ABSTRACT

The Reforms in Public Distribution System and the Role of Cash transfers in India: An Empirical Analysis from Kerala

Public Distribution System (PDS) is a social safety net ensuring the provision of essential commodities to the targeted population at subsidised prices. The PDS at its very inception as an important welfare policy of the government was meant for managing food scarcity and ensuring the affordability of the food grains. The primary objectives of PDS from its origin have been to ensure price stability, food security, rationing in times of scarcity and keep a check on the private trade. PDS policies have been dealt within the successive five-year plans in India. The Twelfth Five Year Plan (2012-17) emphasized expansion of Aadhaar numbers and opening of the bank accounts which allow the possibility of transferring benefits directly to the beneficiaries. In the context of PDS reforms and new alternatives to PDS, the purpose of the present study is to analyse the impact of PDS policy changes and to estimate the impact of PDS on poverty in major states of India by analysing the preferences for PDS and cash transfer scheme in Kerala. The study was confirmatory and has used both primary and secondary sources of data. The impact of PDS reforms on the purchase of PDS rice was estimated using a Difference-in-Difference method. To analyse the PDS impact on poverty the income transfer or subsidy method was used. The data for the study was adopted from the Consumer expenditure surveys of concerned NSSO rounds namely 50th Round (1993-94), 61st Round (2004-05) and 68th Round (2011-12). To analyse the feasibility of cash transfer scheme a primary household survey using a simple random sampling method was carried out in Kerala collecting data from households using a structured interview schedule. The positive impact of the reforms adopted by the states can give new insights for the other states to adopt these reforms and also to implement the NFSA, 2013 in full length. An increase in coverage of PDS has been witnessed at the All India level in rural India from 24.4 percent in 2004-05 to 45.9 percent in 2011-12 and urban India from 13.1 percent in 2004-05 to 23.3 percent in 2011-12. An analysis of the poverty across the MPCE deciles group helps in making a
comparative assessment of the subsidy transfer among the poor and rich expenditure classes of households. The analysis, in turn, helps to evaluate whether the subsidies through PDS reached the targeted population. The study also justifies the need for more targeted and progressive distribution of subsidies to the BPL households and the possibilities for shifting to cash transfer scheme as an alternative to TPDS. The analysis from the study proves that PDS is crucial in ensuring food security especially to the targeted population below poverty line. Cash transfers as an alternative are preferred if the access to banks and markets are made possible for the convenience of the households.