

Public Distribution System

One of the most frequently used words in India, corruption signifies a range of things. In 2005, Transparency International and Delhi-based Centre for Media Studies, a research firm, undertook the India Corruption Study. The survey covered 14,405 respondents over 20 states. The results, published the same year, said

Indians pay out around Rs21,068 crore as bribes while availing one of 11 public services. While some of the highlights of the survey were published, many of the details were not. The study, however, remains the most recent and the most comprehensive report on corruption in India. Apart from calculating the extent of corruption, in Rs crore, it explains the mechanics of it.

Starting today, and over the next four days, Mint will present details of the CMS study. The first topic covered in this series is India's public distribution system (PDS), the chain of ration shops that provide supplies to just under 10% of the country's population (the government claims 16%). Readers are welcome to send in their comments to feedback@livemint.com.

What ails PDS?

1. Availability



Users often do not get their rightful entitlement in terms of quantity. What's meant for them is diverted to the open market. This happens at the beginning of the chain itself.

2. Timing



Ration shops do not open every day. Nor do they keep regular hours. The objective would appear to be to limit access to people and divert grain and other produce to the open market.

3. Overcharge and undersupply



This is a common practice adopted by most people that run ration shops. They charge people more than the mandated rates, and they often under-weigh the commodities.

4. Bribes



People have to pay bribes for small things, such as getting a ration card in the first place, adding or deleting the name of a family member, or changing the address mentioned in it.

5. Indifference



The staff at ration shops doesn't know the meaning of the term customer service in most cases. People are harassed and have to make multiple visits.

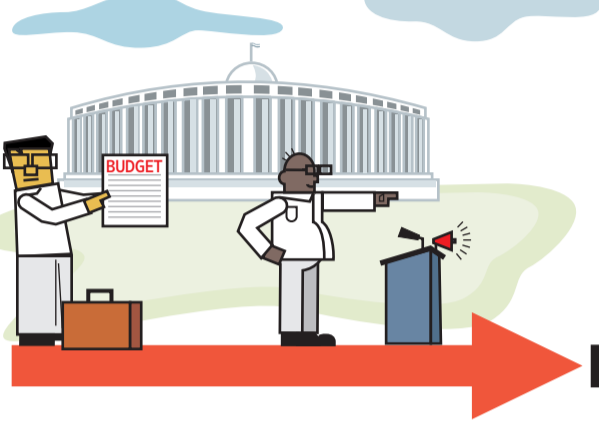
6. Role of middlemen



The supply offices are lorded over by middlemen and touts. Procedures are made to appear so complicated that people usually end up using middlemen for small tasks too.

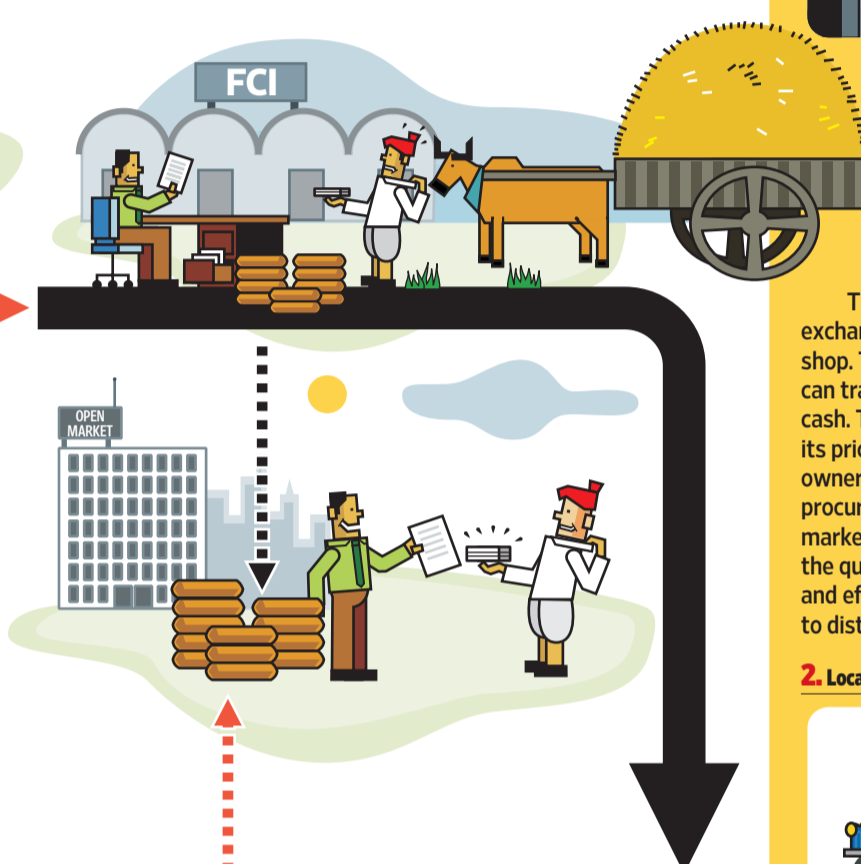
1 The politics of support prices

The government allocates funds for the public distribution scheme. The scheme aims to provide foodgrains and commodities to poor people at affordable prices. The government sources produce for the system from farmers; it sets a minimum support price to do so. The MSP is usually governed by factors such as the monsoon, crop yield, and vote-bank politics.



2 Procurement and pilferage

The government-owned Food Corporation of India procures farm produce. Sometimes, the support price is so low that it can only attract low-quality produce; the rest goes to the open market. The government tries to avoid this by upping the support price if it looks like it cannot procure the amount of grain it needs. Still, a portion of the procured grain sometimes finds its way into the open market. The study says that in Nagaland, 100% of the grain procured ends up in the open market. The figure is 70% for Punjab.



How Corruption Creeps In

The chain of corruption in the public distribution system begins at the sourcing stage itself. Some of the produce that is sourced by the government for public distribution finds its way into the open market. Then, there are issues related to obtaining a ration card, and the quality of service at the ration shops.

4 Pain at the point of sale

People have difficulty in getting whatever little reaches ration shops. Shop-owners usually get licences to run shops on the basis of political patronage or outright bribes. The only way they can earn profits is by diverting produce to the open market. Result: people get less than they are entitled to, or are charged more for what they get.



3 Identification, inclusion and exclusion

Ration cards are supposed to be issued to people living below or on the verge of the poverty line. The process of issuing cards is, again, rife with corruption. Money and influence are the usual determinants of who gets ration cards, and who doesn't. Worse, bogus cards are often used to divert supplies to the open market. And it takes a lot to effect changes in ration cards.



Possible Solutions

1. Food vouchers



The current system makes ration card holders captive customers of specified ration shops. The government could consider issuing food vouchers to card holders.

These vouchers can be exchanged for food from any shop. The owners of these shops can trade these vouchers in for cash. The quality of the produce, its price, and the way shop-owners (private shop owners) procure their supplies will all be market-determined. As will be the quality of customer service and efficiency, from procurement to distribution.

2. Local procurement and distribution



One reason for the inefficiencies and corruption that plague the current system is the long distribution chain. Food supplies go waste or are diverted at each step of the process. It also takes a long time for food produce to reach ends of the chain (this also increases the cost of managing the public distribution system). If the local administration takes charge of procurement (unless certain foods are not available locally), it can collect food produce locally. This can then be distributed locally to eligible households.

3. Community grain fund



The problems can also be addressed by involving local people in the process. Thus, procurement and storage of grain is done at the local level, and could be managed by local women. These locals also identify eligible households through a participatory wealth ranking process. This addresses issues related to exclusion and inclusion, a major problem in the current public distribution system. The fund can also lend money to farmers to cultivate crops and take a part of the produce as repayment in kind, further simplifying the procurement process.

Number of households using PDS

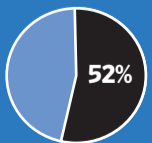
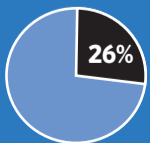
91 million

(as against 160 mn claimed by govt)

PEOPLE USING PDS

URBAN

RURAL

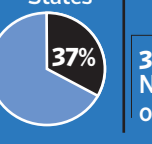
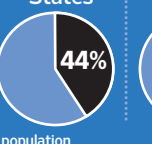
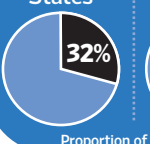


Proportion of population

Low Poverty States

Medium Poverty States

High Poverty States



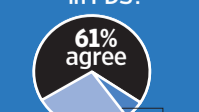
Proportion of population

Perception about Corruption

61%

of people using PDS agree that it is rampant with corruption

Is there corruption in PDS?



32% No opinion
6% Disagree

COMMON IRREGULARITIES

Rations not available	59%
Rations diverted to open market	54%
Inferior quality	51%
Less quantity	49%
Faulty weights	38%
Overcharging	30%

Total value of corruption in PDS

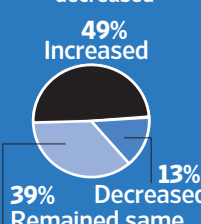
Rs 358 crore/year

Increasing Corruption

49%

of people using PDS say that corruption has increased in the past one year

Has corruption increased or decreased



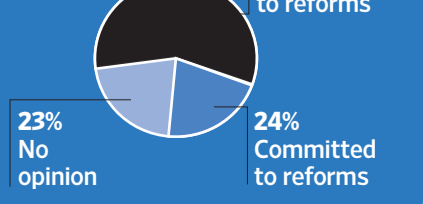
39% Remained same
13% Decreased

Department not committed to reforms

53%

of PDS users felt that the department was not willing to undertake any reforms. Poor states where there are maximum users of PDS, only 12% of people are hopeful of any reforms

53% Not committed to reforms



23% No opinion
24% Committed to reforms