

etc

Technical Report

MANAGEMENT OF THE PUBLIC DISTRI-
BUTION SYSTEM FOR MEETING THE
NEEDS OF THE URBAN POOR

By

K.K.S.Chauhan and U.K.Srivastava

WP 1974/54

WP54



WP

1974

(54)



विद्याविनियोगादिकासः

I I M

AHMEDABAD

**INDIAN INSTITUTE OF MANAGEMENT
AHMEDABAD**

MANAGEMENT OF THE PUBLIC DISTRI-
BUTION SYSTEM FOR MEETING THE
NEEDS OF THE URBAN POOR

By .

K.K.S.Chauhan and U.K.Srivastava

T. R. No.54

October '74

To

Chairman (Research)
IIMATechnical ReportTitle of the Report: (Study of Prices Paid for Essential
Commodities by Poor: Role of Public
Distribution System)*Management of the Public
Distribution System for the
the needs
the Urban ?*Name of the Author:

: K.K.S. Chauhan and U.K. Srivastava

Under which area do youlike to be classified

: CMA

Abstract (within 250 words)

The main objective of this study was to examine the factors which compel the poor to pay more than the better off sections of the society for the goods they buy. The study revealed that the poor end up paying more prices because they buy essential commodities in small quantities daily or twice a week from small shops located in their localities. These shops are able to charge much higher prices than the shops in the main main markets because of a lack of mobility on the part of poor people and the ignorance about the prices in the main markets. The Fair Price Shops are of little help in reviving the squeeze operating on the abject poor from the side of consumption. Certain ways of managing the fair price shops are suggested to take care of the needs of poor. For example, the study found that even those poor people who had ration cards, very often did not have money to buy their ration quota when turn came. Also they have to visit fair price shops 2 or 3 times to get their quota. This involves loss of wages for those days. Similarly the commodity mix supplied by the fair price shops has to be different to meet the needs of poor. All these problems can be solved if the suggestions of the study are accepted.

Please indicate restrictions if any that the author wishes to place upon this note : none

Date. Oct.26, 1974

U.K. Srivastava

**Management of the Public Distribution
System for Meeting the Needs of the
Urban Poor**

K.K.S. Chauhan and U.K. Srivastava

Removal of poverty has been the major objective of planning in India and has invited the increasing attention of policy makers and research scholars in recent years. Various studies have tried to measure the extent of poverty in India on the basis of the National Sample Survey data [1,2,4,5,10,14]. These studies set a poverty line on the basis of the minimum expenditure required per person at the 1960-61 prices. The figures used was Rs.20 per capita per month. These pioneering studies have provided some quantitative measure of poverty. The Fifth Five Year Plan has as one of its major objectives the removal of poverty. It is mentioned that at the projected rate of growth, this objective can be realized only when the minimum possible consumption (Rs.40 per month at the October 1972 prices)¹ is guaranteed to every one. The required improvement in the share of the bottom 30 per cent of the population in the total private consumption for the removal of poverty is given in Table 1.

The Fifth Plan draft indicates that if the present share of the bottom 30 per cent of the population remains unchanged during the Fifth Plan, the consumption level attained by this group of the population will be only Rs.29 in 1978-79 (at the 1972-73 prices).

Most of the studies on poverty have measured poverty through an income-expenditure approach. The Plan draft also adopts the same approach as a criterion for the removal of poverty. Most of the measures suggested for the removal of poverty are aimed at increasing the incomes of this group of people. But all these studies have ignored the other side of the 'squeeze' operating on the poor. Not only do the poor have low incomes, but also their money buys much less than the incomes of people outside the category. This phenomenon

The authors are grateful to Miss Madhu Singhi for her help in data collection and to Mr. N. Mohanan for help in the analysis of the data.

¹At current prices, the minimum expenditure required per person will be about Rs.60 per month.

Table 1: Required Improvement in the Share of the Bottom 30 Per Cent of the Population in the Total Private Consumption

	Unit	1973-74	1978-79	1983-84	1985-86
Total private consumption	Rs. in crores	38334	49091	68815	71153
Share of the bottom 30 per cent of the population at the current level of inequality*	Rs. in crores	5160	6608	8589	9577
Mid-year population	Million	577	633	682	702
Thirty per cent of the total population	Million	173	190	205	211
Per capita consumption of the bottom 30 per cent of the total population					
Annual	Rs.	300	349	419	454
Per month	Rs.	25	29	35	38
Required per capita consumption of the bottom 30 per cent for the removal of poverty:					
Annual	Rs.	487	487	487	487
Per month	Rs.	40.6	40.6	40.6	40.6
Required total consumption of the bottom 30 per cent for the removal of poverty	Rs. in crores	8425	9253	9984	10276
Required share of the bottom 30 per cent in the total private consumption	Per cent	21.98	18.85	15.64	14.44

Source: Government of India, Draft Fifth Five Year Plan, 1974-79, Vol. I, Planning Commission, (Delhi: The Manager of Publications), 1973. pp 7-8

Note: All estimates are at the 1972-73 prices

*13.48 per cent of the total private consumption

has been observed in several other countries also [6,7,8,12,13] and is referred to, in the literature on poverty, as "double squeeze". The phenomenon of double squeeze exists because of certain characteristics associated with the consumption and purchase behaviour of the poor which leads to higher effective prices for the goods and services bought by them.

In developed countries like the United Kingdom and the United States the ghetto residents face similar problems. Although their income levels are much higher than those of the poor in developing countries, in their own country their relative income position puts them in the category of the people below the poverty line (in every country the poverty line differs according to the state of the per capita incomes). The commodities forming the consumption pattern of the poor in developed countries are also much different from those forming the consumption pattern of their counterparts in developing countries. For example, the poor in America own TV sets and automobile and even, in some cases, the houses in which they live. In developing countries the poor do not own and use any of these consumer durables. They live at the subsistence level where food items form the major portion of their expenditure. But certain basic characteristics of the purchase behaviour in terms of frequency of purchase, place of purchase, and mode of purchase of the poor in developing and developed countries remarkably similar.

Any programme for the removal of poverty cannot make a dent unless it also takes into account the fact that the poor end up paying more for goods they buy as compared with people above the poverty line. Not many studies have been conducted where the purchase behaviour of people below the poverty line is studied. The Fifth Five Year Plan document mentions that the public distribution system will be enlarged to meet the needs of the vulnerable section, but the basic question is whether a mere increase in the number of fair price shops can solve the problem of the poor. For this, a detailed study is required to examine the purchase behaviour of the poor and to evolve a system of working of fair price shops which is compatible with the purchase behaviour of the poor. This study aims at an identification of the purchase pattern of the poor and links it with the public distribution system.

Objectives

The main objective of this study was to examine the factors which compel the poor to pay more for the goods they buy than the better off sections of the society. This objective was sought to be attained by examining:

1. The consumption pattern of the urban poor.
2. The purchase pattern (for essential commodities) of people below the poverty line
3. The policy and performance of the public distribution system in terms of meeting the needs of the poor and the problems involved in its management.

Design of the Study

Due to resource constraints, the study was confined to Ahmedabad city. The idea was to study the problems of the urban poor in an industrial city and to see if they can be solved by modifying the working of the fair price shop system. The study relates to 150 labour households spread over different labour colonies (chawls) in Ahmedabad city and adjoining areas. The sample had 113 casual labour households and 37 regular labour households. Accidental sampling was followed in the selection of labour households due to the diversified nature of work undertaken by them. Workers having no permanent source of income throughout the year were classified as casual and those having an assured source of income as regular workers. Thus, casual labourers included construction workers, canteen workers, cart pullers, rope makers, etc. Mill workers working on monthly or yearly basis were grouped under regular workers. Casual workers were selected from areas in and around Panjra Pole, Shankar Bhavan, Sardar Patel Colony, Civil Lines, Navrangpura and Gulbai Tekra. Regular workers were mostly drawn from the Asarwa, Saraspur, and Gontipur localities.

Functioning of the Fair Price Shop System in Gujarat

The public distribution system in India is in the form of ration shops in statutory rationing areas or of fair price shops in other areas. The objectives of these two systems are also different. Statutory rationing aims at isolating areas of high purchasing power so as to reduce the pressure of supplies and prices elsewhere.² The system of fair price shops has the objective of supplying part of the needs of consumers at reasonable prices. The fair price shop system serves mainly the poor sections of the society.

The Government of Gujarat has established a network of fair price shops all over the state for the distribution of foodgrains and other essential commodities. There were 8,303 fair price shops

²Government of India, Report of the Foodgrains Policy Committee, 1966 (Delhi: The Manager of Publications), p.32

in Gujarat as on July 15, 1973. The districtwise number of fair price shops and their ownership is given in Exhibit 1. Slightly more than half of the fair price shops were owned by private grocers and the rest by cooperatives and other institutions including village panchayats. The Government of Gujarat has laid down a standard according to which there should be a fair price shop for a population of 3,000 and within a distance of three miles from any village.

Fair price shops obtain their monthly quota of different commodities from government godowns on prior payment, through the sanction of the district collector. The control and supervision of fair price shops is in the hands of the district collector whose staff periodically checks their working. Random and surprise checks are also made by the inspecting staff of the Directorate of Civil Supplies at the state level and by the inspecting staff at the district/taluka levels.

The commodities distributed through fair price shops are wheat, rice, bajra, milo, suji, maida, atta (wheat flour), pulses, sugar, and vanaspati. These commodities are distributed in limited quantities on per head consumption basis at controlled prices. However, only those consumers whose income is below Rs.6,000/- per annum are entitled to buy foodgrains and pulses from fair price shops. Sugar, suji, maida, and vanaspati are distributed to all sections of the population.

The quantity of foodgrains distributed through fair price shops depends upon the quantity made available by the centre and the quantity procured locally. The quantum of distribution is fixed every month on the basis of the availability of foodgrains and the issues in the past. Quantities supplied per capita per month for February/March 1974 in Ahmedabad City are given in Table 2.

Table 2: Distribution of Essential Commodities Through Fair Price Shops in Ahmedabad City, February and March 1974

Commodity	Quantity supplied per head/month	Class of families entitled
Sugar	500 gm.	All classes
Suji	500 gm. per card	All classes
Maida	500 gm. per card	All classes
Wheat	2 kg. per head	Income below Rs.6000 p.a.
Milo	2 kg. per head	-do-
Rice	200 gm. per head	-do-
Atta	--	Hotels and hostels

The quantities of foodgrains (wheat, milo, and rice) supplied through fair price shops in Ahmedabad during February/March 1974 were highly inadequate. Also, the quality of goods supplied through the fair price shops (specially the food grains) was reported to be very poor.

The fair price shops were fairly well distributed all over Ahmedabad city. The present population of the city is 17,71,308. The cards issued numbered 2,91,841 (including the cards issued for sugar alone which is distributed through 281 fair price shops). However, there was no special concentration of such shops in the poverty areas. A recent study on the economics of the public distribution of foodgrains in Gujarat³ also observed that "the distribution of fair price shops in State seems to be well related with the distribution of population in different areas in the State but is not found to be systematically related with the population of landless labourers and with scheduled caste and tribal population of different areas." The Agricultural Prices Commission recommended that since the system is intended primarily to serve the low-income consumers, it should be made to increasingly serve such consumers and the location should also be adjusted from this point of view.

Some Salient Features of the Selected Households

Size of the family

The size of family of the selected households ranged between 3 and 12 persons the average being size. The size of the family of regular workers was slightly smaller than that of casual workers.

Employment level

Eight per cent of the casual workers were employed for less than 200 days in the year, 49 per cent for 200 to 300 days, and only about 25 per cent were employed for 350 days or more. Of the 113 casual workers, two were employed for less than 150 days in the year. Obviously, all regular workers were employed for more than 350 days during the year. Table 3 gives details of the employment level and the corresponding income per capita of the sample households.

³Government of Gujarat, Civil Supplies Department, Interim Report on Economics of Public Distribution in Foodgrains, 1973.

Table 3: Distribution of Labour Families According to the Number of Days Employed and Per Capita Annual Income

Days employed	Casual		Regular		Overall	
	No.	PCI (Rs)	No.	PCI (Rs)	No.	PCI (Rs)
Less than 200	9 (9.0)	408.32			9 (6.0)	408.32
201 - 300	55 (48.7)	427.40			55 (36.7)	427.40
301 - 350	21 (18.6)	413.51			21 (14.0)	413.51
351 and above	28 (24.7)	457.30	37 (100.0)	620.53	65 (43.4)	
Total	113 (100.0)	430.71	37 (100.0)	620.53	150 (100.0)	477.52

Note: Figures in parentheses are percentages of the total number of workers in each category.

Abbreviation: PCI= Per Capita Income

Further, the sample families had only one or two earning members. Six of these families had children educated up to SSC, but they were all unemployed.

Education

Of the 113 casual workers, eight had education up to primary school and two up to secondary school; the rest were illiterate. Only six families sent their children to schools. The situation was somewhat different among mill workers with a regular source of income. Of the 37 such workers, one was a graduate, six were matriculates, and 10 had education up to primary school. Almost all the regular workers gave formal education to their children.

Income

The annual income per capita of casual workers was much lower (Rs.430.71) than that of regular workers (Rs.620.53). For the sample as a whole the annual income per capita worked out to be Rs.477.42 (Table 3).

Income per capita varied according to the employment level. Worker's employed for a greater number of days generally had a higher income per capita. However, the level of employment alone cannot explain income differences. Obviously, there were some other variables such as wage structure and work-force in the family which determined the income level of labour households.

Consumption Pattern

The pattern of consumption can be considered as indicator of the standard of living of the people. The annual consumption expenditure per capita on different items is given in Table 4.

On an average, nearly 78 per cent of the family expenditure was on food items. The respective expenditures of casual and regular workers on food items formed 77.9 per cent and 78.6 per cent of the family expenditure. In money terms the per capita expenditure on food items was Rs.365.90 for the sample, varying from Rs.338.30 for casual workers to Rs.452.36 for regular workers. Among food items, cereals were the major item of expenditure. Milk, tea and other beverages, vegetables, fruits, spices, edible oil, and pulses were the other important items. The propensity among poverty stricken workers to consume foodgrains increased up to a certain limit with an increase in income. This phenomenon was reflected in the expenditure pattern of the relatively better paid workers whose per capita annual expenditure on cereals and pulses was almost one and a half times that of casual workers.

The major non-food items of expenditure were clothing (10.3 per cent) and fuel and lighting (6.5 per cent). Medicines, house rent, and repairs came next in importance. The expenditure on non-food items varied considerably between the two sets of labour families. The expenditure per capita on education was 14 times higher among of regular workers (Rs.13.62) than among casual workers (Rs.0.96). Similarly, expenditure on fuel and lighting was Rs.35.29 for regular workers as compared with Rs.29 for casual workers.

Table 4: Per Capita Annual Expenditure of Selected Labour Families

Particulars	Per capita expenditure (Rs.)		
	Casual	Regular	Overall
<u>Food Items</u>			
Cereals	156.93 (36.2)	221.60 (38.5)	172.58 (36.9)
Pulses	19.74 (4.5)	32.50 (5.6)	22.82 (4.9)
Edible oil	28.34 (6.5)	35.61 (6.2)	30.06 (6.4)
Milk, tea, and other beverages	38.12 (8.8)	59.80 (10.4)	43.37 (9.3)
Sugar & gur	46.32 (10.7)	45.46 (7.9)	46.11 (9.8)
Vegetables, fruits, and spices	41.85 (11.2)	57.39 (10.0)	50.96 (10.8)
Total	338.30 (77.9)	452.36 (78.6)	365.00 (78.1)
<u>Non-Food Items</u>			
Fuel & lighting	28.96 (6.7)	35.29 (6.1)	30.49 (6.5)
Clothing	47.82 (11.0)	49.77 (8.6)	48.30 (10.3)
Education	0.96 (0.2)	13.62 (2.4)	4.02 (0.9)
Medicine	6.40 (1.5)	7.14 (1.2)	6.58 (1.4)
Transport	2.63 (0.6)	3.18 (0.6)	2.76 (0.6)
House rent & repairs	5.35 (1.2)	7.28 (1.3)	5.81 (1.3)
Entertainment	3.65 (0.9)	6.82 (1.2)	4.42 (0.9)
Total	95.77 (22.1)	123.10 (21.4)	102.38 (21.9)
Grand Total	434.07 (100.0)	575.46 (100.0)	468.28 (100.0)

Note: Figures in parentheses are percentages of the total expenditure in each category.

Table 5: Percentage Distribution of Labour Households on the Basis of Essential Commodities Purchased in February 1974

Commodity	Percentage of sample households		
	Casual	Regular	Total
Bajra	99.1	100.0	99.3
Jowar	85.8	78.4	84.0
Maize	2.7	-	2.0
Wheat	99.1	100.0	99.3
Rice	92.9	100.0	94.7
Gur & sugar	100.0	100.0	100.0
Edible oil	100.0	100.0	100.0
Pulses	89.4	100.0	92.0
Kerosene	96.5	100.0	97.3

With the exception of jowar and maize (which were not the staple foodgrains of the people in the region), all other essential items of consumption were purchased by all the regular labour households in February 1974 (Table 5). The behaviour of casual workers on this score was not uniform as only 89 per cent purchased pulses, 93 per cent purchased rice, 96 per cent purchased kerosene, and so on. This may be due to the financial stringency experienced by this class of workers.

Table 6 shows that the monthly consumption of important foodgrains per capita was higher among regular workers than among casual workers. Within different income groups also the monthly consumption varied considerably. In general, the monthly consumption per capita increased with an increase in income.

Table 6: Per Capita Monthly Consumption of Foodgrains by Labour Households in Different Income Groups

Monthly per capita income (Rs.)	Per capita consumption (kg.)										Total foodgrains	
	Number		Wheat		Rice		Bajri		Jowar		C	R
	C	R	C	R	C	R	C	R	C	R	C	R
Less than 22	16	-	2.58	-	0.26	-	2.43	-	2.10	-	7.37	-
	(14.2)											
22 - 38	20	-	2.76	-	0.40	-	2.68	-	1.61	-	7.45	-
	(17.7)											
38 - 46	30	1	3.13	3.44	0.50	0.52	2.99	3.44	2.19	3.44	8.81	10.84
	(26.6)	(2.7)										
46 - 54	27	6	4.11	4.30	0.65	0.63	3.14	3.73	2.12	3.73	10.02	12.39
	(23.9)	(16.2)										
54 - 62	10	16	3.74	5.79	0.69	0.80	3.07	2.96	1.94	2.21	9.44	12.76
	(8.8)	(43.3)										
62 - 70	9	10	4.84	6.68	0.71	0.85	3.87	4.13	3.44	2.15	12.86	13.81
	(8.8)	(27.3)										
70 - 78	1	3	3.35	6.31	1.01	0.69	3.35	4.30	3.35	1.72	11.26	13.22
	(0.8)	(8.1)										
78 - 86	-	1		7.74		1.03		4.99		3.44		17.20
		(2.7)										
Overall	113	37	3.41	5.82	0.52	0.79	2.97	3.58	2.15	2.46	9.05	12.65
	(100)	(100)										

Note: Figures in parentheses are percentages of the column total.

Abbreviation: C = Casual; R = Regular.

The consumption of superior grains like wheat and rice increased with the increase in \angle (Table 6). Within the same income group, the consumption per \angle income capita of these foodgrains was higher among casual workers than among regular workers.

Frequency of purchase

The frequency of purchases of essential items by people below the poverty line differed considerably among labour families. Foodgrains were generally purchased once a week. Nearly 43 per cent of the casual workers and 60 per cent of the regular workers purchased bajra (the most important staple food) once a week. For wheat, the respective percentages were 36 and six. A similar purchase behaviour was noticed for pulses and kerosene.

Daily purchases were more common among casual workers for items such as sugar and gur, edible oil, and kerosene. Rice was a sparingly used food item, hence it was purchased once a month by a majority (69 per cent) of the casual workers in contrast to the weekly and fortnightly purchases made by regular workers.

Table 7: Frequency of Purchase of Essential Items by Labour Households

Item	Frequency											
	Daily		Thrice a week		Weekly		Fort- nightly		Monthly		Annual	
	C	R	C	R	C	R	C	R	C	R	C	R
Bajri	8 (7.1)	-	37 (32.7)	6 (16.2)	48 (42.5)	22 (59.5)	12 (10.6)	7 (18.9)	8 (7.1)	2 (5.4)		
Jowar	2 (1.8)	-	24 (21.2)	2 (5.4)	32 (27.4)	10 (27.0)	10 (8.8)	4 (10.8)	28 (24.8)	19 (51.4)		
Wheat	8 (7.1)	-	42 (37.2)	7 (18.9)	41 (36.3)	23 (62.1)	5 (4.4)	77 (18.9)	9 (8.0)			
Maize	-	-	-	-	-	-	-	-	4 (3.5)			
Rice	-	-	-	1 (2.7)	15 (13.3)	18 (48.6)	17 (15.0)	17 (45.9)	78 (69.0)	1 (2.7)		
Sugar & Gur	54 (67.9)	1 (2.7)	44 (38.9)	11 (29.7)	5 (4.4)	10 (27.0)	6 (5.3)	11 (29.7)	4 (3.5)	4 (10.8)		
Edible oil	62 (54.9)	3 (8.1)	37 (32.7)	8 (21.6)	6 (5.3)	6 (16.2)	3 (2.7)	16 (43.2)	2 (1.8)	4 (10.8)		
Pulses	4 (3.5)	-	18 (15.9)	7 (18.9)	38 (33.6)	23 (62.2)	29 (25.7)	17 (45.9)	1 (0.9)	4 (10.8)		
Kero- sene	20 (22.6)	-	12 (10.6)	-	37 (32.7)	20 (54.1)	25 (22.1)	13 (35.1)	1 (0.9)	4 (10.8)		
Cloth- ing	-	-	-	-	-	-	-	-	-	-	110 (97.3)	37 (100)

Note: Figures in parentheses are percentages of the total labour households in each category.

Except for clothing which was normally purchased once a year, there was no regular pattern regarding the frequency of purchase of essential items by labour families. On the whole, casual labour families made more frequent purchases of certain items of daily consumption than regular labour families.

Sources of Purchase

The fair price shop system which is designed to meet the requirements of the poor section of the population fulfills only a part of their requirements for essential commodities. The other sources from where these people buy the essential items are grocery shops in the slum areas where they live and/or nearby shopping centres. Very few of them can afford to buy from the wholesale market.

The public distribution system met only a part of the requirements of the urban poor in respect of essential items (Table 8). Even for bajra, the staple diet of the poor, as much as 63 per cent of the monthly requirement was purchased from the open market at exorbitant prices. Fair price shops could provide only partial relief even in respect of other items of consumption such as wheat (52 per cent) and sugar (44 per cent). Rice, a sparingly used food item was comparatively less frequently purchased in the open market (15 per cent). Milk was the only item not purchased in the open market. Edible oil and pulses, the two most essential consumption items next in importance to foodgrains, were not provided through fair price shops during the reference months. If the public distribution system has to effectively serve the weaker sections of the society, it must diversify and also provide other items of mass consumption like pulses, edible oils, and kerosene in addition to foodgrains and sugar.

Price Differential Between the Fair Price Shops and the Open Market

The public distribution system has definitely provided relief to the poorer section with respect to the prices of the items distributed through it. The retail price of important essential items was significantly lower at fair price shops than in the open market (Table 9). For example, wheat was distributed through fair price shops at Rs.1.00 and bajra at Rs.0.80 per kilogram as compared with Rs.2.00 and Rs.1.75 per kilogram respectively in the open market. It may, however, be mentioned that the quality of the foodgrains provided through fair price shops was much poorer than that of the foodgrains available in the open market.

It appeared that because of the low margins of profit of fair price shops, these shops were not interested in cleaning the foodgrains and sometimes also resorted to deliberate adulteration to swell their profit margins.

Table 8: Sourcewise purchase of Essential Commodities During February 1974

Item	Source of Purchases								
	Casual			Regular			Overall		
	FPS	Open Market	Total	FPS	Open Market	Total	FPS	Open Market	Total
Bajri	7.27 (40.3)	10.78 (59.7)	18.05 (100.0)	5.91 (28.4)	14.87 (71.6)	20.78 (100.0)	6.90 (36.9)	11.80 (63.1)	18.70 (100.0)
Jowar	-	15.87 (100.0)	15.87 (100.0)	-	18.97 (100.0)	18.97 (100.0)	-	16.58 (100.0)	16.58 (100.0)
Wheat	12.56 (59.2)	8.64 (40.8)	21.20 (100.0)	12.71 (37.6)	21.10 (62.4)	33.81 (100.0)	12.60 (51.8)	11.73 (48.2)	24.33 (100.0)
Rice	3.15 (91.8)	0.28 (8.2)	3.43 (100.0)	3.30 (71.7)	1.30 (28.3)	4.60 (100.0)	3.19 (82.3)	0.55 (14.7)	3.74 (100.0)
Mib	7.67 (100.0)	-	7.67 (100.0)	7.23 (100.0)	-	7.23 (100.0)	7.56 (100.0)	-	7.56 (100.0)
Sugar & Gur	3.26 (46.4)	3.76 (53.6)	7.02 (100.0)	3.03 (36.1)	4.92 (61.9)	7.95 (100.0)	3.20 (44.1)	4.05 (55.9)	7.25 (100.0)
Edible Oil	-	1.87 (100.0)	1.87 (100.0)	-	2.27 (100.0)	2.27 (100.0)	-	1.97 (100.0)	1.97 (100.0)
Kerosene*	4.12 (75.5)	1.34 (24.5)	5.46 (100.0)	4.03 (64.3)	2.24 (35.7)	6.27 (100.0)	4.07 (72.2)	1.57 (27.8)	5.64 (100.0)
Pulses	-	4.05 (100.0)	4.05 (100.0)	-	5.89 (100.0)	5.89 (100.0)	-	4.58 (100.0)	4.58 (100.0)

Note: Figures in parentheses are percentages of the total purchases for respective items by different categories of households.

*Litres

Table 9: Price Differential Between Fair Price Shops and the Open Market: February 1974

(Rupees per kg.)

Item	FPS Price	Open Market Price
Sugar	2.15	4.20
Wheat	1.00	1.80 to 2.25
Bajra	0.80	1.75
Milo	0.85	-
Rice	1.79	2.80

The public distribution system must meet the following criteria to be able to serve the people for whom it is meant.

1. Adequacy
2. Quality
3. Timeliness
4. Reasonable price

The present system in Gujarat has failed to meet the criterion of adequacy as only a part of the total requirements of foodgrains and other items are provided by fair price shops. The poor have to buy the rest of their requirements from the open market at exorbitant prices. It is, therefore, imperative that consistent with the policy of helping people below the poverty line, the government make all efforts to provide adequate foodgrains and other essential items even if massive imports become essential.

As regards the quality of foodgrains and other items supplied through fair price shops the authors personally observed that the foodgrains contained a significant percentage of other foodgrains, dust, pebbles and weevilled and shrivelled grains. Although no laboratory tests could be conducted to assess the quality of these items, the visual examination left no doubt about the poor quality of the foodgrains and other essential goods.

The criterion of timeliness is seldom met by the public distribution system. The sample families reported that they had to make two to four visits to the fair price shops to get their monthly quotas. Since there was always a rush on the date when the items were available at these shops, they had to spend two to three hours for each visit. Thus, it is essential that the distribution of essential items from the fair price shops be scheduled in such a way as to minimize the time and effort required in making purchases.

The price differential between the open market and the fair price shops is significant and the consumers feel satisfied that they get the essential commodities at reasonable prices.

On the whole, however, the management of the public distribution system to effectively serve the poor people leaves much to be desired.

Price and distribution controls alone are not very effective devices to make essential items available to the poor. The following steps should be taken to streamline the public distribution system to effectively serve the poor:

1. The public distribution system should ensure the supply of other items of mass consumption to the poor people, so that their dependence on unscrupulous private traders is minimized. In this connection, it may be mentioned that the Talwar Committee appointed by the Punjab Government had recommended the distribution of a number of essential commodities other than foodgrains. The commodities were atta, maida, suji, pulses, gur, khandsari, vanaspati, sarson oil, kerosene oil, soft coal, salt, matches, and coarse cotton cloth. Very recently, the Committee on Essential Commodities and Articles of Mass Consumption under the Chairmanship of Shri Mohan Dharis, Minister of State for Planning, also recommended the distribution of all essential items through the public distribution system. The items suggested were coarse cereals, sugar, gur, vanaspati, processed edible oils, pulses, milk, common clothing, standard footwear, kerosene oil and commercial domestic fuel, standard washing materials, and school books. The committee recommended that except for text books, all these items should be made available to the common man at reasonable and stable prices.

2. The public distribution system should ensure the adequate availability of the above mentioned items at reasonable prices and in time.

These items should be distributed to the poor people through special fair price shops meant for meeting the needs of poor alone. Such shops should be organized on a cooperative basis. Since the majority of the poor are unable to buy their requirements from the existing fair price shops, because they do not have cash at the time when the items are available, they have to go to private traders who are more than willing to offer credit to them. The fair price shops should supply essential items to the poor people on short term credit. Although the management of such fair price shops will be a difficult task, this is an essential step if the government wants to fulfill its obligation to make essential items available to the people below the poverty line.

All the industrial establishments should be required to open fair price shops for their low paid employees and they should be asked to bear a part of the burden of subsidising the sales.

Exhibit 1: Districtwise Fair Price Shops in Gujarat as on July 15, 1973

District	Co-operative	Panchayat	Private	Others	Total
Ahmedabad City	170	-	101	10	281
Ahmedabad Dist.	279	-	159	-	438
Banaskantha	117	-	273	-	390
Sabarkantha	330	-	92	7	429
Mehsana	459	-	186	-	645
Kaira	505	2	123	-	630
Panchmahals	194	-	345	-	539
Baroda	233	-	281	-	514
Broach	161	-	156	-	317
Surat	230	-	228	4	462
Bulsar	304	20	80	-	404
Dangs	39	-	-	-	39
Rajkot	219	-	396	-	615
Surendranagar	47	-	263	-	310
Bhavnagar	228	-	334	6	568
Amreli	149	3	177	-	329
Junagadh	199	-	389	-	588
Jamnagar	114	-	271	-	385
Kutch	57	-	363	-	420
Total	4034	25	4217	27	8303

Source: Directorate of Food, Government of Gujarat, Gandhinagar.

REFERENCES

1. Bardhan, Pranab K., "On the Minimum Level of Living and the Rural Poor", Indian Economic Review, 5 (New Series): 126-136, April 1970.
2. Bardhan, Pranab K., "The So Called Green Revolution and Agricultural Labourers", Economic and Political Weekly, Special No. (1970).
3. Caplovitz, David, The Poor Pay More, New York: The Free Press, 1967.
4. Dandekar, V.M; and Rath, Nilakantha. "Poverty in India - I: Dimensions and Trends", Economic and Political Weekly, VI, 25-48 (January 2, 1971)
5. Dandekar, V.M.; and Rath, Nilakantha. "Poverty in India - II: Policies and Programmes", Economics and Political Weekly, VI, 6-46 (January 9, 1971).
6. Dixon, Donald F; and Daniel J. Mc. Laughlin, Jr., "Do the Inner City Poor Pay More for Food?", The Economic and Business Bulletin, 20: 6-12, Spring 1968.
7. Goodman, Charles S., "Do the Poor Pay More?", Journal of Marketing, 32: 18-24, January 1968.
8. Groom, Thyllis, "Prices in Poor Neighbourhoods", Monthly Labour Review, 89: 1085-1090, October 1966.
9. Government of India, Draft Fifth Five Year Plan, 1974-79, Vol.I, Planning Commission, January 1973.
10. Minhas, B.S., "Rural Poverty, Land Redistribution and Development Strategy: Facts and Policy," Indian Economic Review, 5 (New Series): 97-127, April 1970.
11. Mukherjee, M., Bhattacharya N; and Chatterjee, G.S; "Poverty in India: Measurement and Amalioration", Commerce, 125: 99-113, August 1972.
12. Petersen, Esther. "Low Income Consumers Pay More Because of Ignorance, Not Chicanery", Advertising Age, XXXVI (May 31, 1965)
13. Richards, Louse G., "Consumer Practices of the Poor", Welfare in Review, p.24, November 1966.
14. San, Ranjit, "On Rural Poverty - A Tentative Hypothesis", Economic and Political Weekly, VI, (December 25, 1971).
15. Sturdivant, Frederick, The Ghetto Marketplace, New York: The Free Press, 1969.