UBI can’t substitute PDS

Why in news?

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- The Economic Survey (ES) has compared the benefits of Universal Basic Income (UBI) with that of other welfare schemes it could replace.
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- It discussed the Public Distribution System (PDS), especially its errors in targeting and the high levels of leakage. While these have reduced significantly, the ES still favours UBI.
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What is UBI?

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- It is premised on the idea that a just society needs to guarantee to each individual a minimum income which they can count on, and which provides the necessary material foundation for a life with access to basic goods and a life of dignity.
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- It can be paid in kind (such as food or services) or in vouchers or can be a direct transfer into bank accounts to help reduce leakage.
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- The government is about to offer UBI to families below the poverty line.
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- Approximately 20 million family in India will get the benefit if implemented.
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What is the major positive of PDS?

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- The major positive of PDS is it provides cheap food to the vulnerable.
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- The PDS enables over 130 million people, to be calorie sufficient.
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- NSS data shows that, **food from the PDS contributes over 600 calories and 15 grams of protein per head** daily to beneficiary households.
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Why PDS is more efficient than cash transfer?

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- Consumer freedom is present in both PDS and UBI. People buy from the PDS according to the degree of needs.
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- **The PDS provides an implicit saving to the households.** That is, the extra expenditure a household would incur if PDS food items are bought from markets.
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- The NSS data shows that while the average per head implicit saving for the PDS beneficiary household was Rs 960. For 25% of households, the savings would be Rs 1,200 or more.
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- Assuming no leakages, a calculation based on budget data indicates the cash transfers made to the PDS beneficiaries from the central food subsidy would not be more than Rs 1,200 per head, which is grossly inadequate.
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- The **cash transfers have to be at least Rs 2,200 per head** to compensate all beneficiary households.
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- Given the supply-side issues and the need for state support, the PDS even at its current level of leakages is fiscally more efficient than cash transfer.
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- The only Indian experience in cash intervention is the UNICEF-SEWA Bharat experiment in Madhya Pradesh. Even here, the cash transfers were in addition to but not a replacement for existing social welfare programmes.
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What needs to be done?

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- Considering the declining leakages in PDS and the possibility of leakages in UBI, its case for replacing the PDS becomes weaker.
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- Logically, **steps must be taken to reduce leakages in the PDS** by expanding its reach and including pulses and other food items in the basket.
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Source: The Indian Express

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