

Reforming the Public Distribution System: Lessons from Chhattisgarh

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Reforms to the public distribution system in Chhattisgarh that focused on extending coverage, improving delivery and increasing transparency have led to its remarkable revival. An overwhelming majority of the beneficiaries are now satisfied with the way their ration shops function and are firmly against the proposal of cash transfers. This article presents the findings of a team that visited 12 randomly selected villages in Mahasamund and Sarguja districts of Chhattisgarh as part of the PDS Survey 2011.

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The proposed National Food Security Act (NFSA) has raised some important concerns about the future of the public distribution system (PDS) in India. Many have taken this opportunity to advocate cash transfers or food coupons as a possible alternative to the PDS by highlighting the large-scale diversion of foodgrains in states such as Bihar and Uttar Pradesh. There are others who feel that a reformed PDS that extends benefits to all households irrespective of income, such as the universal PDS in Tamil Nadu, is essential for ensuring food security. To allow for a more informed debate on this issue, one that draws on recent evidence rather than obsolete data and preconceived notions, a survey of the PDS in nine states was undertaken in May-June 2011 (for details on the PDS Survey 2011, see Khera 2011).

This article presents the findings of a team that visited 12 randomly selected villages in Mahasamund and Sarguja districts of Chhattisgarh as part of the PDS Survey 2011. Of the 144 households we interviewed, 97% had received their full entitlement of foodgrains in the previous three months (March, April and May 2011) and 93% preferred the PDS to a system involving cash transfers (Table 1). These results were surprising considering that in a similar survey of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in Sarguja district during the summer of 2008, we found many instances of corruption, low levels of awareness and long delays in wage payments (Drèze and Khera 2009). However, the survey of the PDS in both districts revealed that a majority (88%) of the respondents were satisfied with the functioning of their ration shops and were getting their foodgrains regularly at the correct prices.

Most of the people we spoke to attributed the improved functioning of the PDS to

Raman sarkar, the Raman Singh-led government that came to power in the state in late 2003. Some even felt that it was the turnaround of the PDS that had been responsible for the Bharatiya Janata Party being voted back power in 2008. So what did the state government do that led to this remarkable revival of the PDS in Chhattisgarh?

Turnaround of the PDS

One of the first steps taken by Chief Minister Raman Singh's government was passing the Chhattisgarh Public Distribution System (Control) Order, 2004, which shifted the management of ration shops from private dealers to community-based organisations such as gram panchayats, self-help groups (SHGs) and cooperatives. The impact of this reform was visible during the survey. Of the 12 ration shops we visited, eight were run by cooperatives, three by gram panchayats and one by a women's SHG. All 12 shops were either in a PDS building or the panchayat bhavan. Some respondents remembered how they had to go without foodgrains for weeks when the PDS was run by private dealers and said that the new system had led to better accountability because those running the shops were from the villages.

The second step was addressing the problem of diversion of foodgrains while they were being transported from government godowns to PDS outlets in private trucks. To reduce leakages, the government decided to dispense with private players and directly deliver foodgrains to ration shops. To make this process transparent, the government trucks engaged in "doorstep delivery" of PDS foodgrains were painted yellow. This, combined with a government order that made it mandatory for foodgrains to reach ration shops by the seventh of every month, helped

Table 1: Results from the Survey (%)

Type of card	Central	36.8
	State (MKSYS)	63.2
Utilisation	Received 35/10 kg of grain	97.2
Perception of the PDS	Satisfied	88.2
	Dissatisfied	11.8
Preference between cash and PDS	Cash	2.8
	PDS	93.1
	Unclear	4.2

MKSYS: Mukhyamantri Khadyann Sahayata Yojana (chief minister's food relief scheme).

Source: Tabulated using household data from PDS Survey 2011.

Table 2: Types of Ration Cards and Foodgrain Entitlements in Chhattisgarh

Type of Card	Colour	Target Group	No of Cards (in Lakh)	Amount of Grain	Rice Rs Kg	Wheat Rs Kg
Central BPL	Yellow	Poor households (2002 BPL Survey)	6.14	35	2 25	2 10
Antyodaya	Red	Poorest of the poor	7.02	35	1 35	- -
Annapurna	Purple	Senior citizens and the destitute	0.18	10	0 10	- -
MKSY	Grey	SCs/STs (1991 and 1997 BPL)	11.56	35	2 25	2 10
MKSY	Orange (35 kg)	OBCs/General (1991 and 1997 BPL)	5.94	35	2 25	2 10
MKSY	Orange (10 kg)	Senior citizens and widows	1.49	10	2 10	- -
State handicapped	Green	Persons with disabilities	0.31	10	2 10	- -

Table does not include APL ration cards.
Source: <http://cg.nic.in/pdsonline/JilewarCRReport.aspx>.

plug leaks as well as ensure the timely distribution of rations. In interviews conducted in the second and third week of June, we found that a majority of the households had received their quota of foodgrains during the first week of the month, showing that the government had not only mandated reforms, but was ensuring that they were actually implemented.

Third, a significant reform initiated by the state government was the launch of the Mukhyamantri Khadyann Sahayata Yojana (MKSY, or the chief minister's food relief scheme) in April 2007. Under the MKSY, the government provided ration cards to all households identified as living below the poverty line (BPL) in the 1991 and 1997 BPL surveys that were excluded from the 2002 BPL survey because of the caps enforced by the Planning Commission on poverty figures. As Table 2 shows, in addition to 1.33 million households in Chhattisgarh that were receiving subsidised foodgrains from the central government (those holding central BPL, Antyodaya or Annapurna ration cards), the MKSY added 1.9 million households who could purchase foodgrains subsidised by the state government.

Once again, the impact of this reform was evident during our interviews, as approximately 63% of households were receiving subsidised foodgrains under the MKSY. This state-level initiative helped Chhattisgarh make the transition from a targeted to a "quasi-universal" PDS, one that covers approximately 80% of the state's rural population. This not only helped in improving the functioning of the PDS by giving a majority of the people in villages a stake in their local ration shop, but also reduced exclusion errors that occurred due to the faulty targeting system used by the central government. For instance, during the survey, the only

way we could distinguish between central and state ration cardholders was by the colour of their ration cards as the socio-economic conditions of most households in the sample were very similar. The figures in Table 3 show how households with state ration cards are no different from those identified as BPL by the central government.

For example, state ration cardholders are as likely to live in *kacchha* houses as those with central ration cards. The pattern of ownership of land and movable assets (such as two-wheelers and mobile phones) is also very similar. This strengthens the case for a "quasi-universal" PDS, which covers a majority of the population, as attempts by the central government to target poor households through BPL surveys have clearly been unsuccessful.

While these reforms have played a pivotal role in the revival of the PDS in Chhattisgarh, ration shop managers and

Table 3: Comparison of Central and State Ration Cardholders (%)

	Central	State
Female respondents	53.7	56.7
Illiterate respondents	59	64
Scheduled castes	13	19
Scheduled tribes	37	61
Households in kacchha homes	70	79
Semi-pucca	20	19
Pucca	10	2
Households owning two-wheelers	9	6
Mobile phones	26	15.5
Have toilets	28	21
Households with no land	50	38
Less than one acre	65	51
Have MGNREGS job cards	83	90

Source: Tabulated using household data from PDS Survey 2011.

gram panchayat representatives we interviewed mentioned some other initiatives that the state government had taken to reduce leakages and improve transparency. These included increasing the commission paid to ration shopowners from Rs 8 to Rs 30 per quintal of rice, procuring more foodgrains from farmers in the state to encourage them to raise outputs, making electronic weighing scales mandatory in all ration shops and conducting verification drives to identify and cancel bogus ration cards. However, a recent study by Chaupal, a Sarguja-based non-governmental organisation (NGO), revealed that the state government's enthusiasm had led to the removal of many genuine beneficiaries



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from the list of ration cardholders. This was a result of these people either not being present in the village during verification drives or failing to submit the required documents, particularly photo identification.

Another interesting measure to increase transparency was signs painted outside every house, which included the name of the head of the household, the colour of the ration card and the rate at which rice could be purchased. This was an innovative approach to name and shame households that had Antyodaya ration cards but did not belong to the category of the poorest of the poor. In some villages we saw a list of all ration cardholders painted outside the ration shop.

Room for Improvement

While a majority of respondents (88%) were satisfied with the PDS, the remaining expressed concerns that were generally local in nature. The most common complaint came from respondents living far away from ration shops. For instance, in two villages in Sarguja district, respondents had to walk four km to six km to reach their ration shops. When we met the sarpanch of one of these villages, he told us that the government had recently approved the construction of an extension counter of the ration shop for a settlement up in the hills. Extension counters are vital for improving the outreach of the PDS as some of the most vulnerable groups, such as the so-called "primitive tribal groups", often live in areas that are not easily accessible.

Even though most respondents were satisfied with the current system, they did have suggestions on how to further improve the PDS. Many households felt that in addition to the foodgrains provided at their ration shops, the government should also supply subsidised dal (lentils) and cooking oil. As rice is the staple food in Chhattisgarh, many households were unhappy with the 10 kg of wheat that is provided as part of the 35 kg foodgrain entitlement and wanted it to be replaced with rice. Finally, households with more than four members suggested that foodgrain entitlements should be based on the number of individuals because 35 kg was not adequate for their monthly consumption.

Apart from assessing the current state of the PDS, another important objective of the survey was finding out what respondents felt about replacing the PDS with cash transfers. At the end of every interview we asked respondents what they would prefer if they had to choose between foodgrains from the PDS and a cash transfer to their bank/post office accounts that would allow them to purchase foodgrains from the market. The majority (93%) was in favour of an in-kind transfer of PDS foodgrains. This came as no surprise because most of the people we met in Chhattisgarh were regularly receiving their full quota of foodgrains and were satisfied with the functioning of the PDS. Further discussions revealed that cash in place of the PDS was not an acceptable option for most households as it was fraught with many other problems (Puri 2011).

A major concern with regard to cash transfers was the remoteness of banks and markets. Most of the villages we visited were 15 km to 20 km away from the block headquarters where the post office, bank and market were. Several respondents told us that if the system changed to cash transfers, they would have to make frequent trips to the bank and market whereas the PDS now provides rations in the village itself.

A common reason for the lack of trust in cash transfers was people's unsatisfactory experiences with government schemes involving direct transfers of money to beneficiaries. Many old people and widows recounted how they had to wait for months to get their pensions and feared that similar delays would take place with cash transfers for buying food as well. Some cited delayed payments under the MGNREGS as their reason for preferring the PDS. A concern voiced by many respondents was that there was no guarantee that rice would be available in the market even if they received the money on time. During the lean season, prices of foodgrains in the open market rise due to erratic supply and the local ration shop is often the only hope for many.

What bothered most respondents was the thought of giving up the food security offered by the PDS for unpredictable cash transfers. This was particularly true of women, who worried that they would lose control over household budgets because it

would be men who travel outside the village to withdraw money from the bank and buy things for the house. Many felt that the money intended for buying food would be spent on non-food items, particularly alcohol. According to one of the respondents, the PDS guaranteed him and his family 35 kg of foodgrains in the first week of every month, but with cash transfers, this food security would vanish.

While proponents of cash transfers talk about the flexibility and choice offered by cash, it is important to realise that large numbers of India's poor live in villages where the basic institutions and infrastructure required for availing themselves of such benefits are largely absent. As for the critics of the PDS, Chhattisgarh's experience shows that the state government's firm commitment to reforms, which it has shown by not giving in to the powerful private dealer lobby and financing the expansion of the PDS, has not only translated into increased food security, but also electoral success.

The revival of the PDS, which until recently was limited to Tamil Nadu, Himachal Pradesh and Andhra Pradesh, is now visible not just in Chhattisgarh, but also states like Orissa and Rajasthan (Khera 2011). This can be attributed to state-level PDS reforms that have focused on extending coverage, improving delivery and increasing transparency. We hope that policymakers and bureaucrats draw lessons from the experiences of these states and see the proposed NFSA as an opportunity to reform the PDS.

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