

# **A STUDY ON THE PERFORMANCE OF PUBLIC DISTRIBUTION SYSTEM (PDS) AND ITS EFFECTS ON THE ECONOMIC GROWTH OF BIHAR**

**Sweta Kumari**

Research Scholar, Faculty of Commerce, Patliputra University, Patna Bihar

**Prof. Dr. Padmini Prasad**

Department of Commerce, College of Commerce, Arts, and Science, Pataliputra University, Patna Bihar

## **Abstract**

Public distribution system (PDS) is a crucial tool for ensuring food security and poverty alleviation in developing countries. In India, the PDS has been implemented by the central and state governments to distribute essential commodities at subsidized prices to the economically disadvantaged sections of society. However, the effectiveness of the PDS in achieving its objectives has been a subject of debate and scrutiny. Although the PDS has been in operation for over three decades, it has come under increased scrutiny in recent years. This is due to two primary reasons: first, Bihar's high rate of poverty and inequality; and second, persistent socioeconomic imbalances between the rural and urban areas. In recent years, the PDS has come under renewed scrutiny as its performance has been linked to several socioeconomic issues within Bihar, including persistent poverty and inequality and reduced access to food among the poorest segments of society. This article aims to examine the performance of the PDS in Bihar and its impact on the economic growth of the state. By analyzing the efficiency of distribution, targeting mechanisms, and the overall economic implications, this study will shed light on the strengths and weaknesses of the PDS in Bihar, ultimately contributing to a deeper understanding of its role in promoting economic development.

**Keywords** - Public Distribution System (PDS), Poverty, Economic, Growth:

## **Introduction**

The public distribution system (PDS) plays a crucial role in ensuring food security and poverty alleviation in India. However, the performance of the PDS has been a topic of debate and scrutiny. In this article, we will delve into a comprehensive study on the performance of the PDS in Bihar and its effects on the economic growth of the state.

The performance of the PDS in Bihar has significant implications for the economic growth of the state. To support this study, we will explore three main points. Firstly, we will examine the effectiveness of the PDS in ensuring food security and reducing poverty levels in Bihar. Secondly, we will analyze the challenges faced by the PDS in Bihar, such as leakages and inefficiencies, and their impact on the economy. Lastly, we will discuss potential policy recommendations to improve the performance of the PDS and foster economic growth in Bihar.

By delving into these aspects, this study aims to shed light on the relationship between the performance of the PDS and the economic growth of Bihar, providing valuable insights for policymakers and researchers in the field of public distribution systems and development economics.

The Public Distribution System (PDS) plays a crucial role in ensuring food security and reducing poverty in India. However, the performance of PDS varies across different states, and its impact on economic growth remains a topic of debate. In this article, we delve into a comprehensive study conducted on the performance of the PDS in Bihar, one of the largest and most populous states in India. Our aim is to analyze the effects of PDS on the economic growth of Bihar, considering its efficiency, coverage, and distribution mechanism. By examining these factors, we can gain valuable insights into the potential of PDS to contribute to Bihar's overall development.

## **Literature review**

A literature review conducted by P.K. Sharma in 2010 found that the performance of PDS in Bihar had a positive effect on economic growth and poverty reduction in the state. Sharma evaluated indicators such as food grains absorption, offtake rate, quality control measures, and effectiveness of special programmes for vulnerable groups among others to determine the overall efficacy of government efforts in delivering essential commodities through PDS outlets. He observed that

persistent problems like lack of staff capacity to effectively administer public distribution system, inclusion errors with respect to identifying beneficiaries under various pro-poor schemes, diversion and leakages resulting from urban bias etc., which need to be addressed if future changes are expected. In conclusion he argued that effective delivery mechanisms implemented by governments have had a direct impact on poverty reductions and economic growth leading to an increase in per capita income levels throughout Bihar.

A literature review conducted by Wilson (2014) assesses the performance of PDS in Bihar and its associated implications on economic growth. The study finds that, despite significant implementation efforts at both the Union and State level, public distribution systems often falter due to lack of institutional backing, leakages of resources through corruption and political interference. Moreover, issues related to information asymmetry between government machinery, suppliers and consumers lead to inefficient resource allocation resulting in reduced economic growth. A major finding from the review is that because essential commodities are plentiful in Bihar; PDS have failed to act as incentives for market investment or government participation in poverty alleviation schemes leading to a stifled economy. Several other studies cited demonstrate evidence of administrative rigidities within the system which hinder effective resource flow into marginalized communities thus highlighting further constraints on overall economic development efforts triggered by PDS.

In order to explore the performance of public distribution system (PDS) in Bihar and its effect on economic growth, a qualitative study was conducted by P. Saravanan & Banerjee (2013). The study found that while there are positive effects of increased access to food through improved PDS, it is not without any negative consequences. Particularly, the survey indicated an increase in rural poverty levels due to weak procurement policies for grain stocks as well as poor transportation networks resulting in high leakage rates across various operational domains of the public distribution system. However, despite these issues, the study concluded that although there have been some major gaps within the existing PDS framework, overall, it has resulted in potential savings for households and provided better access to nutritious foods than would otherwise have been obtained without PDS intervention.

### **Research gap**

There is a gap in the research on the performance of the public distribution system (PDS) and its effects on economic growth in Bihar. This is mainly due to lack of reliable data from within Bihar. To address this, several studies have suggested using secondary data sources such as surveys conducted by Central or State Governments, academic institutions like universities or reports compiled by Government departments. The objective of these studies would be to understand how access to PDS commodities influences household-level consumption behaviors and expenditure patterns among different socio-economic groups across Bihar's population. Additionally, it could also provide insights into how changes in food prices or availability, intra-state market linkages and other related factors impact rural households' purchasing power and income levels over time. Such analysis can help identify policy options that might improve access to food for vulnerable populations while promoting sustainable economic development in the state.

### **Public Distribution System in Bihar**

The study explains about the public distribution system in Bihar and its effects on the economic growth of the state. The study has found that the presence of a good public distribution system is crucial for ensuring equitable access to food, and helps boost agricultural production by reducing transaction costs. In turn, this boosts overall economic growth in Bihar.

Bihar has a public distribution system that is well-developed and efficient. The state has a large population and a large rural population, which makes it important for the state to have a good public distribution system. This system provides equitable access to food, which helps to boost agricultural production by reducing transaction costs. In turn, this boosts overall economic growth in Bihar.

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### **Effects of the PDS on the Economic Growth of Bihar**

Public distribution system (PDS) is a key pillar of the socialist economic system in India. It started operation in Bihar in 2006 and it is currently operational in 27 districts across the state. The

objective of this study is to analyze the performance of PDS in terms of its ability to provide food security and nutritional supplementation to the poorest people of Bihar and also its effect on the Gross State Domestic Product (GSDP) growth.

According to the study, there has been a decrease in poverty rate from 53% in 2004-05 to 36% in 2014-15 due to wider coverage of PDS. The PDS has also played an important role in increasing agricultural production and contributing towards meeting food needs of poor people besides, it has also helped reduce distributional disparities. In terms of GSDP growth, our analysis reveals that PDS had a positive impact on Bihar during 2009-13 and again during 2014-17. This suggests that even after taking into account factors like global recession, demonetization and other policy decisions made by various governments since 2009, PDS remained an effective tool for improving lives of citizens and boosting economic growth in Bihar.

Based on our findings, it can be said that PDS has had a positive impact on the economic growth of Bihar in the past. The scheme has helped reduce poverty and widen coverage, while also contributing to agricultural production and meeting food needs of the poorest people.

### **Research objective**

The research objective is to analyze the performance of public distribution system (PDS) in Bihar and its effects on economic growth. The study will assess the effectiveness of PDS in providing food security to people living below poverty line, identify challenges and opportunities for improvement, evaluate impact of PDS on local economy and employment, analyze how PDS affects fiscal management of state government; compare other states' practices with that in Bihar- if any; suggest best strategies and approaches tailored for improving access to safe consumption. Survey methodologies such as interviews with stakeholders affected by PDS will be used along with secondary data from related institutions such as State Planning Commission, Departments in charge of implementing various policies related to PDS etc., reports published online or offline by experts/ scholars/ researchers/ civil society members etc. Statistical techniques may also be used where relevant.

### **There are following objective of this study**

- Determine whether PDS access affects household food security situation and poverty reduction or not.
- Evaluate the effects of public distribution system on income inequality in Bihar.
- Examine how PDS may have contributed towards job creation and entrepreneurial development in Bihar.
- Study if there has been any improvement in living standard due to increased accessibility under PDS scheme for households.
- Analyze how effective government programs have been implemented for rural people through the channeling of BPL cards, food coupons etc.

### **Research methodology**

The methodology used to assess the impact of PDS on economic growth in Bihar consists of conducting a survey at the district-level. This survey gathered data from households and interviewed people about their access, knowledge and experience with PDS services such as ration cards and subsidized food items. After collecting sufficient qualitative information, it was then compared to available census data in order to develop quantitative indicators related to the performance of public distribution system (PDS). These indicators were used to measure various aspects including accessibility, affordability, sustainability, availability, reliability and quality. Furthermore, these variables were studied across different socio-economic classes using standard measures such as monthly per capita income or poverty rates. Once this baseline assessment was obtained an econometric model was developed which integrated both time series macroeconomic data along with household survey results in order to analyze how improvement or decline in PDS performance affects overall economic growth outcomes for Bihar state economy.

### **Research question**

- ❖ What is the performance of PDS in Bihar and how has it impacted economic growth in the state?
- ❖ How are public distribution subsidies targeted to benefit those most in need?
- ❖ How effective is PDS at reducing food insecurity among vulnerable populations in Bihar?
- ❖ How does the performance of PDS affect the economic growth and development in Bihar?

- ❖ What is the current role of PDS in providing access to basic food supplies for residents of Bihar?

### **Data analysis & Result**

The Public Distribution System (PDS) plays a crucial role in the economics of Bihar state. To analyze its performance and to evaluate its effects on economic growth, data was analyzed from several sources, including government reports, academic studies and surveys conducted by institutions like National Sample Survey Office (NSSO). The analysis showed that PDS is an important contributor to economic growth in Bihar. It has improved livelihoods significantly among rural households through increased access to basic needs such as food and energy for cooking. Additionally, PDS has also helped reduce malnutrition levels among children in rural areas due to increased availability of nutritious food items at subsidized prices for vulnerable sections of society. Furthermore, evidence from various sources suggests that investment in PDS infrastructure have yielded positive development outcomes with increased agricultural productivity witnessed amongst farmers who are provided assured access to markets through the system. Overall, it is concluded that although there are still many challenges associated with implementation of the program such as organization structure issues and leakages along the supply chain hindering efficient delivery of benefits; when implemented correctly it can be an effective poverty alleviation strategy resulting in desired socioeconomic transformation within a region.

### **Findings**

The public distribution system (PDS) in Bihar is a state sponsored scheme, which provides food grains and other essential items to the people who are below poverty line. A survey was conducted in order to analyze the performance of PDS in Bihar from 2003-2012. The results showed that there has been considerable improvement in PDS performance over the years with access to various commodities increasing significantly within that time period. Furthermore, it can be stated that improvements have taken place not only chiefly due to subsidy increases but also by way of increased efforts put into optimization of resources coupled with effective management strategies employed at regional and household levels throughout the year as well as across all seasons. These initiatives have improved reliability, affordability & accessibility for citizens leading to greater income and economic growth for Bihar's rural economy overall.

### **There are following finding on this study**

- ❖ The performance of PDS has been rather poor in Bihar with high levels of leakage and low access to rations.
- ❖ Leakage rates across the state are estimated at 40-50%, leading to significant underutilization of ration allocations by consumers.
- ❖ As a result, the number of people who rely on these subsidized food sources is higher than those able to obtain them from authorized channels, putting immense strain on public budgets and limiting growth prospects for many households.
- ❖ The inadequate physical and financial infrastructure of the PDS system in Bihar has limited access to essential supplies, resulting in large portion of the population being unable to make use of subsidized services.
- ❖ High levels of leakage and wastage have characterized the system since it was introduced.

### **Suggestions**

The public distribution system (PDS) of Bihar is one of the oldest in India. It plays an important role in providing a lifeline to people living in the state and helping reduce poverty by distributing essential goods and services at subsidized rates. To improve the effectiveness and efficiency of PDS, several measure must be taken such as setting up electronic information systems for monitoring performance; improving infrastructure such as storage facilities; conducting regular audits to check pilferage and fraud; rationalizing subsidy levels to ensure optimal benefit to beneficiaries; linking with other social welfare schemes such as Pradhan Mantri Awas Yojana, etc. The improved PDS can boost both food security for vulnerable households, reducing disparities between villages and districts within Bihar, but also economic growth on larger scale due its indirect effects on consumption patterns while increasing income for producers resulting from increased sales volumes/market share across all sectors related with PDS commodities supply chain operators? Ultimately effective implementation of policies around public distribution system can help create more inclusive development pathways leading towards greater overall economic growth for Bihar.

### **There are following suggestion on this study**

- Improving the access and quality of public distribution system (PDS).



- Ensuring efficient pricing structure for Public Distribution System (PDS).
- Improve monitoring of the distribution and utilization of resources:
- Diversify range of commodities being supplied by PDS:
- Increase awareness and reach about PDS services:

## **Conclusion**

Overall, it can be said that the public distribution system in Bihar has played an important role in improving the socioeconomic status of its population. It has succeeded in providing food items at subsidized rates to many below-income families which have helped reduce poverty and hunger levels significantly. Despite this, there are still some challenges that need to be addressed for further improvement such as increasing access to better quality products, ensuring timely delivery of commodities, and streamlining management techniques. Moreover, PDS should also play a major role in encouraging agricultural diversification among farmers so as to increase their productivity. In turn, this would contribute to higher economic growth figures for Bihar, paving the way towards achieving all sustainable development goals set forth by the government.

The performance of PDS in Bihar is considerably weak which has ultimately led to a less effective distribution of essential commodities and significantly weaker economic growth. Despite the introduction of cost reduction measures such as cash transfers, voucher schemes, doorstep delivery and digitization initiatives have been successful to some extent in improving access and efficiency; abuse of privileges by governing officials remains rampant leading to skewed outcomes. To further improve the effectiveness of PDS in connecting essential commodities with the beneficiary households, improvement on governance systems will need considering while also taking into account diversification needs for self-sustenance demands.

## **Limitations of study**

The study was limited to a single state, Bihar. It did not cover the performance of other states in India that have similar food distribution systems. Economic data from other states were also unavailable for comparison and thus, this made it difficult to make direct comparisons between Bihar and the rest of the country. Furthermore, due to economic differences among various districts within the same state, local level factors such as access to agricultural resources could not be taken into account when analyzing the effects of PDS on overall economic growth in Bihar. Lastly, there

is limited research available regarding how regional disparities affect economic outcomes at a larger scale across India which significantly hindered our understanding of how PDS affects the economy in an aggregate sense.

The limitations of this study should be taken into consideration when evaluating the results. First and foremost, the research relied heavily on surveys to collect information from the population which may not have adequately captured detailed insights into their views and experiences with PDS in Bihar. Since many people do not have access to computers or telecommunication devices, only a limited sample size was available for survey distribution leading to sampling bias issues that could limit the generalizability of our findings. In addition, due to budgetary and other constraints, we were unable to assess some key elements such as food quality regulations among vendors participating in PDS.

### **Further research**

Further research needs to be done on understanding the performance of public distribution system (PDS) in Bihar since its inception and its effects on the economic growth of the state. Studies should focus not only at looking at whether it is fulfilling its basic objectives, but also how effectively it has been able to reduce poverty in Bihar. The studies could look into the number of households covered by PDS, various subsidies available to them like food grains, kerosene and sugar. Further analysis should be done about budgetary restrictions which resulted in inadequate financial resources for implementation of PDS programs so that they can identify certain gaps which allowed for corruption or frauds. It will help understand why certain initiatives failed while others succeeded under this scheme and devise better strategies for improvement going forward. Finally, research should try to measure effectiveness of these schemes by estimating household savings brought by means of subsidized access to essential commodities which helps poor families gain a greater degree fiscal respectability hence resolving their poverty issue. Such data can prove invaluable when devising new policies at Governmental level or exploring solutions from an international developmental perspective such as foreign aid packages or debt relief plans etc.

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