

HOW FAIR ARE FAIR PRICE SHOPS? UNDERSTANDING NFSA BENEFICIARIES' POINT OF VIEW IN SIKKIM

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Abstract:

Government of India passed National Food Security Act in 2013, with an aim to provide food and nutritional security, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity. In the state of Sikkim, implementation of the National Food Security Act (NFSA), 2013, was started from the 4th February, 2015, with a publication of Sikkim Food Security Rules 2014 in the Sikkim Government Gazette. The Antodaya Anno Yajona (AAY) households and state government identified Priority Households (PHH) beneficiaries within the state of Sikkim were covered to get the benefit. AAY household are entitled to get 35 Kg of food grains (rice) at the rate of Rs. 3.00/- per Kg per household per month and PHH beneficiary are entitled to get 5 Kg food grains (rice) at the rate of Rs. 3.00/- per Kg per person per month. The present study conducted on North Sikkim district of Sikkim on July 2018 on 75 households (50 PHH and 25 AAY), 5 FPSs, 5 village level vigilance committee, DGRO and three district food godowns. Findings showed that the beneficiaries were getting the entitlement with a good quality in all time in last three months. FPS owners were facing difficulties related to the transportation and its costs as it is a hilly region. It was also found that the beneficiaries were highly dependent on the PDS system, as major portion of the requirement of rice were fulfilled by it and the other hand the state is considered as non-rice producing state.

Keywords: NFSA, North Sikkim, FPS, PHH & AAY Beneficiaries

1 Introduction

A vast network of Fair Price Shops (FPS) is probably the most distinguishing feature of Indian Public Distribution System (PDS) which was launched in India during 1950s to help the population, specially belonging to poorest category, and cope with situations of crisis. FPSs were earlier known as ration shops. These shops were licensed to distribute essential commodities under the Essential Commodities Act, 1955, to the ration card holders.

Until the late 1970s, the network of fair price shops and the public distribution system was confined mainly to urban areas. The emphasis of the system was primarily on price stabilisation. After 1980s, the welfare dimension became prominent when coverage was extended to poverty stricken rural and tribal areas. (Murty 2018, p. 209). During the Ninth Five-Year Plan period (1997–2002), that PDS targets were shifted to focus on people living below the poverty line or BPL and to increase the availability of food to them. These changes assigned a new role to the PDS by making it not only an instrument of sustaining food production, but also a mechanism for supplying food grains to consumers at subsidised rates. The system of PDS has been criticized for various weaknesses including leakage and inaccessibility of FPSs. But the system has also been praised for being instrumental in overcoming the crisis situation like Bangladesh war. It has been pointed out that “Ten million refugees were fed with grain stocks with an efficiency that probably few developed nations could guarantee.” (Nicholson and Esseks 1978, p. 693)

However, FPS were given a more definitive role in the PDS when Indian parliament passed National Food Security Act in 2013, with an aim “to provide for food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity and for matters connected therewith or incidental thereto.” Section 30 of the Act mandated that the Central Government and the State Governments would give special consideration to the requirements of the vulnerable groups living in the remote areas, difficult-to-access areas, hilly areas and tribal areas for ensuring their food security. Fair Price Shops (FPSs) were envisaged as outlets through which the food grains would be made available to the eligible households.

In this paper, we strive to highlight the importance of FPSs for the people living in remote and hilly regions of Sikkim. With the help of primary data collected from the villages of North Sikkim district of Sikkim, we analyse how far FPSs are playing roles as envisaged in the NFSA 2013 and were expected by the beneficiaries. Government of India has initiated an exercise of concurrent evaluation from 2018 in various districts. Data used in this paper was collected during the concurrent evaluation in North Sikkim district of Sikkim in 2018.

2 Study Area and Profile of Beneficiaries

The state of Sikkim, being the part of inner mountain ranges of Himalayas, is a hilly state having varied elevations ranging from 300 meters to 7000 meters. Agricultural practices and adaptations are highly variable in time and space due to varying altitudes and agro-climatic situations. About 15.36 per cent of the total geographical area of the land is devoted to agriculture but the actual area available for agricultural purpose is declining due to diversion of cultivable land for non-agricultural purposes like establishment of industries, township expansion, construction of roads, hydel projects, buildings etc. According to the 2011 census, the total population of Sikkim state was 610,577.

Out of four districts, North Sikkim district was the largest (4,226 sq. km.) in terms of area but in terms of total population, it was the smallest. Total population of north Sikkim was 43,709 only and 78.01 per cent of the population was literate. Population density of North Sikkim was only 10 per Sq KM compared to 86 per Sq Km of the state. (DCHB 2011)

In North Sikkim district, altogether 75 Fair Price Shops (FPSs) were operating under the jurisdiction of the Food, Civil Supplies & Consumer Affairs Department, as on December 2020. To select 5 sample FPSs, 4 FPSs were selected randomly from the list of FPSs. One (1) FPSs were selected out of 4 recently opened FPSs. Thus total 5 FPS were selected. From each village, 15 (10 PHH & 5 AAY) NFSA beneficiary households were selected randomly. Thus total 75 (50 PHH & 25 AAY) NFSA beneficiary households were studied from 5 selected villages.

Out of the total 75 respondents in the North Sikkim district of Sikkim, 82.8 per cent belonged to Scheduled Tribes, 2.6 per cent belonged to Scheduled Caste, 12 per cent belonged to Other Backward Classes and 2.6 per cent belonged to General Category. Forty eight (48) percent were male and 52 percent were female. Among the male respondents, 80.5 per cent were literate whereas among the female 61.5 per cents were literate. Occupational data of sample households showed (Table 1) that none of the households were engaged in public or private sector jobs. Dependence on agricultural sector and other unorganised sectors were prominent.

To collect data, households as well as FPS owners were interviewed with a well framed questionnaire. Apart from 75 households and five FPSs, three food godowns were also visited.

Table 1 : Occupation of sample households

Occupation	Number of Households	Percentage of Households
1. Self-employed in agriculture and allied activities with ownership of less than one hectare land	47	62.6
2. Self-employed in agriculture with ownership of more than one hectare land	8	10.6
3. Casual workers/ daily wage earners	15	19.3
4. Self-employed in non-agricultural activities	2	2.6
5. Landless agriculture labour	3	4
Total	75	100

Source: Primary data

3 Findings and Discussion

3.1 Accessibility:

It was found that for 43 per cent of beneficiaries, FPS was located within the radius of 1 KM from their house. But 29 per cent had to travel more than 3 KMs to reach the FPS (Table 2). We interviewed two households who had to travel more than 15 KM to come to ration shop. To avoid the strenuous journey in hilly terrain, villagers had to depend upon each other to know if food grains have arrived in the shop. FPS owners and villagers shared an informal understanding to get information. FPS owners used to communicate over phone to some villagers whenever they receive food grains from godown. Villagers passed on the message to neighbours about arrival of food grain.

Table 2: Household to Fair Price Shop Distance

Distance	No. of Households	Per cent of Households
0-1 KM	32	42.7
1-2 KM	8	10.7
2-3 KM	13	17.3
More than 3 KM	22	29.3
Total	75	100.0

Source: Primary data

Beneficiaries were free to receive their allotment as per their convenience. However, they also preferred to collect their quota at a go. Even some beneficiaries purchased rest of the grains required for a month for their family on the same day from that shop to minimize their own transportation cost and to avoid repeat journey. Sample FPSs used to open on all days except one weekly holiday. In all FPSs, a board was displayed mentioning opening and closing time of FPS. However, beneficiaries have different perception about opening time. Overall, 68 per cent respondents told that FPSs remain open full day, 13.3 per cent perceived that FPS remain open half day, and others said that FPSs remain open less than half day. Overall, there was no dissatisfaction or inconvenience reported by beneficiaries in regard to opening hour and accessibility of FPSs from the beneficiaries.

It is worthwhile to point out that the findings goes opposite to the findings of a recent study conducted in a similar setting, characterised by inaccessible topography and poor transportation facilities, among tribal in Andhra Pradesh. Most of the tribal respondents in Andhra Pradesh study expressed their dissatisfaction, irritation, inability and helplessness in

getting benefit of PDS. Inconsistency in opening PDS intermesh of time and days of was a major reason of dissatisfaction. The information usually was passed only orally, so many villagers missed to get the information. In addition to this condition, all ration items were not available on same day, and rice, which was mostly available, used to be given in two instalments.(Murty 2018, p. 214)

It seems that in our study area, two out of five FPS owners are tribal while one is run by a cooperative society. Rest two FPS owners are non-tribal. On the other hand, in the Andhra Pradesh study, the FPS owners did not belong to same socio-cultural group. But, in our study area, all the FPS owners are resident of the same geographical area. They shared similar inconveniences of living and commuting in hilly terrain. Hence they were more sympathetic and cooperating to villagers.

3.2 Quantity of Food Grain

Rice was the most consumed cereal among the beneficiaries. Approximately, 81.3 per cent of consumers want more rice from PDS. Among the priority household (PHH) category 86 per cent wanted more rice. Among AAY household, 72 per cent wanted more rice (Table 3). Many of them requested the investigators to recommend to Government for increasing the amount of rice. Some of them wanted rice in lieu of wheat.

Table 3: Number and Per Cent of Consumers demanded higher quantity of rice

Category of households	Total No of consumer	Consumers not satisfied with present amount and demanded increase in the amount of rice	
		No	Per cent of Total
PHH	50	43	86.0
AAY	25	18	72.0
Grand Total	75	61	81.3

There was not much difference among Priority households (PHH) and Antodaya Anna Yojana(AAY) households in terms of average rice consumption. However, it was observed that PHH beneficiaries on average receive 21.1 KGs of rice per households through PDS while their monthly average consumption amount is 50.36 KGs. The amount of rice supplied through PDS is 41.9 per cent of requirement for PHH households. AAY households received higher proportion (64 %) of food from PDS as all AAY households are given 35 KGs rice through PDS (Table 4).

Table 4 : Share of PDS in monthly consumption of rice and demand of rice(Amounts in Kg)

Type of Households	Average monthly consumption of rice (A)	Average amount of rice received from PDS/HH (B)	B / A (Per cent)	Average amount of rice demanded (C)	C/ A (Per cent)
PHH	50.36	21.1	41.9	46.0	86.5
AAY	54.72	35	64.0	53.5	91.9

Source: Primary data

If we compare these figures with another recently published study conducted in Bihar (Pankaj, 2015), we found that situation in Sikkim is relatively better off. In the said study, it was found that beneficiaries in Bihar had to depend much more on market and own source than in PDS. BPL households and AAY households could receive only 9.3per cent and 24.5

per cent of their rice requirement in Bihar. As shown above, these figures were much higher in Sikkim.

At the same time, the expected amount of rice from PDS (86.5 per cent and 91.9 per cent for PHH households and AAY households, respectively) may look exorbitantly high. But these are not actually high if we compare the figures with Kerala. As shown in a World Food Programme study, PDS contributed to as high as 90 per cent of cereal purchased by the extremely poor population in Kerala even in 1999-2000 (World Food Programme - Institute for Human Development, 2009).¹

3.3 Statistically Significant Demand of Higher Quantity of Rice from PHH households

As already pointed out, beneficiaries felt that Government should increase the quantity of rice which would result in reducing their exposure to the uncertainties of market. Beneficiaries felt that a minimum amount of grains available at subsidised rates helped them in dealing with household level hunger related difficulties including food grain-related indebtedness. At the household level, total amount of food grain required by a household varies along with number of household members. Quite naturally, per head availability of grain also varies among the sample household. We assumed that *low per head grain availability at household level* is an indicator of poverty. We found that there is an inverse correlation between *per head grain availability at household level* and the *Proportion of demanded amount of rice TO total availability at household level* (Table 5). In case of priority households (PHH), the strength of correlation (R= -.526, rho = -.564) was moderate and it was significant at 0.05 level. But the strength of correlation is rather weak in case of AAY households.

This indicates that poorer or economically weak households belonging to PHH category were struggling to buy grains from market. Hence PHH households placed strong demand for more rice from PDS. On the other hand, most AAY households were having enough amount of rice (35 KG per household). Compared to PHH category, AAY households faced less difficulty in meeting household grain requirement. Hence demand from AAY households for increasing amount of rice was not that strong.

Table 5 : Symmetric Measures

<i>Independent Variable : Per Head Grain Availability at Household Level</i>						
<i>Dependent Variable : Proportion of demanded amount of rice TO total availability of rice at household level</i>						
Category of Households	Measurement Level	Co-efficient	Value	Asymptotic Standardized Error ^a	Approximate T ^b	Approximate Significance
PHH (N=50)	Interval Interval	by Pearson's R	-.526	.126	-4.287	.000 ^c
	Ordinal Ordinal	by Spearman Correlation	-.564	.118	-4.734	.000 ^c
AAY (N=25)	Interval Interval	by Pearson's R	-.055	.141	-.264	.794 ^c
	Ordinal Ordinal	by Spearman Correlation	-.189	.196	-.923	.366 ^c

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation ; Significant at 0.05 level

3.4 Quality of Food Grains and Over Charging

There were two major observations regarding quality of food grains. First, Seventy seven (77) per cent beneficiaries said that they did not find much foreign particles. But 23 per cent of sample beneficiaries said that they found foreign particles mixed with rice. No one tried to make any complain to any official. In the eyes of external investigators, qualities of food grains were not so poor. Second, in each village, 13 to 20 respondents reported that they found foreign particles in food grains. There was one exception. In the Nampruk village which is located far from market and remotest compared to other villages, 9 out of 15 sample households reported that they found foreign particles. That constitutes 60 per cent of sample households. Yet no one raised any complain.

Regarding under-weighting, there was no complain reported by villagers.

Again, to compare the finding of the earlier mentioned study of Andhra Pradesh, we observed that the in Sikkim, the situation is comparatively better than Andhra Pradesh in terms of dissatisfaction expressed by consumers. In Andhra Pradesh, 56.7 per cent of tribal beneficiaries were dissatisfied with the quality and weight of the items provided due to pilferage, the under-weighting of items, and inferior quality of supplies. (Murty 2018, p. 215)

3.5 Issue of Cash Transfer

Section 12(1) and Section 12 (2) of National Food Security Act 2013 empowered the Central and State Governments to progressively undertake various reforms (like Cash Transfer) including under in the Targeted Public Distribution System in order to ensure food grain entitlements of beneficiaries. However, the issue of direct cash transfer was often subject of debate in recent literature. It has been considered as 'legitimate policy suggestion' considering the potential of direct benefit transfer to solve problems of large-scale diversion of food grains and manipulation of quantities and part supply of commodities that occur under the current system (BASU 2011). On the other hand, fears of worsening the crisis of under nutrition, increasing risk of farmers and adverse effect on poorest households due to inflation had been expressed (Pani, 2012). These fears were very much relevant considering the agricultural crop production scenario of Sikkim. Slow growth of rice production compared to population growth, significant increase in production of Maize (even though it was not a staple food in Sikkim), diverse ecological condition and incomplete agrarian reforms are important factors which keep significant portion of people in Sikkim dependent on import of food grains from other states. (Chakrabarti, 2010)

In such a situation, it was rational to expect that beneficiaries would not prefer digital transfer of cash subsidy to their bank account. As expected, 99 per cent of beneficiaries preferred receiving food grains instead of transfer cash subsidy to their bank account. Behind non-preference of cash subsidy transfer, various reasons came out. All (99 %) beneficiaries apprehended that Food grains from market would be of higher price. The problem in accessing commercial market due to lack of transport facilities, and availability of limited number of shops were pointed out by 26 per cent beneficiaries. Also, sixteen (16) percent beneficiaries, all women, feared that cash might be used for purchasing non-food items.

Beneficiaries also expressed their experience with the banking system available to them. Hardly have they availed money from the bank at a single visit due to frequent link failure.

Thus, the direct benefit transfer is not be a good alternative for Sikkim as there are very less number of shops in many villages. As far the opinion of the beneficiaries goes, direct benefit transfer may actually lead to food insecurity for many households as it would be responsibility of individual households to bring food grains from far off markets or buy food grain from the same village shop.

3.6 Problems of FPS Owners

On the basis of the discussion, let’s spell out a dummy answer to the question stated in the title of the paper. The answer is “Somewhat fair, but they need and can be more fair.” But there is another side of the tale – the FPS owner’s side. It is pertinent to touch upon this aspect, without which the discussion would be curtailed. The common thread found among the thinking of the FPS owners is that supply of grains does not actually bring any profit, but they run the shops for ‘providing service to public’. To run the shop’s FPS owner’s get commission and transport cost from the Government. The current practice is that the commission to the FPS owner is made during lifting of grain itself. The amount of the commission and the transport expenditure is deducted from the amount payable by the FPS owners. This practice is no doubt helpful for the FPS owners as there is no pendency of payment from the Government’s side. The transportation cost is provided @ INR 43/quintal, i.e., INR 0.43 per Kg. The margin money (or commission) grains, the rate is INR 1.43 per KG. This is pretty low for this hilly state as reported by the FPS owners. The highest transport cost given to a FPS, which is managed by a Cooperative Society was INR 3427/- only. The lowest amount was INR 554/- only (Table 6). This FPS was being operated by an individual. FPS owners reported that due to hilly terrain and bad road condition, many FPS owners actually pay additional transport cost from the commission. Hence, profit margin becomes negligible, if the number of households served by a FPS is not high. For increasing the viability of fair price shops, Government of Sikkim has made selling other goods through FPS a mandatory requirement. But it was pointed out by 3 FPS owners out of 5 sample FPS that they would be happily surrender the FPS license as the profit margin is negligible.

Table 6 : Amount of commission and transport cost provided (June, 2018)

Amount paid to FPS owner	Transport Cost (INR)	Commission (INR)
Highest	3427	11398
Lowest	554	1844

3.7 Departmental Initiative

The record of the register shows that the district officials visits FPS on regular basis, at least once in a month to supervise the functioning of the FPS and after checking the register they put their signature on it. So close supervision and monitoring has happened.

A landslide during the rainy season is very common in the North Sikkim district as well as in all districts of Sikkim which disconnects the road and a number of villages for a couple of months. An evidence was found that the district in-charge lifted the allotted rice by a Helicopter within six hours of landslide in a rented godown for more than thousands of beneficiaries.

For providing new FPS to any owner some criteria were frame out by the district officer: these are (a) he/she must be local resident, (b) he/she has to prove his/her acceptance by the locality through a common meeting with consent of the local panchayat.

Conclusion

Section 30 of NFSA 2013 mandates “while implementing the provisions of this Act and the schemes for meeting specified entitlements, give special focus to the needs of the vulnerable groups especially in remote areas and other areas which are difficult to access, hilly and tribal areas for ensuring their food security.” (Ministry of Law and Justice, Government of India, p. 10). Thus it may be said that NFSA 2013 offered scope to state governments for state specific ‘territorialisation’ and rescaling at sub-national level.(Landy 2016, p. 113).Recent experiences showed that territorialisation may lead to improvement of condition for all

stakeholders. For example reforms initiated in Chattishgarh lead to more availability of food, less systemic corruption and bigger margins for Fair price Shops.

After introduction of NFSA 2013, Government of Sikkim decided not to limit its responsibility of just passing the cash subsidy into the bank account of beneficiaries, and continued the old system of providing grains through PDS. The political and administrative prudence behind the decision was quite evident from the experiences of remote villages of North Sikkim. However, our view is that there is still some scope of contextualisation of PDS in Sikkim considering the geographical condition and demand of people.

First, there is a need to rethink the allocation of PHH households. The Government of Sikkim supplies Sugar and Kerosene, but not additional food grains, through Fair Price Shops out of state Government's own money, even though many households demand more grain. It was found that per household quota of sugar was not much high so it was not economical for the Government to distribute Sugar every month. Sugar is distributed every six month. If sugar was required then households would have bought sugar from open market. No household would wait for six months to get sugar from PDS and then store the received sugar to consume over six months. It would probably be a better idea to supply additional rice to PHH category instead of sugar as rice would help the households in gaining food security.

Second, there is needed to look at the economic viability of Fair Price shop in a serious manner. Fixing a realistic transport cost was instrumental in developing economic viability of FPS in other Indian states and there is no reason why the same would not be effective for Sikkim.

Finally, Sikkim is rice non-producing state. It has to depend on other states for supplying rice and wheat to its citizen and now it is very difficult to increase the agricultural land. So the level of dependency on PDS rice is very high not only to the general population but also for the government officials even. This is also one of the main reasons for proper distribution and maintains the quality of rice as all the stakeholders including local panchayat are involved in supervision and monitoring the implementation of the programme.

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Notes

¹ In the WFP-IHD study, authors calculated the figures using NSSO (1999-2000) data.