

Is More Inclusive More Effective? The 'New Style' Public Distribution System in India

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Abstract : In September 2013, the parliament of India enacted the National Food Security Act (NFSA) which entitles two-thirds of India's population to five kilograms of rice, wheat or coarse cereals per person per month at one to three rupees per kilogram. Five states in India—Andhra Pradesh, Chhattisgarh, Tamil Nadu, Odisha and West Bengal—had already implemented somewhat similar changes in the TPDS a few years earlier using their own budgetary resources. They made rice—coincidentally, all five states are predominantly rice-eating—available in fair price shops to a majority of their population at very low prices (less than Rs.3/kg). This paper tries to account for the changes in household consumption patterns associated with the change in TPDS policy in these states using data from household consumption surveys by the National Sample Survey Organization (NSSO). NSS data show improvement in the coverage of TPDS and average off-take of grains from fair price shops between 2004-05 and 2009-10 across all states of India. However, the increase in coverage and off-take was significantly higher in four out of these five states than in the rest of India. An average household in these states purchased three kilos more rice per month from fair price shops than its counterpart in non-treated states as a result of more generous TPDS policies backed by administrative reforms. The increase in consumption of PDS rice was the highest in Chhattisgarh, the poster state of PDS reforms. Households in Chhattisgarh used money saved on rice to spend more on pulses, edible oil, vegetables and sugar and other non-food items. We also find evidence that making TPDS more inclusive and more generous is not enough unless it is supported by administrative reforms to improve grain delivery and control diversion to open markets.

Keywords : public distribution system, social safety-net, national food security act, diet quality, Chhattisgarh

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