

## **On Prime Minister's Claims about the COVID-19 Relief Package**

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Prime Minister Modi was on the TV screens once again yesterday which marked the last day of the third month after his sudden announcement of lockdown at the end of March. This lockdown has plunged the entire economy into a crisis and has left people scrambling for whatever means of survival they could find. Unemployment has increased to unprecedented levels and, as a result of widespread loss of incomes, a vast proportion of the population has been subjected to food insecurity.

In his speech yesterday, PM Modi made several claims about the relief programmes of the government over the last three months. There is no denying that whatever assistance reached the people during these trying times would have brought some relief. However, true to his image, the Prime Minister vastly overstated what the government has done to bring relief to the people and the scale of assistance provided during the last three months.

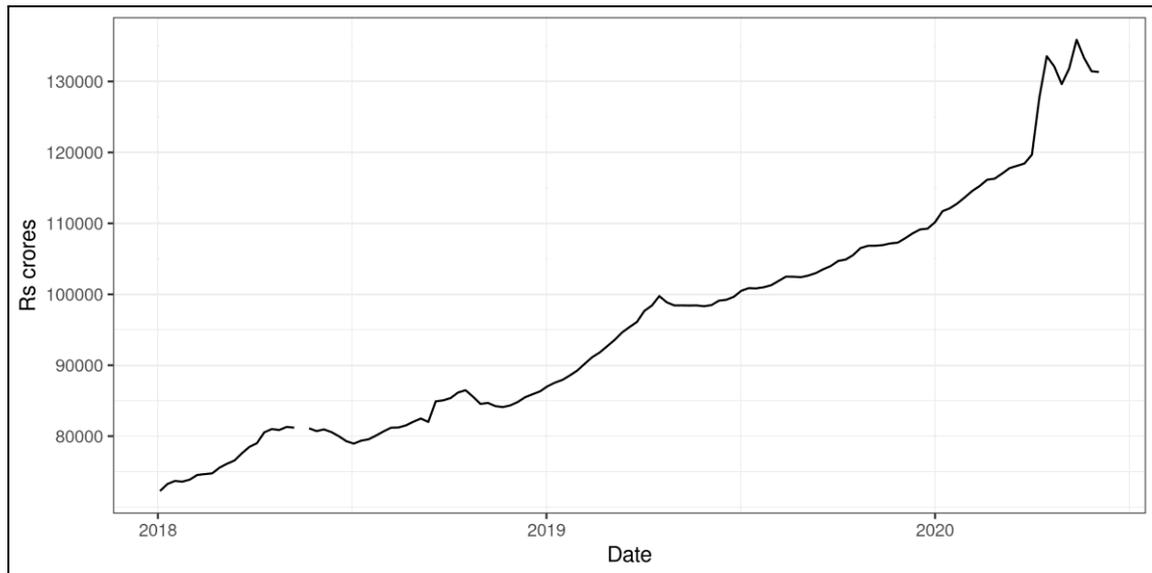
We would like to discuss the reality of three main claims made by the Prime Minister.

**Claim 1: The PM claimed that Rs. 31,000 crores had been transferred to 20 crore beneficiaries of the Pradhan Mantri Jan Dhan Yojana (PM-JDY).**

The cash assistance provided through this component of the Pradhan Mantri Garib Kalyan Yojana was meager and covered only a small section of the informal workers who lost their livelihoods because of the lockdown. Under this component of the relief package, the Government provided a cash assistance of just Rs.500 per month and that too only to women beneficiaries of the Pradhan Mantri Jan Dhan Yojana. And a vast majority of poor and vulnerable people do not have PM-JDY accounts. Even among those who have bank accounts, a vast majority have other kinds of bank accounts including regular savings accounts. Among those who have PM-JDY accounts, about half (18 crore out of 39 crore) are men. None of these people were eligible for the assistance.

Various reports have suggested that beneficiaries of these transfers faced problems in getting access to the money that was transferred to their accounts. This is seen clearly in Figure 1 which shows that the total balance in PMJDY increased sharply on account of these transfers, and a substantial part of this money remained unused in these accounts.

**Figure 1 Balance in PMJDY accounts (Rs. crores)**



Source: Based on data from <https://pmjdy.gov.in/Accounts>

Weekly data on total balance in PMJDY accounts is available. Till April 1, 2020 it would be safe to assume the total balance would be the own savings of the Jan Dhan account holders. Between April 1 and June 17, the last date for which data are available, it can be presumed that account holders deposited and withdrew their own funds as before. In addition there was the transfer of Rs 500 per month as COVID-19 assistance to women beneficiaries and some of them would also have withdrawn this amount.

Since no data are available on the amounts deposited and withdrawn by account holders of PMJDY accounts, we have created four different scenarios making different assumptions about savings of men and women account holders and the extent of net withdrawals of own funds from these accounts during the lockdown. Given these assumptions, we estimate that between Rs. 791 and Rs. 1077 out of the COVID-19 assistance (including both central government transfers of Rs. 500 per month and transfers by some state governments) remained in the accounts. Since these estimates are significantly determined by our assumptions, they should only be treated as indicative. They do, however, clearly demonstrate that a very substantial part of the government transfers remained unspent and thus the impact of these transfers even in terms of strengthening demand is likely to have been only partial.

**Table 1 Estimates of average amount of government transfers for Covid-19 Relief that remained unused in PMJDY accounts on June 17, 2020 based on different assumptions**

		Assumptions regarding average balance in the accounts of women and men PM-JDAY account holders before the lockdown	
		Average balance in accounts of women and men was equal	Average balance in accounts of men was 25 per cent more than in accounts of women
Assumptions regarding average net withdrawal of own funds from PM-JDAY accounts	On average, own funds in PMJDY accounts remained unchanged despite the crisis	791	791
	On average, 10 per cent net withdrawals of own funds by non-beneficiaries; no net withdrawal of own funds by beneficiaries	1045	1077

Field-based reports on the impact of Covid-19 pandemic on socio-economic conditions in rural India have identified two problems with these cash transfers. First, during the lockdown, people faced difficulties in withdrawing money from their accounts. In most States, physical distancing measures imposed in bank branches continue to be a barrier particularly for rural women who might have to travel long distances to neighbouring villages or towns to withdraw money. Secondly, in many cases, account holders find that the accounts are not operational and are unable to withdraw the promised money. As of January 15, about 19 per cent of PMJDY accounts were dormant.<sup>1</sup> Many PM-JDY accounts are not operational because they were created by banks merely to meet the targets and the account holders do not use these accounts at all. In some cases, they perhaps are not even aware that they have such accounts. Some reports have also suggested that the banks have adjusted the amounts transferred against pending dues of poor account holders who are unable to pay service charges that banks sometimes impose even on these accounts.

There have been widespread demands of increasing the amount of cash transfers and covering a much larger population of informal workers who lost their livelihoods during the lockdown both as a measure of relief as well as to boost demand. Not only has this demand not been addressed, even the assistance of Rs.500 per month has not been extended beyond June 2020. In other words, poor women who were being provided Rs. 500 per month during the last three months are not going to be provided this assistance any further.

**Claim 2: PM Modi claimed that Rs. 18000 crores have been transferred to 9 crore farmers.**

Three points need to be made regarding this claim.

First, this assistance refers to the first instalment of Rs. 2000 per farmer household under the PM-Kisan scheme which came into effect in December 2018. The expenditure under the PM-Kisan was already committed in the budget and was due to be paid, and does not constitute additional relief provided to deal with losses caused by the lockdown.

Secondly, the government had originally declared that they would cover 14 crore farmers under the PM-KISAN scheme. This coverage has been reduced to just 9 crore farmers. In other words, even by the government's own estimate, 36 per cent of eligible farmers have not been provided even this assistance. In addition, PM-KISAN excludes a vast population of poor farmers whose land records are not updated and tenant farmers who do not have land registered in their own names.

Thirdly, nothing was mentioned about the second instalment of PM-KISAN. The government should immediately provide the next instalment of PM-KISAN as farmers are having to spend on buying inputs for the kharif crops with the onset of the monsoon.

**Claim 3: Over 81 crore persons were provided 5 kg grain and 1 kg daal free of cost for the last three months through the PM Garib Kalyan Ann Yojana (PMGKAY).**

This was the most important component of the relief package and distribution of additional grain through PMGKAY would have provided some relief against food insecurity. A number of State governments as well as political parties had demanded an extension of the scheme. Finally, yesterday the Prime Minister announced that this scheme will be extended until November. The extension of this scheme until November would certainly bring some further relief to households that are covered under the National Food Security Act.

Having said that, it must also be mentioned that the experience over the last three months shows that there are large gaps between the claims and reality of implementation of PMGKAY. The amount of grain actually distributed through the scheme is far short of what was promised by the government.

As per the National Food Security Act (NFSA), the government is supposed to provide subsidised grain to 3/4th of the rural population and half of the urban population. Government uses population estimates for 2011 to estimate its commitment in this respect. Accordingly, about 2.39 crore households (covering 9.93 crore persons) have Antyodaya Anna Yojana Cards and 71.1 crore persons are covered under Priority Household (PH) cards. While AAY households get 35 kg of grain per month, the entitlement of PH households is 5 kg per person per month. This amounts to a total of 43 lakh tonnes of grain entitlement under the National Food Security Act per month.

On March 26th, the Finance Minister announced that the entitlement of all 81 crore persons covered under NFSA will be doubled for the period of three months by

providing the same entitlement as NFSA through PMGKAY, and that this extra grain will be provided free of cost.

First of all, it must be noted that over the last six years that the NFSA has been operational, the government has not accounted for the increase in population in estimating the coverage of the Act. As per the population projections of the Census of India, 75 per cent of rural population and 50 per cent of urban population in 2020 amounts to 89.52 crore persons. In other words, the government is providing subsidised grain to 8.1 crore persons less than what is mandated under the NFSA. If the government was fulfilling its statutory obligations under NFSA, it should have been allocating 48 lakh tonnes of grain every month rather than 43 lakh tonnes that it currently does.

Secondly, over the last three months, the government has distributed 45.6 lakh tonnes less grain than it had promised. Data presented in Table 2 clearly show that, instead of distributing 43 lakh tonnes every month under each scheme, the distribution of grain has been significantly lower. In April, only 26 lakh tonnes of grain was distributed under PMGKAY. In May and June, the shortfall was very significant in both NFSA and PMGKAY. The total allocation under the two schemes was only 70 lakh tonnes in April, 77 lakh tonnes in May and 66 lakh tonnes in June.

**Table 2. Distribution of grain under the National Food Security Act (NFSA) and the Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY), April-June, 2020**

	April		May		June	
	NFSA	PMGKAY	NFSA	PMGKAY	NFSA	PMGKAY
Wheat	18.7	3.8	17.7	3.9	15.8	3.9
Rice	24.8	22.3	21.8	33.3	21.8	24.5
Total	43.5	26.1	39.6	37.2	37.6	28.4

Note: Data for June as available on July 1, 2020. In 28 States, the distribution takes place through Point-of-sale machines, and the real time data are recorded. It is possible that for a few States the data for June were incomplete until the time these figures were taken.

Source: <https://annavitran.nic.in>

Data also show considerable variation in the distribution of grain under PMGKAY across States. While some States managed to distribute most of what was allocated to them, a large shortfall is seen in some cases. No distribution of foodgrain under PMGKAY has been undertaken in Delhi (though some distribution of grain took place from Delhi's own foodgrain stocks). Almost no distribution under PMGKAY was done in Punjab either. In the case of Himachal Pradesh, very little distribution took place in April, there was no distribution in May, and it was only in June that one finds a significant quantity of grain to have been distributed. Only 59 per cent of grain allocated to West Bengal under PMGKAY was distributed. Similarly, the distribution under PMGKAY was only 53 per cent of allocation in Uttarakhand and 60 per cent of allocation in Madhya Pradesh.

This large shortfall in distribution of grain was clearly a result of lack of preparedness and planning before the scheme was launched. States had not been informed in advance about this provision resulting in inability of the States to offtake and distribute this grain.

**Table 3. Allocation, offtake and distribution of grain under Pradhan Mantri Garib Kalyan Ann Yojana (thousand tonnes)**

State/UT	Allocation	Offtake	Distribution			Total distribution as percentage of allocation (%)
			April	May	June	
Andhra Pradesh	402	402	132	130	129	97
Arunachal Pradesh	12	12	0	0	0	0
Assam	377	373	0	0	0	0
Bihar	1286	1116	393	379	151	72
Chattisgarh	301	300	100	100	99	100
Delhi	109	79	0	0	0	0
Goa	8	8	3	3	3	98
Gujarat	574	450	152	163	161	83
Haryana	190	177	58	57	56	90
Himachal Pradesh	43	43	4	0	10	33
Jharkhand	396	363	0	234	105	86
Karnataka	603	603	0	395	17	68
Kerala	232	232	75	71	64	91
Madhya Pradesh	820	632	177	181	130	60
Maharashtra	1050	711	315	317	253	84
Manipur	37	26	7	8	7	59
Meghalaya	32	32	0	0	0	0
Mizoram	10	10	3	3	0	60
Nagaland	21	21	7	4	6	79
Odisha	485	485	128	145	147	87
Punjab	212	212	1	4	0	2
Rajasthan	670	670	218	219	217	98
Sikkim	6	6	1	1	1	60
Tamil Nadu	536	536	0	167	159	61
Telangana	287	287	88	93	92	95
Tripura	37	33	12	12	12	95

Uttarakhand	93	92	15	18	16	53
Uttar Pradesh	2281	209 7	686	696	686	91
West Bengal	903	888	0	286	246	59
A&N	1	1	0	0	0	0
Chandigarh	4	4	1	1	1	89
Daman & Diu and DNH	4	4	1	0	0	30
J&K	108	108	33	34	32	91
Ladakh	2	2	0	0	0	0
Lakshadweep	0	0	0	0	0	0
Puducherry	9	9	3	3	3	88
All India	12143	110 27	261 3	372 4	2804	75

Note: Data for June as available on July 1, 2020

Finally, the government has claimed that it spent Rs. 60,000 crores for distribution of this grain over the last three months. This is a misleading claim for two reasons. First, this is only a notional figure. The grain distributed through PMGKAY had already been procured by the government and was lying unused for over one year in different FCI warehouses. A lot of this grain was of poor quality and at the risk of rotting if it was not distributed immediately. The Food Corporation of India has been unable to sell this grain in the open market even at a subsidised price. Given this, no additional allocation of resources were required for obtaining the grain. In fact, the government has saved further expenditure it would have had to incur on storage and preservation of this grain by distributing it. Secondly, the value of the grain that has been distributed is considerably lower than what the government is claiming to have spent on PMGKAY. When the government accounts for expenditure on subsidised distribution of grain, it estimates the value of grain at economic cost (Rs. 2684 per quintal for wheat and Rs. 3727 per quintal for rice). At this cost, the total value of grain that was distributed under PMGKAY over the last three months was only about Rs. 32194 crores.

We have not estimated the value of pulses provided under PMGKAY because of lack of availability of data. Until early June, NAFED had dispatched about 5.3 lakh tonnes of pulses to different states for distribution under PMGKAY. However, at least some of these were not distributed because of poor quality and operational difficulties. No data are available as of now on how much of the pulses have actually been distributed by the States. But since the total quantity is relatively small, it is not expected to make much difference to the gap between the expenditure that the government claims to have made on PMGKAY and the actual value of the grain that has been distributed.

**Table 4. Total value of grain allocated and distributed at economic cost (Rs crore)**

	<b>Value of grain allocated</b>	<b>Value of grain distributed</b>
Wheat	2888	3140
Rice	38163	29055
Total	41050	32194

The central government has made it a practice to hold announcements of major policy decisions until the last minute. Instead of being transparent and consultative, the government keeps everyone guessing about what would happen at the end of each phase of the lockdown (and opening up). In line with this practice, the PM waited until the last day of the three month period for which the first set of relief measures of the government were announced to disclose what the government was planning to do in the coming months. While several State governments and political parties had been demanding extension of the relief programmes, the government kept everyone guessing about what it would finally decide to do. This style of functioning seriously compromises operational preparedness not just of the different arms of the central government but also of the State governments, and affects the effectiveness of relief measures.

In his speech yesterday, the PM announced that only one component of the original package -- distribution of free grain through PMGKAY -- is being extended until November. This is sorely inadequate. Government needs to expand the coverage of the public distribution of food and make it universal at least until this crisis lasts. This would ensure that the grain reaches even those who are not covered under the NFSA but have been exposed to food insecurity during the present crisis. Secondly, the government needs to complement payment of cash wages in NREGA with provision of additional grain. This would help in strengthening demand, ensure that people have adequate foodgrain supply, and reduce the massive burden of excess foodstocks on the government. Thirdly, provision of cash transfer needs to be continued, its coverage expanded to all informal workers and unemployed adults, and the amount of monthly transfer increased significantly from the meagre amounts that have been provided thus far.

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<sup>1</sup> <http://164.100.47.194/Loksabha/Questions/QResult15.aspx?qref=11045&lsno=17>