Revamping the PDS

Why in news?

Recent Economic Survey of India highlighted the issue of India's growing food subsidy bill.

What is India's food subsidy bill?

- During 2016-17 to 2019-20, subsidy amount along with the loans taken by the FCI under the National Small Savings Fund for food subsidy was about Rs 1.65-lakh crore -Rs 2.2-lakh crore.
- In future, the annual subsidy bill of the Centre is expected to be about Rs 2.5-lakh crore.
- During these 3 years, the quantity of food grains drawn by States (annually) centred around 60 million tonnes to 66 million tonnes.
- The National Food Security Act (NFSA) naturally pushed up the States' withdrawal & under the targeted PDS scheme authorities should provide 5 kg of rice or wheat per month to each beneficiary.
- Due to COVID-19 pandemic, the revised estimate of the subsidy is about Rs 4.23-lakh crore, excluding the extra budgetary resource allocation of Rs 84,636 crore.
- So the Economic Survey suggested increasing the Central Issue Price (CIP).

What is the issue in increasing the Central Issue Price?

- The CIP has remained at Rs 2 per kg for wheat and Rs 3 per kg for rice for years, though the NFSA envisaged a price revision after three years.
- But increasing the CIP is complex in states where there is nil variation between the retail issue price & CIP.
- Such instances occur in states like Karnataka and West Bengal for Priority Households (PHH) and Antyodaya Anna Yojana (AAY) ration card holders respectively.
- In Tamil Nadu, rice is given free of cost for all categories which includes non-PHH.
- Hence a mere increase in the CIPs without a corresponding rise in the State issue prices will only burden the States which is already facing resource crunch.
- Moreover the politics of rice has been an integral feature in the political

discourse.

- Various Political parties garner the votes of citizen by announcing affordable prices of food grains in their election campaigns.
- Despite achieving substantial poverty reduction, it is no longer necessary to keep the retail prices of food grains at fair price shops very low.
- As per the Rangarajan group's estimate in 2014, the share of people living below the poverty line (BPL) in the 2011 population was 29.5%.
- Hence it is time to relook the overall food subsidy system including the pricing mechanism.

What can be done now?

- An official committee in January 2015 called for decreasing the quantum of people covered under the NFSA from the present 67% to around 40%.
- Ration cardholders should have a give-up option as done in the case of cooking gas cylinders.
- Though the States frame criteria for identifying the PHH cardholders, Centre can push states to identify the necessary beneficiaries.
- The existing arrangement of flat rates prices should be replaced with a slab system.
- Except for the needy people, other beneficiaries can be made to pay a little more for a higher quantum of food grains.
- These rates can be arrived by the Centre and the States through consultations.
- End-to-end computerisation of PDS operations, digitisation of data of ration cardholders, seeding of Aadhaar and automation of fair price shops can be other options.
- PDS cannot be discontinued at any cost in a country like India.
- Hence a revamped and need-based PDS is required to cut down the food subsidy bill and to reduce the leakages in the system.

Source: The Hindu

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