

AN ANALYSIS OF NATIONAL FOOD SECURITY ACT 2013: THEORY VS PRAXIS

Sapna Newar

Assistant Professor, St. Xavier's College, Jaipur

Abstract

India is one of the fastest growing countries in terms of economic growth but it has failed to redress the problem of malnutrition which has fast economic consequences. The primary focus of the NFSA in India is the expansion of access to cheap cereals by the unprivileged masses, even though dietary composition is as relevant to Indian malnutrition situation as hunger or caloric deficiency.

Hence, the paper seeks to rectify, develop and improve upon the NFSB so that it is able to solve the purpose it originally intended to. The paper also discusses the effect of NFSB on population growth, food inflation and concludes that NFSB needs to promote the income approach to food security through employment generation rather than providing food for free. The paper also throws light on the solutions provided by Harvey Leibenstein for development of countries in his "Critical Minimum Effort Thesis". Food subsidy can only provide short term solution, but long-term solution lies in providing gainful employment. The important questions which need to be answered are - will the beneficiaries divert the increment in the real income towards factors related to social development viz. education, skill enhancement and Human Resource Development or will Adam Smith's theory of wind fall income stand for itself and leads to degradation in the psychology of the working population?

Keywords : Food security, National food security act, Unprivileged masses, Gainful employment, Critical Minimum Effort Thesis.

Introduction

India is one of the fastest growing countries in terms of economic growth but it has failed to redress the problem of malnutrition which has fast economic consequences. The primary focus of the NFSA is the expansion of access to cheap cereals to the unprivileged masses, even though dietary composition is as relevant to Indian malnutrition situation as hunger or caloric deficiency. According to the recommendations of the ICMR the dietary requirements of an average adult is at least 14 kgs of food grains per month and that of children is 7 kgs per month. But the NFSB has made provisions for only 5kgs of food grains per person per month. Moreover, it only accounts for the distribution of cereals with no entitlements to pulses and edible oil to combat malnutrition, the urgent holographic problem at hand. The present NFSA seems to be more inclined towards cheap grains bill rather than food security bill. The prevalence of malnutrition in a country like India is in itself a cause for serious concern since malnourished children may jeopardize India's favorable demographic dividend.

Food has always been the governing principle of all human activities. Production of fodder in the form of crops will forever remain the backbone of every underdeveloped and developing economy. Food is the basic

right of every human being. Food security is said to exist when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life (FAO 2009).

Hence, the paper seeks to rectify, develop and improve upon the NFSB so that it is able to solve the purpose it originally intended to. The paper also discusses the effect of NFSB on population growth, food inflation and concludes that NFSB needs to promote the income approach to food security. Food subsidy can only provide short term solution, but long-term solution lies in providing gainful employment.

Moreover, India lacks financial resources and implementation of this act may increase financial burden of the government which in turn may seriously impair the ability of the government to invest in developmental activities. This in turn can lead to slower economic growth and all its adverse consequences. The study aims to provide a well thought mechanism to effectively and optimally implement this act and also suggests that waste in food subsidy can be saved and can be used as a buffer to step up substantial coverage without commiserating public expenditure.

The paper also throws light on the solutions provided by Harvey Leibenstein for development of countries in his “Minimum Critical Effort Thesis”. According to him, the most pressing problem in underdeveloped countries is the vicious circle of poverty which creates an atmosphere of inertia among the people and putting efforts is the only way to break the vicious circle of poverty and to release the forces of growth.

The important questions which needs to be answered are - will the beneficiaries divert the increment in the real income towards factors related to social development viz. education, skill enhancement and human resource development or will Adam Smith’s theory of wind fall income stands for itself and lead to degradation in the psychology of the working population?

2. Methodology

Mainly secondary data is used in the paper for assessment of National Food Security Act 2013 in the state of Rajasthan and is collected from voluminous literature in the form of journals, books, IFPRI policy papers and numerous government sites. Primarily, 2011, 2012 and 2013 issues of Kurukshetra - A Journal on Rural Development has been premeditated.

3. National Food Security Act (NFSA), 2013

NFSA was passed in the Parliament in September 2013 with an aim to make the Right to Food a legal entitlement. The food grains will be provided to nearly two-thirds of the population at subsidized rates through existing Targeted Public Distribution System (TPDS). The present act classifies the population in the following categories:

- Excluded (i.e., no entitlement)
- Priority (entitlement), further divided into APL and BPL
- Antyodaya Anna Yojana (AAY; Poorest of the poor - higher entitlement).

NFSA inter alia provides for coverage up to 75% of the rural population and up to 50% of the urban population at an all India level under TPDS. Under NFSA, the priority households are entitled to receive food grains

at 5 kg per person (25 kg per household) per month at issue prices of Rs.3.00, Rs.2.00 and Rs.1.00 per kg for rice, wheat and coarse grains respectively. The existing AAY households, however, will continue to receive 35 kg of food grains per household per month.

Table 1: Right to Receive Food Grains at Subsidized Prices

	Priority	General
Food grains Entitlement	7 kg per person per month	3 kg per person per month
Price 10	Not exceeding Rs. 3 per kg for rice, Rs. 2 per kg for wheat and Rs. 1 per kg for coarse grains	
Coverage <i>Rural population</i> - Upto 75% <i>Urban population</i> - Upto 50%	At least 46% of rural population At least 28% of urban population	

Source: NFSB Bill, 2011-As introduced in Lok Sabha

Statement of the Problem

According to Montek Singh Ahluwalia, only 16% of the resources allocated towards India’s food subsidized distribution scheme reach the poor (The Economist 2010). The criticisms of TPDS include the exclusion of a large number of deserving households due to problems associated with identification and exclusion (Saxena 2010). According to Rajagopalan (2010), only 18 out of 31 states had been surveyed to identify below poverty line (BPL) families; in some states where surveys had been conducted, BPL families have been missed out; performance of TPDS is considered to be poor in states with high number of BPL families; also lack of co-ordination between national and village level further impede its performance. This highlights the inability of the present set up to implement the NFSA efficiently and effectively. Other than these, the other problems related to this act are:

- The Act fails to provide access to entire basket of nutrients necessary to improve the nutritional status of the beneficiary class. For instance, the only source of protein for many poor people i.e. pulses has not been included and mentioned in the bill.
- Another cascading effect will be felt by the farmers as they will be now be forced to grow more cereals rather than other high value and nutritional rich products or cash crops thus resulting in inflation of the prices of these crops and shelving them out of the reach of the BPL population.
- Malnutrition is not always caused by food insecurity, there are numerous other reasons for malnutrition in the state such as unavailability of safe drinking water, sanitation, limited access to medical facility, lack of knowledge about nutritional contents of the food and insufficient parental care.
- As this Act is to be implemented through PDS, the effective implementation of this Act requires the PDS system to be free from inefficiencies and leakages already existing in this system.
- The existing potential and storage capacity of godowns and warehouses fall short of the humongous requirements under NFSA.

- The current practice of Public Food Delivery System spins on the mechanism of deriving food grains from the PDS shops from a centralized warehouse located at a considerable distance which is trickling up the already significant fiscal burden of the government.

Lessons from History: Ancient literature has always enunciated that providing food is one of the major responsibilities of the country towards its people. But here the question is whether this philosophy is valid in today's economics? Can the theory of 'state responsibility' and 'freebies' be applied in the free market approach? A part of it can be answered by scrutinizing the similarity between the NFSA and Poor Law of England. The Poor Laws faced widespread criticism from the academic as well as political community. Eminent economist David Ricardo supported the abolition of the Poor Law in his book 'Principles of Political Economy and Taxation' published in 1817. Demographer and economist, Thomas Malthus also felt that the Poor Law ought to be abolished, since it had limited the mobility of labour. The applicability of the Malthusian and Ricardian criticism in today's economics is a major point of emphasis. The implementation of the NFSA on the social psychology of the working population can have cascading effects on the growth and development of the economy. The decline of the Roman Empire was a result of years of appeasement policies which eventually created a parasitic population which was scourging upon the nation's resources for leisure, luxury and life. Unable to maintain a strong economic fiber and a capable army against the Barbarian Hordes, the most prosperous and mighty empire on the planet was reduced to its very ashes. The main object of this paper is to provide solutions for effective implementation of NFSA in India. On the fallacy of the Poor Laws, the very words of Malthus were

"If people had to work hard for a living the pain of the work might deter them from the pleasures of procreation, in an effort to restrict the number of mouths they had to feed from their work. But if the poor were given welfare by the state whenever they were hungry, nothing would deter them from breeding like rabbits and they would breed until the country's resources were exhausted and famine and disease began to curb their numbers. In the long run, it was no kindness to the poor to provide for their welfare other than by the free market for their labour."

Harvey Leibenstein Model of Critical Minimum Effort Thesis

India is a country which is in a dual stage. A stage which is a mixture of developed and developing economy. The country which has been divided between the have and have-nots. The policy of NFSB aims to target the welfare of the people falling under the category of "The have nots". But the important questions which need to be answered are - will the beneficiaries divert the increment in the real income towards factors related to social development viz. education, skill enhancement and human resource development or will Adam Smith's theory of wind fall income stands for itself and leads to degradation in the psychology of the working population?

The solution lies in Harvey Leibenstein theory of critical minimum effort. Harvey Leibenstein had given the theory of development for underdeveloped countries known as 'Low Level Equilibrium Trap' and has propounded his thesis of critical minimum effort as an attempt to provide a solution to the problems of development faced by the underdeveloped countries. Critical minimum effort thesis offered Leibenstein as prescriptions for breaking the trap, the underdeveloped countries must undertake investment programme which is of critical minimum size to raise the level of per capita income to overcome the population barrier. The theory is based on Malthusian Theorem which states that an increase in per capita income above the

minimum subsistence level leads to an initial increase in population. However, there is an upper limit to rate of population growth, say 3%, beyond which a rise in per capita income will not be accompanied by a further increase in population growth rate; rather population growth rate starts declining.

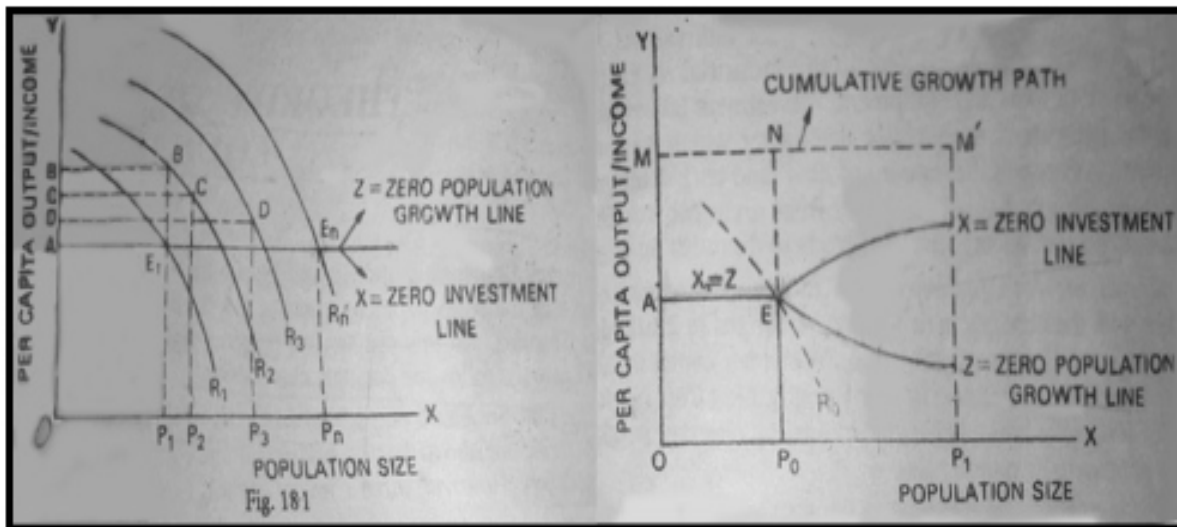
At low per capita income levels, people are too poor to save which results in low rate of investment and hence, a low rate of income growth. As per capita income increases, the proportion of income saved and invested also increases. This will lead to higher rate of income growth.

Implementation of Leibenstein Model: Effect of NFSA on Population Growth

Leibenstein thesis is based on empirical evidence, that the rate of population growth is a function of the level of per capita income. NFSA will have its initial effect on increase in purchasing power of this class and the effect of increase in real per capita income above the subsistence equilibrium level of income, mortality rate falls without any drop in the fertility rate. The result is an increase in the growth rate of population. According to the model, this positive relation between these two forces has upper limit. Beyond that, the increase in per capita income lowers the fertility rate and as development gains momentum, the rate of population growth declines.

As is clear from the diagram 1, for every disturbance in per capita income, the long term effect on population growth are more pronounced than the corresponding effects on induced investment and hence, on the growth of resources. Increase in per capita income within the box OPM'NM will take the economy back to initial equilibrium point E with an expanded size of resource utilization.

Figure 1 : Leibenstein Model



If this model is applied, then NFSA will boost the population growth in India as well. To overcome this problem, the government needs to take into account the solution provided by the model that a country needs to increase per capita income beyond critical minimum limit and this could be done by providing them employment opportunities rather than providing food for free.

Food Subsidy and its Impact on Food Inflation

To meet the requirements of this bill, government will have to procure rice, wheat and millets in enormous quantities thus reducing the share of open market quantities, consequently pushing up prices of these crops and magnifying the already delicate inflationary cycles of the economy. Second major issue which needs attention is food subsidy and its impact on food inflation. To meet the requirements of food grains under this act, the farmers will increase the production of food grains by diverting the land from the production of other crops. This will add to the prices of these crops. Moreover to meet the requirements of food grains under this act, government will have to keep the stock of these crops, leaving lesser output in the market and thus adding to the price for people above BPL. The cascading effect will be on production of other crops like pulses, oilseeds and other cash crops. Because of NFSA, the coarse cereals will now be available at subsidized rates. Thus, consumers under BPL will now be able to increase the consumption of other protein based items, thus adding to their prices.

Conclusion

India is going through a unique and exceptional phase- a phenomenon which was till now missing from the pages of economic literature. It is facing a distinctive development paradox of being amongst one of the fastest growing country in the world and in sharp contrasts one of the most populous countries which is fighting with the problem of hunger and malnutrition. To fight with this problem, the country has incepted an act on National Food Security which it expects will be the panacea for the access to food at subsidized rate to the targeted class.

India expends significant resource on food subsidies, but only a part of it reaches to the poor. The paper proposes that India does not score well on this front. Participation rates are low and poor households don't receive most of the expenditures of food subsidy for a number of reasons like illegal arbitrage, fraud, wastage of food due to poor storage facilities during transit. In case of food subsidy in India, PDS suffers from considerable leakages and apart from a low coverage of poor; the magnitude of benefit derived by the poor is very small. The study also suggests that this waste in food subsidy can be saved and can be used as a buffer to step up substantial coverage without commiserating the public expenditure.

Merely the procurement and distribution of food will not help in fighting the problem of food insecurity that exists in the country. Likewise, the provision of simply wheat, rice and cereals at subsidized rate will not help to overcome the delinquency of malnutrition that plagues our nation. Still there is a lot to be done and to be achieved in this direction to ensure that we are able to accomplish what we intended to through this act.

No doubt, food is the primary requisite of Homo sapiens and it must be the duty of the state to provide this basic amenity. A society which breeds of justice and equality should at least provide to its people what is required for a decent living. Nevertheless, this task should not come in the way and compromise with the social psychology of the working population by converting them into a parasitic class which is bent on feeding on to the national resources. History alone can be the best teacher of economics and as we have witnessed from the quills of our predecessors, "There must be no free lunch for all".

The important questions which needs to be answered are - will the beneficiaries divert the increment in the real income towards factors related to social development viz. education, skill enhancement and human resource development or will Adam Smith's theory of wind fall income stands for itself and lead to degradation in the psychology of the working population?

Some Recommendations :

1. As a large proportion of India's population is dependant on agriculture, government should support agricultural livelihoods directly.
2. To reduce the effect of NFSB on population growth, there is a need to raise the standard of living of this class by providing facilities like education, free medical facilities, free supplements of protein, safe drinking water, etc.
3. This NFSB bill should be linked with MNREGA.
4. Government should promote and give incentives to the industries which use labour intensive techniques.
5. More food processing units need to be established in the state. As food processing units are more labour intensive, these units will help in generation of more employment opportunities. This should be the prime objective in order to bring self-sufficiency.
6. Food security bill is incomplete without ensuring access to safe drinking water, hygiene and sanitation. This needs to be complimented with proper nutritional intake.

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