

Gist of EPW June Week 4, 2021

The Economic and Political Weekly (EPW) is an important source of study material for [IAS](#), especially for the current affairs segment. In this section, we give you the gist of the EPW magazine every week. The important topics covered in the weekly are analyzed and explained in a simple language, all from a [UPSC](#) perspective.

1. [Worrisome Trends in Inflation and Unemployment](#)
2. [Development Finance Institutions in India: Past, Present and the Future](#)
3. [Status of Tribal Domestic Workers in Jharkhand](#)

1. Worrisome Trends in Inflation and Unemployment

Context

The article highlights the actual concerns regarding inflation, unemployment and the present monetary policy amidst the second wave of the pandemic. The article also touches upon the limited scopes of current government relief packages for countering pandemic shocks for the economy.

Introduction

- The Monetary Policy Statement (MSP) of the Reserve Bank of India in early June revised down the first quarter growth in 2021–22 to 18.5%.
- The forecasts project a largely stable growth over the next three quarters.
- It is projected that despite the massive toll on lives, the second wave has caused only a temporary setback to the economy.

Accommodative Monetary Policy

- The central bank assured to continue the accommodative monetary policy as long as necessary.
- The June MPS focused on reviving and sustaining growth as the policy rates were left at an all-time low of 4% for around a year.
- It was assumed that inflation will remain within the targeted band as supply-side constraints will ease in the coming months and trends in the [consumer price index](#) in the five months up to April indicated so.
- The [inflation](#) surge was above the mandated upper limits to 6.3% in the most recent CPI numbers for May, released after the June MPS.

Inflation Surge Above The Targeted Band

- The pickup in CPI in May was due to the rising food and fuel prices.
- Food prices doubled to 5% in a span of just one month with fuel and light prices rising by double-digit rates, the highest increase in recent years.
 - For other segments like transport and communication, health and personal care, which are all major components of the core inflation, the inflation levels rose but such inflation is usually volatile and transitory.

- Core inflation has surged up to 6.5% in May, accounting for the highest across all major economies.
- The consumer prices will also probably be impacted by the surging wholesale prices, which have touched a decadal high of 12.9% in May.
- The rise in prices of primary goods and fuel are in line with the global boom in commodity prices.
- The manufactured goods' prices have risen due to rising input costs.
- Inflation levels also face other upside risks from both the rising prices of imported oil and the steady rupee depreciation.
 - Over the last year, prices of the Indian crude oil import basket have more than trebled and touched \$70 a barrel in May 2021, the highest in two years.
- The rupee, which has now steadily depreciated for three consecutive years, is expected to dip further with the United States Federal Reserve poised to raise policy rates.
- A rapidly depreciating rupee will push up import prices and further add to the inflationary woes.

Job Loss

- The data of the Centre for Monitoring Indian Economy (CMIE) says that the unemployment rate has rebounded.
- The CMIE estimates also indicate that 36.8 million non-farm jobs have been lost since January 2021, of which 25 million were in May alone.
- This includes 23.1 million daily wage jobs, 8.5 million salaried jobs and the rest are self-employed entrepreneurs.
- The CMIE estimates that two-thirds of these jobs may be restored once local lockdowns are lifted. But that means that around 10 million will still be waiting for jobs.

Conclusion

- The government should increase welfare allocations, including increasing direct transfer of funds and for the employment guarantee programme, which the present economic relief package ignores by just allocating Rs. 93,869 crore for free foodgrains as a relief.
- Inflation and Unemployment issues should be the first priority of the government as we see an inflation surge above the targeted band.

2. Development Finance Institutions in India: Past, Present and the Future

Context

The article highlights the importance of the [Development Finance Institutions \(DFIs\)](#) in the infrastructural and overall development of the economy.

Introduction

- The union finance minister has proposed to create a new development finance institution (DFI) to accelerate the pace of infrastructure development in the country, in her [budget speech](#) for 2021–22.
- The initial capitalisation of the DFI is to be Rs.20,000 crore and it is expected to create a lending portfolio of Rs.5,00,000 crore over the next three years.

- DFIs were historically established as institutions for financing industrial growth with a specific focus on term finance and were to be vehicles for economic development.

Development Finance Institution

- DFIs are essentially financing institutions that provide long-term credit for industrial projects, with the goal of providing an impetus to the overall economic growth in an economy.
- DFIs are supported by governments and have established mechanisms of credit guarantee so that they can extend the same to promote business activities needing assured credit.
- DFIs can be completely owned by the government or in partnership with private parties and other financial institutions.
- DFIs leverage risk and tackle market failures in a way that ensures a sufficient assurance of credit for the completion of a project. Infrastructure projects often have long gestation periods and are prone to go through unexpected changes in their scale and funding needs.
- The credit needs for these projects can be met better when a funding organisation is ready to work through these situations.
- DFIs are not driven by profiteering but by a responsibility towards infrastructure development and that is why the DFI Model is important.

DFI: Vehicle for Economic growth Post-Independence

- India established DFIs as vehicles of growth in the post-independence period as historically DFIs have played a very important role in countries such as Germany and France.
- The first DFI established in India was the Industrial Finance Corporation of India in 1948. Its objective was to make medium- and long-term credit more readily available to industrial projects, especially when private financing was inadequate.
- **Industrial Finance Corporation of India:**
 - The initial capitalisation was Rs.20 crore and the ownership was divided between the government (20%), the Reserve Bank of India (RBI) (20%), and other institutional investors such as banks and investment trusts (60%) (Spencer 1958).
- The establishment of state finance corporations (SFCs) through the State Financial Corporations Act, 1951 and its amendment in 1955 led to further decentralisation of industrial development finance.
- The bulk of the ownership of SFCs rested with the respective state governments and the private financial institutions, and the rest was held by the RBI on behalf of the union government.
- The second DFI to be established in India was the Industrial Credit and Investment Corporation of India (ICICI). Established in 1955 with an initial capitalisation of Rs.17 crore, its ownership was divided between the Government of India, the [World Bank](#), and other private parties.
- The third DFI, **Industrial Development Bank of India (IDBI)**, was established in 1964 to cater to the needs of the medium- and long-term financing of industrial projects as part of the larger set-up of DFIs.

- The establishment of the National Bank for Agriculture and Rural Development ([NABARD](#)) in 1981 and the National Housing Bank (NHB) in 1988 paved the way for a sectoral shift in the nature of development finance.
- It needs to be pointed out that the decline of DFIs as institutions of long-term finance after 1991 coincided with the economic reforms of 1991.
- The opening up of the economy and the expanding capital markets slowly but steadily paved the way for a retreat of the traditional role of the DFIs.

Performance analysis of DFIs

- Industrial Licensing Policy Inquiry Committee report (1969) evaluated the DFIs operating in this period and gave very significant observations about their workings.
- The evaluation of the DFIs focused on the disbursal of loans to private capital from the DFIs.
- The period from the 1950s to the 1970s hence was a period when the DFIs were catering primarily to large business houses.
 - Out of the total allocation of credit in the period from 1956–66, as much as 65% was disbursed to large industrial houses and 28% of it was cornered by 20 large industrial houses.
 - A meagre 7% of it was extended to the second-tier companies. The institutional mechanism of DFIs lacked both planning and clear guidelines for the proper extension of loans.
 - The nexus between large industrial houses and the DFIs as pointed out in the report impacted the growth of specific sectors and other tier-two companies.

Corrective Measures For A Successful DFI Regime In Future

- There must be an established procedural efficiency and guidelines for disbursal of credit.
- The government must ensure that there is a complete separation between the board members of these large industrial houses and the board of the proposed DFI.
- There should be a focus on establishing mechanisms where the government can periodically check that credit is allocated to important projects without being solely focused on the needs of large business houses.
- Earlier, underperformance was not dealt with properly and mechanisms necessary to establish transparency and accountability were missing in DFI-led financing.
- The credit disbursal portfolio should be aligned with the larger goals of infrastructure development.
- The cost-benefit analysis must be undertaken before funding is sanctioned for any of the projects.
- The DFI should ideally create such mechanisms which establish synergy and cooperation between different organs of the government that have a stake in the decision-making process.

Overview

- DFI can work as a vehicle for accelerated infrastructure development, especially in undeveloped areas.
- It can lead to credit guarantee for projects which can improve the quality of life in areas which have been lagging in infrastructure development.

- The government is proposing to establish a new DFI and it must ensure transparency, taking notes from the past, in order to avoid the previous shortcomings of DFIs.

3. Status of Tribal Domestic Workers in Jharkhand

Context

This article highlights the gender–tribe interplay among domestic workers in Jharkhand, focusing on many aspects such as age-specific distribution, differential wages, lack of choice of work and feminisation of the service.

Introduction

- The rise of the nuclear family and dual-career couples has increased the demand for domestic work and the growth of domestic service often increases inequality both in the rural and urban areas.
- An Indian Social Institute (ISI) study in 1993 revealed that employers showed a preference for young women, especially young tribal girls, as they were seen as more reliable, obedient, and efficient in domestic work, especially in taking care of babies and the elderly.
- They would also stick with the job for more extended periods, agree to work for lower wages, and could be controlled more easily, the ISI 1993 study revealed.
- The data on domestic workers show the feminisation of the service with the share of female workers having increased sharply as per the [National Sample Survey Office](#) 61st (2004–05) and 66th (2009–10) rounds.
- The work done by women domestic workers is considered unskilled, and, therefore, it attracts mostly uneducated or less educated tribal women.
- There is a wage gap between male and female domestic workers due to men engaging in more skilled work, like driving and gardening, compared to the women working in the same household.
- This gendered division of labour is the product of the patriarchal nature of the society.
- The perception of the tribal woman as a better domestic worker available on a cheaper wage is still prevalent.

Unorganised Sector

- The unorganised sector more often than not has no provision of social security in terms of provident fund, health insurance, or pension.
- The conditions of work and poor socio-economic background of the workers expose them to physical and sexual violence, which remains mostly under-reported. The tribal pockets of Jharkhand and Chhattisgarh are recruitment hubs for women tribal domestic workers, picked up by recruitment agencies.
- These women often work in large cities. In Jharkhand, the majority of migrants are young women, some even below the age of 16, who leave home mainly because of lack of work opportunities locally and for mere survival.
- There are laws like the Unorganised Workers' Social Security Act, 2008, Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Minimum Wages Act, 1948.

- Despite such laws, there is an absence of a comprehensive, uniformly applicable, national legislation that guarantees fair terms of employment and decent working conditions across Indian states.

Also read: [Vishakha Case](#)

Categorization of Domestic Workers

- The Census of India 2011 categorised domestic workers as domestic and related helpers, cleaners and launderers and domestic helpers and cleaners, based on the National Classification of Occupations 2004.
- Out of the total main female tribal workers engaged in work other than in the cultivation and agriculture sector, domestic workers constitute 3% of the workers, while around 1.5% were engaged as marginal workers in the sector.

Work Nature and Wage Rate

- The wage rate of the domestic worker is a combination of both the nature of work and time spent on work.
- Tribal workers are unable to negotiate because of the language barrier and fear of loss of work.
- The Jharkhand Government has notified five categories of work and their daily and monthly wage rates.
- For working on a full range of household responsibilities over an eight-hour day, they only receive a little more than 7,000 per month without any social security.

Table 1: Nature of Work and Minimum Wage Rate (Basic rates as of October 2019)

Nature of Work	Daily Wage (For One Hour)	Monthly Wage (For One Hour)
Pot washing	34.02	804.32
Cloth washing/pot washing	34.02	804.32
Cloth washing/pot washing/blooming work of 1,000 sq feet	34.02	884.32
Cloth washing/pot washing/blooming work and to look after children (for 8 hours)	274.81 per day (for 8 hours)	7,145.06 (for 8 hours)
Cloth washing/pot washing/blooming work and to look after children/taking children to school and back and other miscellaneous domestic work (for 8 hours)	274.81 per day (for 8 hours)	7,145.06 (for 8 hours)

Source: Department of Labour, Employment, Training and Skill Development, Government of Jharkhand, <https://shramadhan.jharkhand.gov.in/ftp/WebAdmin/documents/VDA-Pice%20Rate%20Notification-01-04-2020.pdf>.

Demographic Status of Workers

- The Oraon Dhangar, Santhal and Munda Patar tribes account for the highest numbers of women engaged as domestic and related helpers, cleaners and launderers.
- The number of women from the Lohra tribe working as domestic and related helpers, cleaners and launderers was the highest in proportion to its total population, followed by the Mohli, Gond, generic tribes, and Oraon Dhangar communities.

Table 4: Percentage to Total Population, Occupation of the Tribal Women as Domestic and Related Helpers, Cleaners and Launderers

Tribe (1)	Domestic and Related Helpers, Cleaners and Launderers				
	Population of Women (2)	Main Worker (3)	Marginal Worker (4)	Total (5)	Total (Col 5 as % of Col 2) (6)
Oraon, Dhangar (Oraon)	8,61,408	739	219	958	0.11
Munda, Patar	6,15,022	444	128	572	0.09
Santal	13,83,555	135	133	268	0.02
Lohra	1,06,843	225	79	304	0.28
Ho	4,69,080	154	92	246	0.05
Mahli	76,032	114	31	145	0.19
Generic tribes, etc	86,358	82	19	101	0.12
Kharla, Dhelki Kharla, Dudh Kharla, Hill Kharla	98,996	52	20	72	0.07
Bhumij	1,04,538	46	14	60	0.06
Gond	26,751	25	6	31	0.12
Others	4,56,231	134	80	214	0.05
Total	42,84,814	2,150	821	2,971	0.07

Source: Census of India (2011), B Series.

Feminisation of Work

- There is a feminisation of this occupation in the tribal community.
- There were 1,982 main male workers in the sector while the corresponding figure for women was 2,136, though the gap between men and women is not too large. There were 369 marginal male domestic workers, and the equivalent figure for the women was 813.
- In the case of domestic helpers and cleaners in the state, with 2,026 main female workers engaged in this sector, the corresponding figure for men was 437.
- The NSSO 68th round also reveals that all housemaids were married and all cooks were widowed, while 9% of tribal women workers who were engaged in other work were never married and 91% were currently married.

Table 3: Nature of the Work and Female Tribal Domestic Workers in Jharkhand in 2011–12

Domestic Worker	Percentage
Housemaid	55
Cook	15
Other	30

Source: NSSO 68th round, unit-level analysis.

Urban–Rural Distribution

- In the urban areas, the number of main male domestic helpers and cleaners was almost four to five times less than the female workers. It reflects that women prefer this work more along with their own household responsibilities, while men prefer other work.

- In rural areas, there were only 667 domestic workers, while in the urban areas, the equivalent figure was 1,796. This reflects higher demand for domestic workers in urban areas.
- In the case of the marginal workers, there is no sharp difference observed between the two sectors.

Table 8: Sector-wise Distribution of Domestic Workers in Jharkhand in 2011

	Main Worker			Marginal Worker		
	Male	Female	Total	Male	Female	Total
Domestic helpers and cleaners						
Urban	159	1,637	1,796	33	462	495
Rural	278	389	667	132	337	469
Total	437	2,026	2,463	165	799	964
Domestic related and helpers, cleaners and launderers						
Urban	936	1,715	2,651	107	469	576
Rural	1,046	421	1,467	262	344	606
Total	1,982	2,136	4,118	369	813	1,182

Source: Census of India (2011).

Conclusion

- Industrialisation and urbanisation with a servant-employing middle class and a surplus of unskilled workers, has resulted in encouraging the demand of domestic services.
- A large chunk of the domestic workers in the urban areas shows that urbanisation has increased the demand for domestic workers inside and outside the state.
- The poor economic conditions of the tribes push them towards working in this sector but the absence of social security in such work space makes it a matter of concern.