

Transfer Cash Not Loans - Assessing Nyay Scheme

What is the issue?

- The economic package announced to deal with the COVID-19-led crisis is likely to take a long time to fix the situation.
- In this context, here is an assessment of the efficacy of the Nyay scheme proposed by former Congress President Rahul Gandhi during the Lok Sabha elections.

What is the shortfall in the economic package?

- The Centre has announced an economic package of Rs 20 lakh crore for the entire country.
- Of this, half has been used even before it was announced.
- Much of the rest will be provided to entrepreneurs in the form of debt.
- However, amid the current lockdown situation, how demand would be generated is highly uncertain.
- And if demand does not rise, how would these new loans boost the economy is a big question.

What is the Nyay scheme all about?

- The essential goal of Nyay scheme is “transfer cash not loans”.
- It proposes direct cash transfers to be the best solution, be it for saving lives or the economy.

What example does Chhattisgarh offer?

- The Nyay Yojana is in place in Chhattisgarh since the start of 2019.
- The support price for the largest crop in the state, paddy, was raised from Rs 1,800 to Rs 2,500.
- Due to this liberal policy, 80.37 lakh metric tonnes of paddy was collected from farmers at the rate of Rs 2,500 per quintal.
- This injected Rs 20,000 crore directly into farmers’ pockets.
- This was an increase of about Rs 8,000 crore from the support price that prevailed before.
- Not just the purchase of paddy, but a grant-in-aid is being provided for a total of 14 items, including maize and sugarcane.
- The State government waived loans worth Rs 9,000 crore for farmers, and Rs

244 crore worth of irrigation tax was forgiven.

- The same was done for the tendu patta collectors, whose wage rate was increased from Rs 2,500 to Rs 4,000 per standard bag.
- Also, the state government from 2019 buys 25 items of forest produce at the minimum support price, unlike the earlier 7 items.
- This increased the purchasing power of common villagers, farmers, and tribals residing in the forests.
- This went a long way in reducing the effects of the economic slowdown in the state within one-and-a-half years.
- In Chhattisgarh, 80% of the state's population is engaged in farming, and 44% of its area is covered with forests.
- So the system worked with an understanding that the real entrepreneurs were farmers and tribal forest produce collectors.

What does the COVID-19 situation call for?

- As learnt from the GDP growth rates, even before COVID-19 and lockdown, socio-economic life was in great distress.
- So, the need for a basic minimum monthly income was a long-felt one.
- Now, across India, migrant workers are returning back home due to prolonged stagnation of economic activity.
- Given this, direct cash transfers should be made into the bank accounts of farmers, labourers, villagers, tribals, women and the deprived sections of society.
- A minimum monthly income will help in times of illness and save families from starvation.
- More importantly, it will bring money to the market and strengthen the economy indirectly from the ground up.
- Most of the nations of the world affected by COVID-19 are following this path of recovery.

Source: Indian Express