

# Lessons of Andhra rice scheme

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THE Andhra Pradesh rice scheme introduced in 1983, providing rice at Rs. 2 per kilogram to households with annual incomes below Rs 6,000 is now coming to be recognised by observers as an anti-poverty scheme in its own right. The scheme seeks to provide 5 kg of rice per month per person subject to a ceiling of 25 kg per household, or about 40 per cent of the total nutritional requirements of an average household, through a network of 32,063 fair price shops covering 27,221 villages and towns.

The scheme's credentials as an anti-poverty measure emanate essentially from the fact that the role of the Andhra Pradesh public distribution system which till recently handled rice sale almost exclusively in the urban areas, and in small quantities, has been fully reversed to serve the rural poor in a substantial fashion. In 1982, for instance, of the 4,16,000 tonnes of rice distributed, as much as 1,47,000 tonnes or a little above 35 per cent went only two districts in the State — the Hyderabad urban city district and Visakhapatnam district, which includes the highly industrialised Visakhapatnam urban agglomeration — accounting for only nine per cent of the population, while the other 21 districts of the State accounting for 48.7 million people or 91 per cent of the population including urban dwellers received the balance 2,69,000 tonnes of rice. And in Andhra Pradesh 76.68 per cent of the population live in rural areas of whom 43.89 per cent live below the poverty-line.

## Distribution system

With the introduction of the rice scheme, 79 per cent of the households identified as poor and entitled to cheap rice, green cards have been issued in the rural areas. The quantity of rice distributed through the public distribution system went up to 15 million tonnes in 1983 and 1.83 million tonnes in 1984 being 360 per cent and 440 per cent times more than the quantity channelled through the fair price shops in 1982. At a volume of 1.8 million tonnes, about 30 per cent of the State's entire consumption is met by the public distribution system.

A study of the strengths and weaknesses of the rice scheme was recently made by this writer in seven villages of Andhra Pradesh, representing the most prosperous coastal delta area as well as a chronically drought-prone tract. This study was not based on household surveys but on discussions with groups of beneficiaries and non-beneficiaries held in the villages and on a questionnaire eliciting information on issues central to poverty including existing wages for agricultural labour, the number of days of employment available in and outside the village annually, child labour, consumption habits and expenditure, the price of rice in the open market, the functioning of the village fair price shop in all its aspects, the quality of rice supplied, and levels of corruption.

## Rice-eating tracts

In Andhra Pradesh rice is eaten exclusively in some areas while coarse grain is eaten in others. But even in the latter the trend is towards taking rice. In the rice-eating tracts, the study showed, the following benefits have flowed to the rural poor because of the rice scheme:

In the prosperous delta villages, in a context of improving daily wage employment the rice scheme is acting as a catalyst in hastening the end of the age-old semi-bondage paleru or farm-servant system, a reform with far-reaching implications for the dignity of the rural poor.

Savings in the beneficiary households while somewhat reducing the burden of traditional indebtedness, has encouraged greater consumption of rice, vegetables and other domestic essentials like clothes, hair oil, utensils etc.

The open market price of rice has been held in check because of the reduced dependence on it.

An enhanced bargaining power for agricultural wage labour is evident because of the reduced dependence on landlords for rice in emergencies and the greater staying power induced by access to cheap rice. Such power manifested in the demand for cash wages when paddy prices are low and wages in kind when paddy prices are high.

Awareness has grown that an expanded public distribution system helps a quicker turnover of stocks and provides good quality foodgrains to consumers, thus invalidating the criticism that State intervention necessarily means the supply of poor quality foodgrains.

The scheme has rendered financially viable around 26,000 fair price shops in the rural areas, thus providing the potential for stable self-employment for educated youth in their own or neighbouring villages. This promises the emergence of a new small-entrepreneur class in the rural areas.

There have been other rural spin-offs like stable employment for hamals and gains accruing to and from regular transport facilities reaching out into the rural areas regularly.

While these results establish the scheme firmly as an anti-poverty programme on a broad front, certain serious problems faced in its implementation require highlighting. Chief among these is the identification of the eligible poor. The total number of green cards in circulation in the State is 10.1 million covering about 86 per cent of the total households. This is a palpably high figure for an anti-poverty programme, however broad-based, and is obviously because of a combination of "ghost" cards (households having more than one card) and ineligible non-poor securing green cards. Existence of "ghost" cards is not peculiar to Andhra Pradesh alone. The solution is, at the time of initial enumeration, to confine eligibility to well-recognised poor occupational classes like agricultural labourers, rural artisans, marginal farmers cultivating lands unserved by assured irrigation or not growing commercial crops, and the urban slum population. Household income should be used only as a touch-

stone and not the main criterion for identifying poverty as it is more easily amenable to manipulation. Initial identification should be followed by periodic reviews to eliminate the ineligible. In Andhra Pradesh, given the political will, the elimination of about a million "ghost" cards and conversion of two million ineligible green cards seems possible.

The fair price shops are found to be the next weakest link in the programme. Of the 32,063 — F.P. shops in Andhra Pradesh, 29,065 are in private hands, while 2,998 are cooperative. Sample studies show that dealers arrange to receive rice in their shops only when it suits them and compel poor daily wage earning beneficiaries to buy their entire entitlement mostly in one instalment ignoring the facility of five instalments enjoined by the Government as daily wage earners do not have the financial capability to buy their entire monthly entitlement at one time. The resulting unlifted quantities of rice are sometimes sold away by these traders at a profit in the open market.

The authorities to replace such traders by educated unemployed youth are severely handicapped by the inadequate credit extended by the banks. In four sample districts studied, only 45 per cent of the existing 6,666 shops were covered by bank credit, the average credit per shop being Rs. 6,609 against a requirement of up to Rs. 17,000. The problem of fair price shop dealers from the weaker sections in three of these districts for which data were made available is greater, the average credit received being Rs. 4,238 per shop. One solution would be for the Reserve Bank to permit utilisation of the credit it extends to the State Government to buy rice as a wholesaler from the Food Corporation and the open market, for retail operations also and recover it after sale in the fair price shop. This will help maintain uninterrupted supplies to the shops and instal a new and progressive entrepreneurial class of educated youth who will operate the fair price shops on the margins provided by the Government.

## Existing guidelines

The responsibility of these young entrepreneurs in turn will be to set up the premises and accessories required, whose costs will not exceed Rs. 5,000 and which the banks can advance without security, even under the existing guidelines of the Reserve Bank. This measure, while ensuring food security to the poor, who can then buy their essentials whenever they can in the course of a month, would also provide stable employment to the educated rural youth under programmes like the IRDP.

Since the quantity of rice distributed through the fair price shops average around 150,000 tonnes a month, strict supervision of its distribution is vital. The State Government has provided for the establishment of committees at the fair price shop and at the panchayat, taluq, district and state levels, with representation for the beneficiaries, legislators and women to oversee their operations. They must be encouraged to function actively. Secondly, the staff provided for day-to-day supervision of the storage, movement and sale of stocks is inadequate. This breach should be filled to stop leakages, which will otherwise increase because of the considerable difference in rice prices between the fair price shop and the open market within and outside Andhra Pradesh.

Through these measures the rice scheme can stabilise the public distribution system as an anti-poverty institution to channel not only the wages in kind payable in programmes like the NREP and RLEGP which the State Government is already attempting, but other support measures also like consumption finance (as foodgrains) essentially required to support asset-based loan programmes of the IRDP without which they are failing. It can also be used to pay the opportunity cost (in foodgrains) due to parents of school-going children in order to improve attendance in schools. Obviously, a scheme which costs around Rs. 160 crore and will on average cost Rs. 200 crore per year during the Sixth Plan has to build these new dimensions into it, if it is not to be merely, populist and unproductive.

Hopefully, as poor households effectively climb out of the poverty line through other parallel anti-poverty measures, they can be withdrawn from the rice scheme. The scheme should ultimately serve only the poorest of the poor, at a cost the State can easily afford.

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