

ECONOMISTS SAY MOVE WILL NOT HAVE SIGNIFICANT FISCAL IMPACT

Free Foodgrain Scheme Extended till December

Scheme was to end on Sept 30; extension to cost extra ₹44,762 cr

Our Bureau

New Delhi: The government has extended the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), which provides additional free foodgrain to food security law beneficiaries, for another three months. The scheme had been extended for six months in March and was to end on September 30. Now in its seventh phase, the scheme will run until December 31 and cost an extra ₹44,762 crore.

Launched as a Covid relief measure in March 2020, the scheme offers 5 kg of wheat or rice free of cost per person per month. This is in addition to subsidised ration already provided under the National Food Security Act.

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Scheme has cost ₹3.45 lakh cr in subsidies so far

■ Dearness Relief and DA Raised by 4% ➡ 7

The scheme was initially for three months but has seen multiple extensions and has cost ₹3.45 lakh crore in subsidies in the 25 months that it's run so far.

About 12.2 million tonnes of additional foodgrains are expected to be distributed in the October-December period, the government said in a statement after the cabinet cleared the extension.

"Recognising that people have gone through a difficult period of the pandemic, the government has decided to extend PMGKAY for a period of three months so that poor and vulnerable sections of society are supported for the forthcoming major festivals," it said.

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The finance ministry had not been in favour of an extension because of fiscal pressure and low foodgrain stocks.

- Economists say the extension will not have significant fiscal impact and strong tax revenues provide the government additional spending room.

- "If all other budget numbers are as per the budget, the increase will be 0.2% of GDP," said Madan Sabnavis, chief economist, Bank of Baroda.

ICRA chief economist Aditi Nayar said, "We expect the size of the fiscal deficit overshoot to be limited to around ₹1 trillion."

There is also concern about foodgrain stocks in the country with rice output expected to be lower in the current season and government stocks at their lowest since 2017.

"The challenge will be to ensure that procurement of rice is on target because production of rice is to decline by seven million tonnes this year and the government is focussing on giving rice instead of wheat as the stocks of the latter are down," said Sabnavis.