

STANDING WITH THE NEEDY: THE HINDU EDITORIAL ON INDIA'S CORONAVIRUS LOCKDOWN PACKAGE

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

The [1,70,000-crore relief package](#) announced by Finance Minister Nirmala Sitharaman on March 26 — Pradhan Mantri Garib Kalyan Yojana (PMGKY) — is a good first step towards alleviating the distress caused to [vulnerable sections](#) of the population by the [21-day lockdown](#) imposed to combat the spread of the [coronavirus \(SARS-CoV-2\)](#). What is noteworthy about the package is not the amount but the innovative ways in which the government is seeking to offer relief. It covers various sections of the vulnerable, ranging from farmers and women Jan Dhan account holders, to [organised sector workers](#), to the most important of all — healthcare workers, who will now get a sizeable insurance cover of 50 lakh. The doubling of foodgrain allocation offered free is a good idea that privileges the hungry poor over rodents and pests devouring the stocks in Food Corporation of India godowns. So is the move to provide free cooking gas refills to the underprivileged who are part of the PM Ujjwala scheme. The offer to pay both [employer and employee contributions to the Provident Fund](#) for very small business enterprises is welcome and will offer relief to those businesses that have been forced to shut down operations, and also to employees earning small salaries for whom the PF deduction may hurt at this point in time. The salary limit could have been set higher at 25,000 per month — there's no cash outgo for the government anyway because this is just a book entry transaction.

The effort appears to be to keep the funding within the budget as much as possible and retain control over the deficit. For instance, the PM Kisan transfer has been already budgeted for and the increase in MGNREGA wages can also be accommodated within the budget. Ditto with the Jan Dhan account transfer of 500 per month for the next three months which will cost the government 30,450 crore. It is possible to argue here that the transfer could have been a little more generous — at least 1,000 a month. The government may have wanted to stay within the budget for now. It could also be to preserve firepower, as there is no saying how long this uncertainty will last. But, at some point soon, the government will have to break the fiscal deficit shackles. Also, it needs the financial bandwidth to support businesses in trouble. In fact, ideally the government ought to have announced a relief package for the corporate sector and the middle class along with the PMGKY. It should now turn its focus towards businesses that are running out of cash and may soon default on even salaries and statutory commitments if relief is not given. There are enough ideas to borrow from others such as the U.S. which is in the process of finalising a \$2 trillion package. Part II of the economic relief package should not be delayed beyond the next couple of days.

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