As the governments fiscal space has severely shrunk due to the revenue crunch, reorganisation of subsidy regime is the need of the hour.

The way ahead:

1. Food subsidy reforms
   - The number of beneficiaries under the National Food Security Act should be cut down from the current 67% to bottom 20% of population.
   - Conditional cash transfer schemes involving food coupons, etc. on the line of Brazil's Bolsa Familia should be introduced.

2. Fertilizer subsidy reforms
   - Urea should be included in the Nutrient Based Subsidy Scheme.

3. Preventing subsidy leakage

Ghost beneficiaries must be weeded out & greater reliance should be placed on DBT & BAPU (Biometric Authenticated Physical uptake).

In order to prevent the GDP growth rate from falling further & to put a stop on the reversal of the poverty alleviation trends of the past decade – subsidy reforms are necessary.

required to create a fiscal space for the govt for better economic recovery. Elaborate (200 W).

Subsidies form a major chunk of the revenue expenditure of the government with most money being shelved out on food subsidies followed by subsidies on fertilizers, fuels & interest on farm loans.

COVID-19 induced economic downturn requires urgent subsidy reforms & restructuring, as:

1. Government expenditure needs to go up as household expenditures have fallen while corporate investments are a far cry owing to production slump from lockdowns & labour shortages.
2. MSMEs which have been hit harder by the second wave require quick revival through liquidity infusion
3. Income assistance is urgently needed to prevent the downward spiral of a substantial portion of our population into poverty.
4. with a debt-to-GDP ratio of 90%, debt sustainability is in peril.