



LEAKAGE IN PUBLIC DISTRIBUTION SYSTEM – POLITY

NEWS: Public Distribution System must be reformed to fix leakage, invest in farming

WHAT'S IN THE NEWS?

Background and Objective of Food Subsidies

- **Philosophy of Self-Sufficiency:** Refers to the saying, “Teach a man to fish...” highlighting the importance of long-term solutions over short-term relief.
- **Current Debate on Food Subsidy Allocation:** Contrasting opinions on the food subsidy amount (Rs 2.7 lakh crore in FY 2023) – whether it should be reallocated toward agriculture-related investments or seen as a necessary social safety net.

Three Core Issues in the Current PDS Framework

- **Extensive Coverage of Free Food:** Currently, about 57% of India’s population receives free food, questioning the alignment with poverty reduction claims.
- **High Leakage in PDS Distribution:** Approximately 28% of allocated food grains do not reach intended beneficiaries, resulting in substantial financial loss.
- **Nutritional Security Concerns:** Provision of rice and wheat alone does not meet nutritional needs, especially for children under five.

PDS LEAKAGE IN PER CENT



Source: Authors' calculation based on FCI and HCES 2022-23.

Notes: Reference period: August 2022 to July 2023.

* Include state specific off-takes are added in the total off-takes from state public distribution websites



Analysis of PDS Leakages and Financial Implications

- **Extent of Leakage:** Data from the 2022-23 Household Consumption Expenditure Survey reveals a 28% leakage in rice and wheat distribution, translating to 19.69 million metric tonnes or an annual loss of around Rs 69,108 crore.
- **Historical Leakages:** In 2015, leakages were estimated at 46% according to the Shanta Kumar Committee, highlighting ongoing inefficiencies despite technological interventions.
- **Technology Intervention to Reduce Leakages:** Introduction of Point-of-Sale (PoS) machines in Fair Price Shops (FPS) reduced leakages to 28%, but further reforms are needed to minimize wastage.

Variations in PDS Effectiveness Across States

- **State-Specific Discrepancies:** Arunachal Pradesh, Nagaland, and Gujarat report the highest PDS leakages, indicating that state-level reforms are necessary to tackle distribution inefficiencies.

Addressing Nutritional Security Challenges

- **Shift in Consumption Patterns:** Spending on pulses and vegetables has declined since 2011-12, contributing to inadequate nutrition.
- **Current Malnutrition Statistics:** 35.5% of children under five are stunted, 19.3% are wasted, and 32.1% are underweight, according to the National Family Health Survey (2019-21).
- **Proposed “Nutrition Hubs”:** Conversion of some FPS outlets into “nutrition hubs” providing diversified foods (e.g., eggs, pulses, millets) could improve nutrition, using digital food coupons for a wider variety of food options.

Recommendations for PDS and Subsidy Reform

- **Limit Free Food to the Extreme Poor:** Only the bottom 15% (extremely poor) should receive free food, while others should pay at least half the Minimum Support Price (MSP).
- **Reallocation of Subsidy Savings:** Direct saved funds toward agricultural investments, such as climate-resilient farming.
- **Direct Cash Transfers to Beneficiaries:** A proposed alternative to food distribution, aiming to reduce leakages and improve direct benefits.
- **Promote Digital Coupons for Nutritional Variety:** Implement a digital coupon system at nutrition hubs, offering better nutrition options to PDS beneficiaries.

Conclusion

India’s PDS, despite technological advancements, suffers from significant inefficiencies and leakages. Reforming the subsidy structure to target only the extremely poor, alongside improving access to nutritious food through specialized FPS outlets, could enhance food security, reduce financial wastage, and improve health outcomes for vulnerable populations.



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