

**Cost Benefit Analysis of FPSs in Karnataka: A Case Study of Belagavi District****Dr. D. N. Patil**

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**Abstract**

Present governments have utmost care for the people as it follows welfare and right based approach. The social security programmes assist the public in enhancing their living standards. The public distribution system is working towards providing food grains to the people. Fair price shops plays important role in supplying the essential food grains and other items. Therefore adequate review of concerned literature helped to understand what best can add to the knowledge and a case study of fair price shops in Belagavi district was conducted. The objective of the paper includes knowing the fair price shops in Karnataka state, analysing cost benefit ratio and offer the suggestions. It has been found that the commission being provided by the government to the FPS dealers is less to cover the expenses and they are earning extremely lower wage as a self employment. The paper is constructed taking into account the review, methodology, analysis, suggestions and conclusion.

**Key words:** Fair Price Shops, Cost, Benefit and Benefit cost ratio

**Introduction**

The Fair Price Shop (FPS) or ration shops plays vital role in the functioning of PDS. A fair price shops set up a direct connection between the producer (farmers) and consumer (buyer or beneficiaries of FPS). Ration shops help to provide low-cost food grains. The ration shop sells essential goods at fixed rates at subsidy from the government. In contrast, the open market shops charge a higher price and always try to exploit the consumers. Since poor people have low purchasing power and they cannot offer high prices on the open market, FPSs were started to provide food grains at reasonable rates to the weaker section of the society on behalf of government.

**Review of Literature**

**Halasagi S O (1995)** has analyzed in theses titled 'An appraisal of working of government fair price shops (FPS) in Karnataka State with special reference to Athani Taluka of Belgaum district' that the good quality food grains should be provided and in time items has to supply.

**Shikha Jha & Srinivasan, P.V (2001)** analysed that the cost & benefits related to the working of the PDS of food grains in India. They also analyzed the comparison of costs of public storage & agents through taking inefficiencies in the system.. They suggested that the rising government costs would be curtailed by efficient administration in the distribution of grain.

**Kundlannavar Basavaraj (2001)** has analysed in their study that people desires to get good quality food grains, FPS are facing the problem concerning to storage and PDS can be complemented with other nutrition goods, government should take alternative actions for enhancing buying power of the beneficiaries of PDS, etc.

**Velmurugan, R and Lavanya, D (2015)** in their study titled 'Problems in Public Distribution System' stated that poor quality food grains, under weight and adulteration are major problems of PDS. The special task force has to be formulated in order to look after such issues. It was further emphasized that need is there to take strict action towards sales person and staff in charge those who commit mistakes and involve in adulteration. To avoid over crowd, token system has to be introduced.

After reviewing the concerned literature of food security and public distribution system, the

research gap is found that the previous studies have analyzed functions and performance of Public Distribution System across India but no such studies were found in Belagavi district of Karnataka state and general studies have carried out on food security as well as on Public Distribution System before the computerization of PDS however need arise to conduct new study after Computerization of PDS in digitalized era.

them to beneficiaries. It is also taken in to consideration that maintaining minimum number of cards to each FPS so that their economic viability also cared. It is seen from the table 1 that 1717 Fair Price Shops were working in (8.60%) Belagavi district which is highest number in the state followed by Tumkuru (1104), Mysuru (1019) among top three. In case of Belagavi district, there are 929 FPS run by Co-operatives and 788 run by others.

**Objectives**

This paper intends to fulfil the following objectives

1. To Know the Fair Price Shops in Karnataka State
2. To Analyse the cost benefit of FPSs in the study area
3. To Offer policy measures

**Data Source, Tools and Limitations of the Study**

This paper is analytical and descriptive in nature. The primary data has collected from field work and secondary data have been gathered from various sources i.e. ministry of food and civil supply, journals, and websites. Percentage and tabulation used in analysing the facts and figures. This study has conducted in four talukas of Belagavi district namely Belagavi, Chikodi, Ramdurg and Raybag. It covered 60 Fair Price Shop dealer respondents in the study area. This paper is organised into three sections. I section discusses about interpretation and discussion, II section deals with the findings and III section focus on suggestions and conclusion.

**Section I**

**Interpretation and Discussion**

➤ **No. of Fair Price Shops in Karnataka**

As per economic survey of Karnataka 2018-19, there are 19938 fair price shops working across the Karnataka state. During November 2018, 18911 FPS have installed POS. They take care of supplying necessary commodities on behalf of government under the NFSA. As per government order, the Fair Price Shops are given commission due considering their contribution towards allocation of food grains to the depots and in turn to the beneficiaries.

At present, as per government order in the budget 2018-19, Rs.100/- is being given to fair price shops dealers for per quintal food grains supply from

**Table 1**

**District Wise Number of Fair Price Shops**

Sl. No	District	Total	%	Sl. No	District	Total	%
1	Bagalkote	689	3.46	17	Hassan	874	4.38
2	Bengaluru Rural	370	1.86	18	Haveri	456	2.29
3	Bengaluru Urban	555	2.78	19	Kodagu	294	1.47
4	Belagavi	1717	8.60	20	Kolar	606	3.04
5	Ballari	598	3.00	21	Koppal	443	2.22
6	Bidar	732	3.67	22	Mandya	726	3.64
7	Vijayapur	825	4.14	23	Mysuru	1019	5.11
8	Chamarajnar	476	2.39	24	Raichur	707	3.55
9	Chikkaballapur	546	2.74	25	Ramangolli	556	2.79
10	Chikmagalur	529	2.65	26	Shivamogga	576	2.89
11	Chitradurga	581	2.91	27	Tumkur	1104	5.54
12	Dakshin Kannada	461	2.31	28	Udupi	294	1.47
13	Davangere	781	3.92	29	Uttar Kannada	411	2.06
14	Dharwad	508	2.55	30	Yadgiri	399	2.00
15	Gadag	365	1.83	31	Bengaluru IRA	759	3.81
16	Kalaburgi	983	4.93		<b>Total</b>	<b>19938</b>	<b>100</b>

Source: Economic Survey of Karnataka 2018-19

➤ **Cost Benefit Analysis of Fair Price Shops**

The cost-benefit analysis has carried out based on the fieldwork data collected from the 60 samples FPSs.

• **Cost Analysis of FPSs**

Table 2 indicates the cost head wise monthly expenses of the FPSs and monthly revenue of the FPSs. It has been seen from the data that Rs. 450 in the rural area and Rs. 350 in the urban area is the monthly average transportation expenses beard by the dealers in the study region. The average transportation cost of the rationing item per month in the whole study region is estimated to Rs. 400. The loading and unloading charges are found to Rs. 180 in rural area, 450 in an urban area and Rs. 315 in the whole study region. The average electricity charges and internet expenses per month are found to Rs. 290 in a rural area, Rs. 435 in the urban area and Rs. 363 in the study region. The manpower is required to distribute the rationing items every month. On average Rs. 450 in the rural area and Rs. 650 in urban area per month expenses per shop occurs on the manpower in the study region. The total operating cost consists of transportation cost plus loading- uploading charges, plus electricity & internet charges and manpower. The Rs. 1370, Rs. 1885 and Rs. 1628 per month is the estimated operating cost in the case of rural, urban and Belagavi district FPSs respectively.

In addition to these operational expenses, there are some expenses of the FPSs which can be considered as a fixed cost. The fixed cost elements of the FPSs include expenses on the rent, safety measures and other miscellaneous. The average cost of storage rent per month in a rural area, urban area and study region is found to Rs. 1700, Rs. 2500 and Rs. 2100 respectively. Likewise, the average per month expenses on safety measures in rural area FPSs are found to Rs. 250 and it Rs. 300 in the urban area. The other miscellaneous monthly expenses were recorded as Rs. 150 in the rural area and Rs. 240 in the urban area. The overall fixed cost of the FPSs in rural, urban and study regions was found to Rs. 2100, Rs. 3040 and Rs. 2570 correspondingly.

**Table 2**  
**Cost Benefit Analysis of FPSs**

Cost Analysis			
Cost Particulars	Rural (Per month amt. Rs.)	Urban (Per month amt. Rs.)	Total Average Cost(per month amt. Rs.)
a)Transportation	450	350	400

b)Loading and uploading	180	450	315
c) Electricity charges and internet	290	435	363
d) Manpower	450	650	550
<b>Operational cost = a+b+c+d</b>	<b>1370</b>	<b>1885</b>	<b>1628</b>
i. Storage rent	1700	2500	2100
ii. Safety measures	250	300	275
iii. other miscellaneous	150	240	195
<b>Total fixed cost =i+ii+iii</b>	<b>2100</b>	<b>3040</b>	<b>2570</b>
<b>Total cost = operational cost + fixed cost</b>	<b>3470</b>	<b>4925</b>	<b>4198</b>
Revenue Analysis			
Revenue Heads	Rural (Per month amt. Rs.)	Urban (Per month amt. Rs.)	Total Average Revenue (per month amt. Rs.)
Commission	6531	18312	12421
Revenue from waste	450	700	575
<b>Total Revenue</b>	<b>6981</b>	<b>19012</b>	<b>12996</b>
<b>Gross Profit = total revenue -operating cost</b>	<b>5611</b>	<b>17127</b>	<b>11368</b>
<b>Net profit = gross profit- interest + rent</b>	<b>3911</b>	<b>14627</b>	<b>9268</b>
<b>Benefit Cost Ratio</b>	<b>2.01</b>	<b>3.86</b>	<b>3.10</b>

*Source: Compiled by the author based on field work*

The total cost has computed by adding fixed costs in operating costs. Per month total cost of the FPSs in the rural area is found to Rs. 3470 and it is Rs. 4925 in the urban area. The overall Rs. 4198 is the average total cost of FPSs in the study region.

• **Revenue Analysis**

Commission from government and income from the waste generated in FPSs are the main sources of revenue to the FPSs in the study region. It has been found that on average Rs. 6981, Rs. 19012 and Rs. 12996 is the average monthly revenue of the FPSs in rural, urban and study regions respectively.

• **Gross Profit**

The gross profit of the FPSs in a rural area, urban area and study region found to Rs. 5611, Rs. 17127 and Rs. 11368 respectively. It means that

comparatively, gross profit is less in rural FPSs in the study region.

- **Net Profit**

The net profit of the FPSs in a rural area, urban area, and study region found to Rs. 3911, Rs. 14627 and Rs. 9268 respectively. It implies that comparatively, net profit is also less in rural FPSs in the study region.

- **Benefit- Cost Ratio**

The benefit-cost ratio of the rural FPSs is found to just 2.01 percent which indicates a dual-rate of revenue than that of cost. However, the size of cost and income is less which offers low returns to the rural FPSs. Likewise, the benefit-cost ratio of the urban FPSs and study region was found to 3.86 and 3.10 respectively. It means that though the size of income is less in FPSs, there is more profitability in the urban FPSs than that of rural FPSs. It has because of differences in cost and more beneficiaries in the urban area.

## Section II

### Major Findings and Conclusion

1. The study further found that Rs. 450 in the rural area and Rs. 350 in the urban area is the monthly average transportation expenses beard by the dealers in the study region. The average transportation cost of the rationing item per month in the whole study region is estimated to Rs. 400. The loading and unloading charges are found to Rs. 180 in a rural area, 450 in an urban area, and Rs. 315 in the whole study region. The average electricity charges and internet expenses per month are found to Rs. 290 in a rural area, Rs. 435 in the urban area and Rs. 363 in the study region. The manpower is required to distribute the rationing items every month. On average Rs. 450 in the rural area and Rs. 650 in urban area per month expenses per shop occurs on the manpower in the study region. The total operating cost consists of transportation cost plus loading- uploading charges, plus electricity & internet charges and manpower. The Rs. 1370, Rs. 1885 and Rs. 1628 per month is the estimated operating cost in the case of rural, urban, and Belagavi district FPSs respectively.
2. The fixed cost elements of the FPSs include expenses on the rent, safety measures, and other miscellaneous. The average cost of storage rent per month in a rural area, urban area, and study region is found to Rs. 1700, Rs. 2500 and Rs. 2100 respectively. Likewise,

the average per month expenses on safety measures in rural area FPSs are found to Rs. 250 and it Rs. 300 in the urban area. The other miscellaneous monthly expenses were recorded as Rs. 150 in the rural area and Rs. 240 in the urban area. The overall fixed cost of the FPSs in rural, urban, and study regions was found to Rs. 2100, Rs. 3040 and Rs. 2570 correspondingly. The total cost has been computed by adding fixed costs to operating costs. Per month total cost of the FPSs in the rural area is found to Rs. 3470 and it is Rs. 4925 in the urban area. The overall Rs. 4198 is the average total cost of FPSs in the study region.

3. The study found that on average Rs. 6981, Rs. 19012 and Rs. 12996 is the average monthly revenue of the FPSs in rural, urban, and study regions respectively. The gross profit of the FPSs in a rural area, urban area, and study region found to Rs. 5611, Rs. 17127 and Rs. 11368 correspondingly. It means that comparatively, gross profit is less in rural FPSs in the study region. The net profit of the FPSs in a rural area, urban area, and study region found to Rs. 3911, Rs. 14627 and Rs. 9268 respectively. It implies that comparatively, net profit is also less in rural FPSs in the study region.
4. The benefit-cost ratio of the rural FPSs is found to just 2.01 percent which indicates a dual-rate of revenue than that of cost. However, the size of cost and income is less which offers low returns to the rural FPSs. Likewise, the benefit-cost ratio of the urban FPSs and study region was found to 3.86 and 3.10 respectively. It means that though the size of income is less in FPSs, there is more profitability in the urban FPSs than that of rural FPSs. It has because of differences in cost and more beneficiaries in the urban area.

## Section III

### Suggestions and Conclusion

1. At present government is providing Rs.100 commissions for one quintal of food grain distribution which is less to run the business properly in the modern price increasing days. Therefore it is suggested that the commission offered by the government should be increased.
2. The supply of food grains from the government should be available on time which will helps in improving the service efficiency of the FPSs.
3. The government should provide a credit facility for the renovation of the godown and storage hygienic environment. At present, there were no sources of credit to the FPSs, because of which they can't develop the hygienic godown.

4. It has been suggested by the shopkeepers that the operating cost of the FPSs is having an increasing trend which has to be considered while fixing the commission rate. Likewise, shopkeepers also suggested an on-time settlement of the issues by the government officials.
5. One Nation One Ration card scheme should be started throughout the country as early as possible because it will help the temporarily migrant households. It will also increase the business of the dealers and they can earn more economic profit.

To conclude, the fair price shops are playing very important role in supply of food grain and other items as necessity on behalf of government in the welfare society. The FPS dealers are expecting sufficient commission behind the work of distribution because of to cover expenses and earn for their life. They must have given provision of loan at concession rates by the government along with social security.

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