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Pradhan Mantri Garib Kalyan Yojana

Why in News?

Union Finance Minister announced an Rs 1.70 lakh crore 'Pradhan Mantri Garib Kalyan Yojana' relief package.

What is the story behind?

- A nationwide lockdown was imposed recently to stop the novel coronavirus in its tracks.
- This has led to scores of daily wage workers and informal sector entrepreneurs losing earning opportunities from their existing activities.
- To alleviate the distress of those least equipped to bear the cost of staying home for the larger public interest of battling the COVID-19 pandemic, Rs 1.70 lakh crore relief package was announced.

What is a significant component of the relief package?

- The increased entitlement of food grains supplied through the public distribution system (PDS) is a major intervention.
- Currently, the PDS provides 5 kg of cereals per person per month at Rs 2/kg and Rs 3/kg for wheat and rice, respectively.
- Under the package, an additional 5 kg of wheat or rice would be given per person per month, free of cost.
- The doubling of entitlement, effective for the next 3 months with the extra grain coming free, will meet the family's entire cereal requirement.
- Roughly, 80 crore persons or two-thirds of India's population covered under the National Food Security Act will benefit.
- Further, they will receive 1 kg of pulses per family per month, again free of cost for the next three months.

What will be the costs and savings?

- **Cost** - An average economic cost for procuring and distributing wheat or rice by the Food Corporation of India (FCI) could be around Rs 30/kg.
- So, 80 crore persons being provided 15 kg each of free grain (over three

months) would translate into an additional outgo of Rs 36,000 crore.

- **Savings** - The economic cost does not include the FCI's expenses in holding and maintaining excess stocks in its godowns.
- This carrying cost (interest and storage charges) is estimated at Rs 5.61 per kg in 2019-20.
- For 15 kg of grain for 80 crore people, it would be over Rs 6,700 crore.
- So, the net outgo for the exchequer will be well under Rs 30,000 crore.
- Given the Government of India is now holding some 77.6 mt of cereals (3.5 times more than required) and 2.2 mt of pulses, this is also an effective way to dispose of excess stocks.

What is the relief measure for LPG cylinders?

- LPG gas cylinders would be distributed free to 8 crore poor families for the next three months.
- An average non-subsidised cylinder would cost Rs 800. So, distributing them for free would cost Rs 19,200 crore.
- As the government will secure the basic dal, roti and cooking fuel requirement for those worst hit by the lockdown, it is worth bearing.

What is the relief measure under MNREGA?

- An enhancement of daily wages from an average of Rs 182 to Rs 202 under MNREGA was announced, which is not an effective measure.
- In today's context, the only way to compensate the locked down daily wage earners under MNREGA is through unemployment allowance.
- However, the onus for paying that under the Act is on the state governments.
- It is unlikely they would make the necessary budgetary provision.

What are the cash transfer components of the relief package?

- A total of 20.4 crore of bank accounts belonging to women under the Pradhan Mantri Jan Dhan Yojana are to be credited Rs 500 each per month for the next 3 months through direct benefit transfer (DBT).
- That is hardly any recompense for those forced out of work.
- Nor is the payment of Rs 2,000 to 8.7 crore farmers under the Pradhan Mantri Kisan Samman Nidhi.
- Farmers will anyway be receiving the first instalment payment of Rs 2,000 due in April, from their Rs 6,000 annual income support for 2020-21.

What does the package really amount to?

- For economic agents (particularly poor households and small businesses), the main crisis today is a crisis of liquidity.

- Unlike big businessmen or the salaried middle class, these are people with no balance sheets, reserves, or bank balances.
- Every day's loss of work for them means cutting down even basic consumption and going deeper into debt.
- Free grain can help, but does not address the real crisis of liquidity.

Source: The Indian Express



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