

1. The objective of Direct Benefit transfers should not be reduction in subsidies but improvement in outcomes. Can DBT in PDS lead to reduced hunger and improved nutrition level? (150 Words)

Answer:

- PDS means distribution of essential commodities to a large number of people through a network of FPS on a recurring basis. The commodities are as follows: - Wheat, Rice, Sugar and Kerosene.
- PDS evolved as a major instrument of the Government's economic policy for ensuring availability of foodgrains to the public at affordable prices as well as for enhancing the food security for the poor.
- But it suffers from many issues such as 57% of the PDS food grain does not reach the intended people. Bogus ration cards in the name of fictitious owners causes significant leakages as it does not reach the intended beneficiaries.
- Thus, Direct Benefit Transfer can be used to reduce the pilferages. DBT would enable the poor to access the goods of their choice which are currently unavailable to them under PDS for instance vegetables, milk and pulses, etc. Poor will also be able to access better quality of food products depending upon their requirement from the open market. This will help in increasing nutritional level.
- Direct Benefit Transfers can compensate the consumers and producers for exactly the welfare benefits they derive from price subsidies without distorting their incentives as seen in undercultivation of non-MSP supported crops or diversion of freight traffic due to high freight tariffs on account of cross subsidisation of passenger fares. It will also help in curbing inflation.
- Direct Benefit Transfer can remove the regressive nature of price subsidy as seen in case of sugar, electricity or LPG by better targeting. It can also augment the effectiveness of existing anti-poverty programs by curtailing the opportunities for leakages and ensuring faster payments at lower cost. The net fiscal savings gives the government much needed fiscal space for higher return social transfer program.
- Further Direct Benefit Transfer is much easier and simpler to implement when compared with fiendishly complex price subsidies which offer large rent seeking opportunities to black marketers as seen in case of kerosene under PDS and fertilizers. It avoids interaction of different subsidies for instance fertilizer and freight subsidies thus effectively benefitting the poor.
- Rationalisation of subsidies and better targeting of beneficiaries through direct transfer would generate part of resources for the public investment that is essential in research, education, extension, irrigation, water management, soil testing, warehousing and cold storage.
- The subsidies bills in India are high due to rampant corruption, inefficiencies and leakages which have made many welfare schemes dysfunctional. Direct Benefits

Transfer to the poor aims to mitigate these many malaises rather than reducing the benefits to the targeted beneficiaries.

PRACTICE QUESTIONS

Answer the following Questions

1. Despite many challenges, India has persisted in consolidating relations with Iran. Explain. In the context of Chabahar Port, discuss the significance of other actors in Indo-Iranian relations. (150 words)
2. It has been argued that recent developments in Maldives marked a test for the Neighbourhood First policy of India. In this context, do you think India's neighbourhood policy requires a major overhaul to deal with such developments? (150 words)