about?

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- “Evaluation Study on Role of PDS in Shaping Household and Nutritional Security India” attempts to identify the prevalent food consumption patterns across socio-demographic groups in the country while linking them to questions of food security, malnutrition and the economic status of different categories of households.
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- The objective was to explore the effectiveness of PDS in ensuring food and nutritional security.
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- The other aspects explored were efficiency in PDS, importance of food grains provided to the beneficiaries, balancing between cereal and non-cereal and food and non-food expenditures, effects of change in income on food expenditure/consumption patterns, etc.
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- The study is based on the findings of the India Human Development Survey (IHDS), a panel survey undertaken jointly by the National Council of Applied Economic Research (NCAER) and the University of Maryland.
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What are the findings?

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- The study talks about time period between 2004-05 and 2011-12.
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- **Access and Use of the TPDS** - The number of households purchasing cereals from the PDS increased from 27% to 52.3%.
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- 32% of the Above Poverty Line (APL) cardholders were also using the PDS.
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- Nearly 28% of the households use kerosene in conjunction with biomass (e.g. firewood) and LPG.
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- 79% of the PDS card holders purchasing kerosene from PDS shops.
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- **Coverage of TPDS -** PDS cards are ubiquitous. The households that do not own any card declined from 19% to 14% of the total households.
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- Bureaucratic difficulties are seen as being the single most important reason for households not having a card.
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- The proportion of households holding Below Poverty Line (BPL) or Antyodaya Anna Yojana (AAY) cards increased from 36% of all households to 42%.
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- The access of the poor to AAY/BPL cards has improved because of the issuance of more cards. However, the access of the rich has also improved because the programme has failed in efficient targeting.
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- As a result, many non-poor have BPL cards while some of the poor are excluded from the ownership of BPL cards - only 29% of the BPL cardholders are poor while 71% are not poor & only 13% of the APL cardholders are poor while 87% are not poor.
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- **Targeting Efficiency -** Exclusion errors in PDS targeting have declined between 2004-05 and 2011-12 while inclusion errors have

increased. However, both types of errors remain high.
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- This change is due to both a decrease in the poverty levels as well as a slight increase in the number of cards being distributed.
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- Inclusion errors increased across all regions between 2004-05 and 2011-12 and were particularly high for the Southern states.
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- While exclusion errors are decreasing, they remain highest for the marginalised groups.
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- **Is TPDS the best way of enhancing food security? -** To know this, it is important to compare households with access to food subsidies to those without such access, while holding income constant.
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- The results show that at any given income level, households with BPL/AAY cards are far more likely to buy cereals from PDS shops than those that do not have access to these subsidies.
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- **Role of Subsidies in Shaping Food Expenditure -** Theoretically, food subsidies are expected to have two types of effects.
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- For households that value dietary diversity, being able to buy cheap cereals will free up money to purchase other foods such as milk, fruits, nuts, and perhaps eggs and meat (the income effect).
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- For households that have other dominating consumption needs, the money saved by purchasing subsidised cereals may be devoted to those needs and diverted from food expenditure (the substitution effect).
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- The findings of this study suggest that the substitution effect dominates with households holding BPL/AAY cards acquiring more of their calories from

cereals and not increasing investments in other food groups by the same level as non-BPL households.
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- This has alarming implications in terms of skewing the dietary composition of households by increasing their cereal consumption.
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- India also has the highest number of people with diabetes in the world, and this burden has been rising over time.
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- At least some of this increase in the occurrence of the disease could be due to the fact that the healthier cereals like small millets are considered inferior foods that households abandon as they get rich.
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