

Preliminary Study of the Implications of the National Food Security Act

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Abstract

National Food Security Act, 2013, (NFSB) was passed by the Indian Parliament in 2013 and is slated for implementation. Some regard it as a landmark Act in our fight against poverty and deprivation and expect it to substantially improve the well being of large proportion of Indian population. Others regard it as too ambitious and fear that it may well impact the economy so badly that it will reduce the growth rate in medium and long run. They also feel that implementation of the Act would also pose several unsurmountable problems.

This paper examines the Act and its provisions and discusses the possible macro and micro effects of the Act. The cost to the exchequer is calculated as about Rs. 191502 crores in the first year, Rs. 203290 crores in the second year and Rs. 196195 crores in the third year of its implementation. Subsequent cost is likely to be lower due to reduction in number of potential beneficiaries as the per capita income increases over time. It will significantly reduce the food insecurity in short run. We find that contrary to prevalent belief, the Act is not regressive and its impact on the fiscal deficit is substantially lower than the gross outlay due to its replacement of many of the existing schemes.

However, we believe that it is a positive step but short term measure and does not address the root cause of the poverty.

Key-Words: Mal Nutrition, National Food Security Act, Poverty, Targeted Public Distribution System, Welfare Analysis