‘Govt could have put to better use DBT architecture to transfer money to migrants’

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THE GOVERNMENT could have put the direct benefit transfer (DBT) architecture and its much-touted Jan Dhan, Aadhaar and Mobile solution to better use to send money into accounts of the needy migrant workers, said Rathin Roy, director at National Institute of Public Finance and Policy. The government's main strategy to tackle the economic consequences of the COVID-19 pandemic has been enabling companies and people to borrow more liberally, using the largely the credit policy options without relying much on fiscal support, Roy, a former member of the Prime Minister's Economic Advisory Council, said at an E-XPLAINED webinar conducted by *The Indian Express* Tuesday.

Rathin Roy, director at National Institute of Public Finance and Policy and ex-member of the EAC-PM, during the E-XPLAINED webinar.

To a query on whether the government could have expanded cash transfers to migrants stranded across the country, using the vast dataset available in the form of Jan Dhan accounts and NREGA payment details, Roy said: “Either I have to believe the government when it has been saying very dramatically, including the Principal Economic Adviser, that they have the (system) to make cash transfers and the very success of this government is its ability to make direct cash transfers. If at these kind of crisis, the government gets into a sulk, because people are actually going back home and…then says let's start an all India ration card, then that means that the programme to reach out to population of India using Aadhaar, Jan Dhan and mobile — that has been touted to me as the major architectural success of this government — is not fit for purpose.”

E-XPLAINED by *The Indian* **EXPRESS**

The migrants workers such as taxi drivers and waiters who return from cities (like Mumbai) to their villages are unlikely to come back to cities even when economic conditions normalise, he said, necessitating greater use of works under National Rural Employee Guarantee Act (NREGA). Roy, responding to a query, said the government needed to coordinate with states to provide better cash transfers. “The obvious way to transfer money would not be to sit in the headquarters of the empire in the Capital and decide how the money will be transferred but to ask the states and the local governments to identify governments people who need the transfers and then to do so…and for that you need a policy announcement that income transfers would come what may and mobilise the country to make those transfer with the same alacrity as the yet gloriously unspent PM CARES was mobilised,” he said.

Roy also spoke on how the economy which has already been in a slowdown mode got further hit as consumption — one of the four engines of growth which was firing — stopped working due to the lockdown. “If you consume less, if you produce less; then the economy begins to decline.”

The services sector will be far more hampered in the current situation, because it requires greater physical contact when compared with agriculture. State governments have managed to make sure that agriculture harvesting of the Rabi crop is largely successful, and farmers to able to sow kharif crop, then that sector will be largely unaffected supporting consumption in rural areas, he said. On the manufacturing front, companies will first need to clear inventories before stepping up production.

On the debate over monetisation of the fiscal deficit, Roy said this should be the last resort because if the money so raised is not well spent then that will be an extremely undesirably situation. Deficit monetisation simply means that the Reserve Bank of India directly funds the Central government's deficit. Until 1997, the government used to sell securities — ad hoc Treasury-Bills — directly to the RBI, and not to financial market participants. This allowed the government to technically print equivalent amount of currency to meet its budget deficit.

The webinar was moderated by P Vaidyanathan Iyer, Executive Editor, National Affairs and Anil Sasi, National Business Editor.