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**Signs MoU with UrbanClap to enhance job chances with assured incomes for urban poor skilled under DAY-NULM**

**Minimum guarantee of Rs.15,000-25,000 per month**

**Delhi, Gurgaon, Noida, Mumbai, Kolkata, Chennai, Hyderabad, Bengaluru, Ahmedabad among 16 cities covered initially**

**Minister of HUA Shri Hardeep Singh Puri wants all 5 lakh plus population cities to be covered**

Ministry of Housing and Urban Affairs today roped in a private online service aggregator, UrbanClap, to ensure employment opportunities with minimum assured monthly wages for urban poor skilled under Deen Dayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM). A Memorandum of Understanding (MoU) in this regard was today signed between the Ministry and UrbanClap in the presence of Minister of Housing and Urban Affairs Shri Hardeep Singh Puri.

Under the MoU signed for five years and effective from today, UrbanClap will bring together demand for domestic services and the urban poor skilled under DAY-NULM in 16 cities viz., Delhi, Gurgaon, Faridabad, Ghaziabad, Noida, Greater Mumbai, Thane, Navi Mumbai, Pune, Kolkata, Chennai, Hyderabad, Secunderabad, Bengaluru and Ahmedabad.

UrbanClap assures a minimum monthly earning of Rs.15,000 for plumbers, electricians and carpenters and Rs.25,000 for appliance repair technicians, beauty therapists and Spa therapists.

The three year old UrbanClap has become successful offering follow up customer support through online and insurance against any damage of the skilled service provider is contacted through its app.

Shri Puri, while lauding the initiative urged the UrbanClap to scale up the services to all the 106 cities that have a population of five lakhs and above and State Capitals. He said that the MoU will lead to enhancing the employment of those being skilled in high demand services under DAY-NULM. At present over 35% of those skilled under DAY-NULM have found employment.

Under the MoU, the Ministry of HUA will share details of those imparted skill training under DAY-NULM with UrbanClap. During 2016-17, 4,01,654 were given skill training while 1,39,970 have so far been skilled during the current financial year.

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## Feeding India

India's ranking in the International Food Policy Research Institute's (IFPRI's) 2017 Global Hunger Index has invited much comment and criticism among India's intellectual elite. India has slipped to 100 among 119 countries in the 2017 Global Hunger Index, down from 97 among the 118 countries in 2016. Fortunately, the Government of India's National Nutrition Strategy announced in September 2017 provides the much needed comprehensive approach with a National Nutrition Mission combined with strengthening decentralised delivery. The challenge will be implementation with a focus on results, credibly monitored.

Surjit Bhalla (['Hungry for publicity'](#), IE, October 21) accuses the IFPRI of being hungry for publicity and of misinformed and faulty analysis, in the name of the poor. He argues that "hunger" in the title of the index is inappropriate, and the IFPRI index should be called a Malnutrition Index.

Notwithstanding these initial comments, Bhalla acknowledges a "genuine" nutrition "absorption problem" in India and rightly applauds the priority to sanitation given by Prime Minister [Narendra Modi](#). On the same subject, Swaminathan Aiyar (The Times of India, October 22) addressing the PM directly, also questions the title, suggesting "a more accurate title might be World Child Nutrition Report", but, like Bhalla, argues the IFPRI prefers "hunger" as a sexier sales pitch. He cites NSSO surveys to argue that hunger declined from 16 per cent of the population in 1983 to an incredible 1.9 per cent in 2004-05 without mentioning the measurement issue. Instead of trumpeting this as a success, he argues, "you, (the prime minister), have stopped asking questions about hunger altogether in your surveys!"

He urges the need to show that India is far less hungry than critics allege and that the PM is remedying problems that are real. He also gives PM Modi more practical advice to keep critics at bay, asking to take five steps: One, restart measuring hunger in National Sample Survey Office (NSSO) surveys: International organisations will find that difficult to ignore. As an aside, Nobel laureate Angus Deaton has lamented the declining quality of national household surveys in India observed by well-known Indian scholars such as Minhas. Two, revise Indian calorie norms (downwards?) in view of widespread mechanisation and urge world bodies to follow suit. FAO's norms are already substantially lower than Indian Council of Medical Research-National Institute of Nutrition (ICMRNIN) norms. Indian norms of 2,400 kcal per-person per-day for rural and 2,100 kcal per-person per-day for urban areas imply a much higher incidence of undernourishment (Chand and Jumrani 2013). His third, more cynical, advice is "combat critics spinning data with counter-spin. Spin your own emphasis on gender equality to say it also attacks maternal mortality and child stunting." Four, spin the Swachh Bharat scheme to boast that, as the first politician to aim for an open-defecation-free India, the PM targets not just cleanliness but malnutrition. And finally, implement the Food Security Act's promised cash benefit to pregnant and lactating women.

Here are some "facts" to consider generating an informed debate. The World Bank says the poverty rate in India is 21.2 per cent. That rate is similar to the Gallup hunger estimates, which Bhalla likes, of 22.4 per cent. The malnutrition rate (stunting among children below five years) is 38.4 per cent according to the latest National Family Health Survey (NFHS 4) — there are 47.5 million stunted children in India out of 154.8 million globally. This is because of poor diet, poor healthcare and poor sanitation.

Sanitation improvement is key, but so too are improving diets, and we know that especially for very young children (6-23 months), diets (meaning actual food intake) are terrible, but only about one in 10 meet diet adequacy (NFHS 4).

A recent paper by Srivastava and Chand (2017) based on household level Consumer Survey Data

of NSSO covering several years (1993-94, 2004-05, 2009-10 and 2011-12), suggests that the decline in calorie consumption noted in several earlier studies was reversed in 2011-12. More importantly, the paper found the disparity in calorie consumption among income classes in rural and urban areas declined and that access to PDS had a greater impact in explaining the increase in calorie consumption per rupee compared to cash transfers, a smaller portion of which was spent on calories. They suggest a need for more such research on increasing the efficiency of public distribution, or to consider conditional cash transfers than to discard them as tools if the objective is to increase food consumption rather than simply cash transfers as a means of income transfer.

The Srivastava-Chand study's (2017) results are at odds with the IFPRI study on pulses which suggests increased access to pulses through public distribution had only a marginal impact on households' pulse consumption.

To summarise, nutrition is a challenge full of complexity. There is plenty of evidence globally and in India suggesting that poor nutrition affects early childhood development, learning and earning potential with life-cycle effects on national health and economic growth. For an emerging country with one of the fastest economic growth rates, India needs to implement its announced strategy with a focus on evidence, results and learning, not just spin. That calls for a true commitment at the level of the states and communities with a focus on improved outcomes for the poor and accountability for those in governance, and the solutions need to go far beyond the expansion of sanitation, important as that is.

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## A welfare test for Aadhaar

The news last month of the starvation death of an 11-year-old girl in the Simdega district in Jharkhand, allegedly because of denial of PDS ration due to [Aadhaar](#) linking problems, is appalling. The Aadhaar ecosystem definitely needs to pass a stringent welfare test much more crucially than the privacy test.

Aadhaar undeniably has potential, and can perhaps even be a “game changer”. But the way it has been used to design public policies, especially in welfare, seems to have caused havoc. The relentless push of Aadhaar without adequate justification or calibration, with complete disregard of the distress it may be causing to the poor and the under-privileged, is symptomatic of high-handed decision-making and technological muscle-flexing. It is rapidly setting an example of how not to do public policy interventions. Both the last UPA and the current NDA governments must share the blame for these faults of Aadhaar — UPA for its careless introduction, and NDA for pushing it so thoughtlessly.

Independent researchers and civil society activists have long been alerting us to the possibilities of such tragedies. There have been reports of widespread exclusion and disruption that Aadhaar may be causing in welfare schemes. While it is true these are based on anecdotal evidence, they do point to crucial problems with the Aadhaar deployment.

Irrespective of what may have been happening before Aadhaar was introduced, it is imperative to ensure that nobody who needs welfare is ever denied. After all, the rights derived from the NFSA and MGNREGA are unconditional.

The narrative from the government and the UIDAI in response to the reports of exclusion and disruption has often been callous. It has primarily been based on denial, on dubious savings claims, and on the lame quoting of the Aadhaar Act to say that nobody should be denied their entitlements because of Aadhaar.

It is the UIDAI which has been at the receiving end of much of the public flak, but whose responsibility is it to ensure that no deserving person is denied their due benefit? Shouldn't the Central and the state government functionaries be at the forefront to ensure fair and efficient disbursement of PDS ration? Where are the ground reports from the district administrations about the PDS denials because of Aadhaar? Who has designed and deployed the Aadhaar-based PDS? Is there any standardisation across the country and are the designs available for public scrutiny? There may indeed be leakages in PDS, but where is the policy analysis that biometric-based identity verification is necessary for every transaction and that a periodic KYC, as is common with more privileged citizens, will not suffice? And, does the UIDAI have no responsibility towards standardisation and audit?

What is immediately required is a thorough analysis of the denials in PDS. What is the exclusion rate due to targeting errors independent of Aadhaar and how many are excluded only due to Aadhaar? What is the biometric failure rate across the population, sorted according to age, gender, occupation and region? Are the failures inherent to the technology or are they avoidable process errors? What exactly are the problems with the Aadhaar linking processes and can they be rectified? To what extent is the problem due to connectivity failures?

Despite the fact that some of the state governments, like Andhra Pradesh and Delhi, do make the data publicly available on their websites, the presentation is not comprehensive enough to enable an exact determination of the above. It is incredible that there appears to be no publicly available peer-reviewed report that provides a rigorous and comprehensive analysis of the above issues.

Mandating a biometric-based digital identity for PDS for a population that may lack the cultural capital required for a smooth adoption was bound to be challenging, and the designers needed to be much more thoughtful. Rather than the rhetoric on whether Aadhaar empowers the citizen or the state, what is urgently required is a precise statement on how exactly Aadhaar may help targeting by reducing both false negatives and false positives. It is also necessary to precisely spell out how exactly and to what extent Aadhaar and the associated digitisation may help to prevent leakages by curbing corruption.

An effective design of using digital identity in PDS is not possible without a thorough understanding of the ground realities. However, it does appear from reading of public accounts that the elements of such a design must be based on an offline identity verification system with opportunistic uploading of cached records; on an error-free linking process; on deployment of tamper-proof digital weighing machines and end-to-end recording at the supply chain and at the ration shops; on effective online receipt systems and online audits; and, most importantly, on user education and a quick and effective grievance redress system.

The offline identity verification may simply be based on digital reading of an encrypted and digitally signed photograph of the beneficiary encoded on the ration card, followed by physical comparison and storing for records along with a time-stamped photograph acquired on the spot with a tamper-proof device. And, it will be crucial to discuss and debate any such design with all stakeholders and not push anything down from the top.

We have to ensure, with or without Aadhaar, that people do not go hungry in this country. Otherwise all claims to development are bound to sound hollow.

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## It's a national shame that bonded labour still exists in India

Last week, 25 bonded labourers, including children, were rescued from farmlands in Rajasthan's Baran district. The rescued workers said they were lured from Madhya Pradesh with loans between Rs 500 to Rs 20,000 and the promise of work. But they were made to work on the fields without pay. Bonded and forced labour - where a person is made to work through the use of violence or intimidation or more subtle means such as accumulated debt - are some of the oldest forms of slavery in the world. According to the 2016 Global Slavery Index, India has the most slaves in the world. There are an estimated 46 million people enslaved worldwide with more than 18 million of them in India, the survey added. Unfortunately, the Indian government cannot verify these figures. But the labour ministry has drawn up plans to identify, rescue and help bonded labourers by 2030.

In reply to a [Lok Sabha question](#), minister of state (independent charge) for labour and employment Bandaru Dattatreya, said that the Centre has adopted a three-pronged strategy for the abolition of the bonded labour system: First, the Constitution prohibits forced labour. It enacted the Bonded Labour System (Abolition) Act, 1976, which empowers executive magistrates to exercise powers of judicial magistrate of first or second class for trial of offences. Vigilance committees at the district and sub-divisional levels have been prescribed to identify and rehabilitate bonded labourers. A centrally-sponsored plan --- Scheme for Rehabilitation of Bonded Labour --- is under implementation since 1978 under which the Centre and states contribute Rs 10,000 each for cases of rehabilitation.

Unfortunately, despite these measures, India has such large numbers of bonded labourers, thanks to poor enforcement of the four-decade-old bonded labour law, its under-resourced police and judiciary, and deep societal and economic inequities that still exist. The only way to reduce bonded labour is taking a preventive approach, by reducing the conditions that perpetuate bondage-like conditions by promoting decent work, and by removing possible elements of bondage and coercion in the worker-employer relationship. It also involves inter-state coordination mechanisms for migrant workers, including workplace improvements and linking them to social security schemes. Above all, efforts must be made to create a database of bonded labourers. It is not an easy task but would be first step towards their liberation and rehabilitation.

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## Aiming high, looking far

A young person at a recent job fair in Uttar Pradesh told me “Paanch hazaar ki naukri toh hum sab ke paas hai; hum barah hazaar ki naukri ke liye aaye hain” (we all have jobs at Rs 5,000; all of us came for jobs that pay Rs 12,000). This person clearly understood India doesn't have a jobs problem — our unemployment rate of 4.9 per cent is not a fudge — but a wages problem. This diagnosis is important. If the problem is jobs, we should throw money from helicopters and bust the government budget. But if our problem is wages then India needs the higher productivity that comes from structural change: Formalisation, industrialisation, urbanisation, skilling and deep financial markets.

I'd like to make the case that demonetisation made India a better habitat for formal job creation for five reasons: Rs 18 lakh crore new lending capacity, 7.9 crore new monthly digital transactions, 3 lakh crore new financial savings, 2 per cent lower interest rates, and permanent damage to our sense of humour about the rule of law (1.5 lakh people deposited Rs 5 lakh crore, that is, 0.00011 per cent of India's population deposited 33 per cent of total cash demonetised). Let's look at each in more detail.

First, Rs 18 lakh crore new lending capacity. Demonetisation has reduced cash with citizens; bank deposits have increased by somewhere between Rs 2.8-4.3 lakh crore (detailed logic in Mint Street Memo #1 on the RBI website). Assuming Rs 3 lakh crore and applying an accepted 6 multiplier, demonetisation has created new lending capacity of Rs 18 lakh crore (36 times India's Central government allocation to primary education). Today banks are lazily lending this liquidity to the RBI but when they start doing their jobs well, this dry powder will boost investment and formal job creation.

Second, 7.6 crore new monthly digital transactions. Demonetisation exploded the number of digital payments on UPI/Bhim from 1 lakh in October 2016 to 7.7 crore in October 2017. Prohibiting salary payments by cash and 50 lakh new bank accounts for labourers will fuel further adoption; digitisation is important for formalisation because it makes regulatory arbitrage and tax evasion difficult. But the bigger upside of payment digitisation lies in its creation of the information infrastructure for cash-flow based lending; economist Ridham Desai estimates that over 10 years digitisation could grow lending by Rs 243 lakh crore (largely to consumers and MSMEs) and e-commerce sales from \$15 billion to \$200 billion.

Third, 3 lakh crore new financial savings. Demonetisation has catalysed a savings shift away from gold (imports are down 20 per cent over the last year) and real estate (the toxic gap between rental yields and borrowing rates is finally narrowing). The eight months after demonetisation saw mutual fund inflows of Rs 1.69 lakh crore (up 1700 per cent) and the three months after demonetisation saw Life Insurance Premiums rising by 46 per cent (details in Mint Street Memo #2). Greater financialisation of savings creates a virtuous cycle for formal job creation because they deepen and broaden domestic capital markets whose institutions are more likely to fund entrepreneurs who create babies (companies that are small but will grow) rather than dwarfs (companies that are small and will stay small).

Fourth, 2 per cent lower interest rates. Expensive loans are better than no loans but the cost of money has been crippling for India's entrepreneurs. Lowering interest rates is a policy priority and banks had been only passing on 50 per cent of lower policy rates to customers; in the year after demonetisation this has risen to 100 per cent. India's economic trajectory suggests interest rates could reduce another 3 per cent over time; sustained formal job creation needs the lower interest rates that come from macroeconomic stability, fiscal discipline, muted inflation expectations and

an Independent Monetary Policy Committee.

Fifth, permanent damage to our sense of humour about the rule of law. Demonetisation targeted a less-cash society because cash is the primary tool of corruption. Corruption enables transmission losses between how the law is written, interpreted, practised and enforced while India's move to high productivity enterprises needs moving from deals to rules. First generation entrepreneurs don't have connections or money; they only offer the sweat of their brow, the courage in their hearts and the strength of their back. A less corrupt India is a more meritocratic India.

Demonetisation did not end corruption but raised its costs. And ending our sense of humour about the rule of law that bred a riskless view of cash is an important pre-condition for sustained, formal, high-wage job creation.

In 1942 Pandit [Jawaharlal Nehru](#) wrote from Ahmednagar jail "Whether we are successful or not, historians of the future will judge. But we aimed high and looked far". India was a risky political experiment in 1947 — poor countries were not supposed to give everybody the right to vote at birth — but that experiment has worked out spectacularly.

But India was a nutty economic experiment after the 1955 Avadi Resolution; we became a hostile habitat for formal non-farm job creation because of regulatory cholesterol, primitive finance, foreigner hostility, confiscatory taxation, and much else. Demonetisation is one of 20 arrows in a quiver of reforms — GST, bankruptcy code, RERA, FDI liberalisation, ease-of-doing business, competitive federalism, etc — that are restoring the romance of policy by making India a fertile habitat for formal, non-farm, job creation. The problem for India's youth is not jobs but wages and that's why a 10-year plan cannot be 10 one-year plans (the last time we tried to raise wages by rigging them — NREGS — we converted a high growth low inflation economy into a low growth high inflation economy).

As India completes a year of demonetisation, it's early for conclusions but the early results are encouraging. As Karl Marx said "Philosophers have tried to describe the world in thousands of ways. The point, however, is to change it".

The writer is chairman, Teamlease Services. He serves as a director on the Board of RBI. Views are personal

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## Demonetisation, inequality and informal sector

It was on 8 November 2016 that Prime Minister Narendra Modi announced the demonetisation of Rs500 and Rs1,000 banknotes. One year on, the after-effects of the exercise are still being felt in the economy. But the real question is, did the exercise achieve the objectives for which it was undertaken?

Given that most economic indicators today suggest a worsening of the situation compared to a year ago, it is easy to conclude that demonetisation was the primary cause of the slowdown. While it is tempting to come to such a conclusion, the fact of the matter is that the economic slowdown predates demonetisation. This is now public knowledge, but that does not imply that demonetisation did not contribute to the slowdown, as many in the government would like to believe.

The impact on the economy certainly deserves attention and the consensus is clearly that demonetisation may not have caused it but it certainly contributed to the worsening of the economic slowdown.

However, the real benchmark on which demonetisation needs to be evaluated is the stated objective of the exercise: to eradicate black money. Other objectives spelt out were incidental and certainly did not require an extreme step such as demonetisation to be achieved.

Recent evidence on digitisation and the incidence of casualties in civil and terrorist strikes also undermines any argument that demonetisation was a serious effort in the direction of promoting a less-cash economy and clamping down on terror finance. Similarly, there is no credible information that counterfeit currency has disappeared from the economy.

However, even on black money, there is no evidence whatsoever to believe that demonetisation managed to eradicate the stock of black money held in the form of cash. The government's own study by the Indian Statistical Institute (ISI) pegged the extent of cash at less than 5% of the black economy. Other estimates are even lower. Even this minuscule stock of black money did not get extinguished as was expected. It is also clear that most of the post-facto hopes that tax enquiries and investigations will yield the expected gains are not going to materialize any time soon.

In hindsight, it is safe to say that not only was the implementation bad in design but even the concept of demonetisation weeding out black money was unrealistic. But the fact that it was a one-shot affair, without any accompanying efforts to root out the system which generates black money, also raises serious questions on the intent of the government to eliminate black money in the economy. A good example of this is the exemption that the government provided to political parties.

On growth rates, demonetisation only played a role of accelerator of the slowdown that was already there. While the National Democratic Alliance government's move did not yield any dividends to the government in monetary terms or in terms of the efficacy of the system to curb the black economy, it did contribute to reversing the revival of the rural economy, which was showing signs of recovery after two years of back-to-back droughts. The revival of the rural economy in 2016, which saw a good monsoon after being hit by low commodity prices and drought, was reversed by demonetisation. The impact on the rural economy was not only limited to agriculture but also the informal economy which was suffering from demand deflation.

While the debate on the impact of demonetisation on the black economy and growth rates will continue and will be subject to interpretations, there are some impacts which will take time to show

up or may even be invisible. And in this case, even the goods and services tax (GST) is as much responsible as demonetisation. The outcome is unintended but it needs to be highlighted. One of these is the impact on inequality.

Given that a large majority of the informal or unorganized sector has borne the impact of these two shocks, it has also led to a shift of incomes away from the informal sector to the formal sector. The formal sector was already well-equipped to deal with these changes, whether in terms of digitisation or tax compliance.

Over a period of time it is likely that the share of the formal sector will increase. But it will be at the cost of the informal sector. While this may exacerbate the level of inequality in the economy, it will also contribute to rising inequality through a lack of employment. And this is the second aspect which assumes importance given the concerns on job creation in the economy.

These are important issues not only in the context of demonetisation but also in general on how policymakers view the informal sector. The general perception is that these are entities who evade paying taxes and, therefore, are part of the black economy.

The informal sector, however, is not an aberration in our growth process. It is an integral part of the process of transition from a traditional economy to a modern economy. While it may not pay taxes and is largely dependent on cash, it plays an important role in providing jobs to millions of first-time workers and to millions of others who are moving out of agriculture to the non-agricultural sector. It provides the first exposure to many of these illiterate and low-skilled workers to the new economy. At the same time, it is also the biggest agency which does the painful task of re-skilling the majority of these workers—much more than any government scheme. Any attempt to reduce the role of the informal sector is only going to make the transition arduous and difficult for the economy.

But in the rhetoric of 'everybody is a thief', the real casualty are the informal enterprises. Attempts at forcing informal enterprises to become formal may kill the golden goose which has been taking care of the transitional pains of the economy by providing jobs. It has also acted as a sponge, creating incomes and demand when the agricultural sector was in stress. The short-term benefit of formalisation of the economy is at the cost of long-term loss of the crucial agency of the informal sector. The net benefits to the economy through income generation, employment creation and re-skilling of labour by the informal sector far outweighs any short-term benefits of tax collection through a process of forced formalisation.

The need of the hour is to protect and nurture the informal sector and handhold it to become formal in the process of growth rather than through surgical strikes a la demonetisation.

The lesson from demonetisation is the need for not only a better understanding of the black economy but also a better understanding of how the economy works, particularly the informal sector.

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## Growth minus development

In rapid-fire, the country was recently hit by three global rankings. The first was the ease of doing business and India improved its global rank, according to the Brettenwoods experts. Now this is happiness. As an economist I believe the turnaround to the higher growth path will come if we do a bit of pump priming and then private investment will be sucked in. While some sarkari economists agree with me, this is still not the dominant view. So improving the ease of doing business is obviously good news. Of the three rankings this was the only one the chambers of commerce and corporate honchos went ga ga over. The Purchasing Managers' Index improved. This was somewhat effervescent, since even in the past an improved PMI has always not led to better outcomes, but the sentiment was understandable.

The second was bad news. The gender disparity gap has gone up in India and its already poor ranking worsened. Women hold up half the sky, the UN poster says. Women are half the country: Somewhat less in India because of the shameful sex ratio, but still a large number. If growth is not just corporate GDP but human welfare, then this is worrisome. I mean the world over women are liberating themselves, and in civilised India we think so too, and want it to be more so. But it is not so. The statistics used are pretty robust and so even Indian economists who never agree on anything will find it difficult to quibble on this gap.

Women and the girl child also star in the next global ranking. That's the malnutrition and hunger index. The absolute numbers are frightening. Forty per cent of the world's hungry and malnourished children are in India. Now poverty and hunger cut offs are always controversial and can make a marginal difference — poverty more so and malnutrition less as it's based on biological measurements. Having defined a poverty line in the seventies of the last century, which I have wanted revised but which kept on resurfacing like a rabbit out of a hat, I am not surprised at the debate. But there was a sensible suggestion in these columns. Uma Lele ('Feeding India', IE, November 3), who has a lot of global experience in these matters, in a mature tone admonished us for being clever on a substantial issue where marginal changes were not the big issue but the big problem whichever way you looked at it was. This needed remedying and when you do so the information base improves. Nothing works more than questions from senior policymakers to improve the statistical base of a decision.

I am impressed by the argument that for hunger use anthropomorphic rather than survey-based calorie norms because biometric measures give you the physical reality as it were rather than expenditure converted to food and then to calories. Strangely, there is a connection between the worsening gender disparity and the hunger numbers. Weak mothers will give birth to weak children. The baby will not get enough nourishment in the womb. Again, in the early years of childhood, the limits to which he or she will grow are being set. It is not that life is a matter of precise paths. But the boundaries in which outcomes will work out are set in early years.

A couple of decades ago, I had to make some tax-free money to fund my daughter's second year in college in the US and decided in the vacations to work on food security UN consultancies. In Egypt, I discovered that in the desert provinces of Upper Egypt — actually Lower Egypt if you are in Cairo or Alexandria, but they look at everything from the perspective of the Nile — malnutrition in women was high. When I was presenting my results a top official, a retired general, went at me and said they are alright, my soldiers come from there. I had to tell him that weak and anaemic mothers will never give birth to strong soldiers.

So let's get this straight. Even if your concern is not like mine on human welfare, but security in the narrowest military sense of the term, let's get rid of the problem of hunger rather than be smart on statistics to wish it all away. The link between the gender gap and malnutrition is much too obvious

to ignore. So let's get back to the three rankings of last week: Ease of doing business is good while gender gap and hunger are not so. Policy-wise let's travel from growth to development.

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**'Rural youth need support'**

Venkaiah Naidu

Rural youth with limited education are also well informed and harbour entrepreneurial hopes, Vice-President Venkaiah Naidu said on Thursday. He mooted greater support for them in areas such as access to credit, technology and marketing to help them emerge from poverty.

"The challenge is to encourage more youth to make the choice of becoming entrepreneurs, rather than job-seekers. Many more opportunities for decent livelihoods must be created in the rural areas," he said.

"Creating a facilitative eco-system for rural entrepreneurship is very important. Mentoring is a crucial part of this eco-system," said Mr. Naidu at an international mentoring summit.

While the government is promoting inclusive growth through programs like Start Up India and skill development, Mr. Naidu said that both the public and private sectors had to work hard to create an enabling ecosystem for budding entrepreneurs.

"I see immense scope and possible intervention of Corporate Social Responsibility (CSR) funding to support the unique mentor movement for creating successful entrepreneurs," he said, suggesting that profitable larger companies can help lakhs of youth.

Youth needed sustained support, guidance, counselling and timely advice to apply their skills, he said.

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## Beyond Piketty: on income inequality

With the Gujarat State elections barely a few weeks away, the debate on the Indian economy has become increasingly polarised. While the official view of demonetisation unleashed in November 2016 elevates it to a moral and ethical imperative, the chaos caused by the goods and services tax ([GST launched on July 1, 2017](#)), is dismissed as a short-run transitional hiccup. Both policies, it is asserted, are guaranteed to yield long-term benefits, unmindful of large-scale hardships, loss of livelihoods, closure of small and medium enterprises and slowdown of agriculture. Critics of course reject these claims lock, stock and barrel. Lack of robust evidence is as much a problem for the official proponents of these policies as it is for the critics. Hence the debate continues unabated with frequent hostile overtones.

### Tracking income inequality

Beneath the debate are deep questions of inequality and its association with poverty. Thomas Piketty produced a monumental treatise, *Capital in the Twenty-First Century*, demonstrating that rising income inequality is a by-product of growth in the developed world. More recently, [Lucas Chancel and Piketty \(2017\), in 'Indian income inequality, 1922-2014: From British Raj to Billionaire Raj'](#), offer a rich and unique description of evolution of income inequality in terms of income shares and incomes in the bottom 50%, the middle 40% and top 10% (as well as top 1%, 0.1%, and 0.001%), combining household survey data, tax returns and other specialised surveys.

Some of the principal findings are: one, the share of national income accruing to the top 1% income earners is now at its highest level since the launch of the Indian Income Tax Act in 1922. The top 1% of earners captured less than 21% of total income in the late 1930s, before dropping to 6% in the early 1980s and rising to 22% today. Two, over the 1951-1980 period, the bottom 50% captured 28% of total growth and incomes of this group grew faster than the average, while the top 0.1% incomes decreased. Three, over the 1980-2014 period, the situation was reversed; the top 0.1% of earners captured a higher share of total growth than the bottom 50% (12% v. 11%), while the top 1% received a higher share of total growth than the middle 40% (29% v. 23%).

### Entering the age of GST

True to its modest objective, it offers a rich and insightful description of how income distribution, especially in the upper tail, and inequality have evolved.

Sharp reduction in the top marginal tax rate, and transition to a more pro-business environment had a positive impact on top incomes, in line with rent-seeking behaviour.

### India's wealth gain

According to Credit Suisse Global Wealth Report 2017, the number of millionaires in India is expected to reach 3,72,000 while the total household income is likely to grow by 7.5% annually to touch \$7.1 trillion by 2022. Since 2000, wealth in India has grown at 9.2% per annum, faster than the global average of 6% even after taking into account population growth of 2.2% annually. However, not everyone has shared the rapid growth of wealth.

Our research, based on the India Human Development Survey 2005-12, focusses on a detailed

disaggregation of income inequality, along the lines of Chancel and Piketty, recognising that incomes in the upper tail are under-reported; and examines the links between poverty and income inequality, especially in the upper tail, state affluence, and prices of cereals.

Equality for what?

Our analysis points to a rise in income inequality. A high Gini coefficient of per capita income distribution, a widely used measure of income inequality, in 2005 became higher in 2012. The share of the bottom 50% fell while those of the top 5% and top 1% rose. The gap between the share of the top 1% and the bottom 50% narrowed considerably.

More glaring is the disparity in ratios of per capita income of the top 1% and bottom 50%. The ratio shot up from 27 in 2005 to 39 in 2012. Far more glaring is the disparity in the highest incomes in these percentiles. The ratio of highest income in the top 1% to that of the bottom 50% nearly doubled, from a high of 175 to 346.

All poverty indices including the head-count ratio fell but slightly.

Poverty and inequality

Higher incomes reduced poverty substantially. Inequality measured in terms of share of income of the top 10% increased poverty sharply but only in the more affluent States. Somewhat surprisingly, higher cereal prices did not have a significant positive effect on poverty. Similar results are obtained if the share of the top 10% is replaced with the Gini coefficient as a measure of inequality.

The selfish way to combat inequality

It is plausible that poverty reduction slowed in 2016-17 because of deceleration of income growth; and huge shocks of demonetisation and the GST to the informal sector have aggravated income inequality. Indeed, depending on the magnitudes of these shocks, poverty could have risen during this period.

In sum, regardless of the longer-term outlook and presumed but dubious benefits of the policy shocks, the immiseration of large segments of the Indian population was avoidable.

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The definition of harassment needs to be constantly updated, and the process for justice made more robust

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## WTO: India resolute on food security

**Burden of negotiation:**Prospects for a permanent solution on subsidies are not that bright, says Prof. Abhijit Das of the IIFT.

At the upcoming meeting of the World Trade Organisation's (WTO) highest decision-making body, India will not agree to severe restrictions on its right to give price subsidies to farmers through the Minimum Support Price (MSP) to procure grains from them for food security purposes, according to highly-placed official sources.

The WTO's Ministerial Conference is slated to take place at Buenos Aires in Argentina next month.

"Food security and protection of low-income and resource-poor farmers are top priority items for India [at the WTO meet], and we will hold our ground to protect our interests to the maximum extent possible," an official privy to the developments said. Currently, an interim mechanism called the 'Peace Clause' is in place, per which WTO members had agreed not to challenge developing nations at the WTO Dispute Settlement Mechanism if they breached the cap of the product-specific domestic support (which is 10% of the value of production).

### Peace clause

The 'Peace Clause' is available to developing nations, including India, till a permanent solution is found to public stockholding for food security purposes. Official sources said India would fight to ensure that at least the 'Peace Clause' is made the permanent solution, and will not accept any 'terribly stringent or onerous' conditions. However, the 'Peace Clause' is learnt to be difficult to invoke even in its current form because prior to using it, the country concerned will have to first admit that it 'is breaching' or 'is about to breach' the ceiling entitlement to give product-specific domestic support.

### Difficult to invoke

Also, the 'Peace Clause' can be used only for public stockholding programmes that have been in existence on the date at which it was agreed upon at the Bali Ministerial Conference in December 2013, and not for new programmes on public stockholding for food security purposes.

According to Abhijit Das, head and professor, Centre for WTO Studies, Indian Institute of Foreign Trade, the prospects of an agreement on a permanent solution are not that bright due to three roadblocks. "First, the U.S. has not been engaging actively on the matter till recently, and if the U.S. does not give its nod, it will be difficult to arrive at a decision.

"Second, the European Union has tried to link the permanent solution with outcomes including stringent disciplines on domestic support given by developing nations," he said.

Lastly, most WTO members are of the opinion that there should be a commitment on prohibition of exports from public stockholding saying such exports would be trade-distorting.

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## Banking the unbanked: the Indian revolution

Financial inclusion—providing universal access to financial services and encouraging their use—is an important means for promoting economic development. As of 2014, the World Bank estimated that there were still two billion adults without a bank account, and many others with only a tenuous connection to the financial system.

Better access boosts the efficiency of the payments system, promotes household savings and access to credit, and improves people's ability to manage risk. And, as it does all of these things, financial inclusion will likely reduce inequality and increase economic growth. In other words, reducing the multitudes of those that are unbanked will improve the fate of the poorest of the poor.

India's unprecedented effort to "bank the unbanked" through the Pradhan Mantri Jan Dhan Yojana (PMJDY), is by far the largest such undertaking in the world. Launched in 2014, the mission to provide no-frills, no-minimum-balance (hereafter, JDY) bank accounts to every adult—including the one-fifth of the population living below the poverty line as well as those living far from a bank branch—has been remarkably successful.

As recently as 2011, only 35% of Indian adults had a bank account. As of this writing, 306 million JDY accounts have been opened, roughly 60% in rural and semi-rural areas (see graphic). And, while initial readings suggested limited use, over time, JDY account holders appear to be learning about the benefits, so that use is rising toward levels observed for bank accounts of comparable individuals. Moreover, the average deposit now appears substantial relative to poverty-level income.

Put differently, by lowering bank transactions costs, hundreds of millions of people who lacked access to financial services are revealing a latent demand.

Many previous efforts to reduce the ranks of the unbanked have been far less effective. Consequently, a great deal of work is needed to determine which characteristics of the Indian programme have been key to its success. Is it the country's unique Aadhaar ID that facilitates account opening and limits fraud? Is it the government's effort to digitize payments, including benefits transfers that can be distributed through these accounts? Is it the willingness of a largely public-sector banking system to advance a possibly unprofitable national mission? Is it the thousands of new bank agents engaged to encourage account opening and use in rural villages? Is it added benefits (such as debit cards, insurance and overdraft privileges) associated with the accounts? Is it the national scale that creates a range of favourable network effects (such as facilitating remittances across long distances)?

And what about side effects? To what extent are new accounts duplicates? Will the lack of financial literacy lead to fraud or abuse of the new account holders? Will account use wither in the absence of government transfer remittances? Does the system require continuous subsidies to survive?

Most of these questions remain only partly answered. However, recent research, benefiting in part from using actual JDY account data, documents the following encouraging facts:

—JDY accounts show increasing activity with account age, suggesting that holders are learning with experience.

—JDY accounts—both that receive government transfers and those that do not—build balances over time that are economically meaningful for poor households.

—Districts with a larger unbanked share prior to the JDY programme display both greater account creation and a greater amount deposited, as well as a larger increase in the number and amount of loans granted.

—JDY narrowed the gender gap, with women more likely to obtain accounts.

—JDY narrowed the urban-rural gap, with people dwelling in rural areas more likely to obtain accounts.

—JDY improved account access for people below the poverty line.

Collectively, these results point to sizeable gains for India's poor. To be sure, the programme's overall impact on aggregate welfare is difficult to assess. A key reason is that the costs of establishing and maintaining JDY accounts are not yet observable. But these costs can be balanced against what could very well be large benefits for the society as a whole. Among other things, shifting from cash to electronic transfers reduces the opportunity for both cash-based black-market activity, and for "leakage"—the tendency for only a part of a government benefit payment to find its way to the intended recipient.

It is of key importance for policymakers both inside and outside of India to understand the sources of the JDY programme's success. The extraordinary features of this effort—including not only no-frills accounts, but also the extensive involvement of national leadership, the provision of unique biometric IDs, and the advent of digitized government transfer payments—would seem difficult to simulate in a small randomized control trial. And it is relatively easy to see how a programme of this size and scope—with associated network effects and large economies of scale and scope—might succeed where experimental trials fail. Consequently, while it is a sample of one, the Indian experiment deserves far more study and attention from researchers, policy think tanks and international organizations.

Oddly, while discussions of financial innovation are widespread, empirical research that tests hypotheses is far more limited. We hope that India's JDY programme, with its ability to give hundreds of millions of people access to the financial system, will change that.

*Stephen G. Cecchetti and Kermit I. Schoenholtz are, respectively, professors at the Brandeis International Business School and the NYU Stern School of Business.*

*A longer version of this note appears on [www.moneyandbanking.com](http://www.moneyandbanking.com)*

*Comments are welcome at [theirviews@livemint.com](mailto:theirviews@livemint.com)*

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## The hungry nation

India's international financial rating was recently upgraded by Moody's — a decision which recognises the reforms and structural changes initiated by the present government. A recent survey of the Pew Research Center refers to the immense popularity of Prime Minister [Narendra Modi](#) within the country — clearly indicating the high expectations citizens have of him. Both pieces of news have been rightly welcomed in the country.

However, the nation can't pick and choose. It can't say that all favourable reports are true, but deny the existence of unfavourable reports or claim that those are inimical to India. For instance, the Pew Research Center, some time back, had concluded that Indian school standards are among the worst in the world. Recently, the Washington-based International Food Policy Research Institute (IFPRI) released the 2017 Global Hunger Index (GHI), in which India ranks 100 among the 119 countries studied. The country's rank, in fact, had fallen by three places compared to 2016. Though these significant bits of information were not discussed much in the media, some sections close to the authorities ridiculed the Hunger Index, referring to it as a "half-truth" and questioned the credentials of IFPRI. A few others said the index really measured levels of malnutrition, stunting etc, and not "hunger", clearly missing the essential point of the survey. In the 2017 Hunger Index, India falls behind war-ravaged Iraq, and the international "outcast", North Korea. Only two countries in Asia — Afghanistan and Pakistan — are below India in the ranking. India is now ahead of only countries such as Sierra Leone, Madagascar, Chad and Yemen, all "one-party" democracies otherwise seen as dictatorships.

In recent months, a number of international and Indian studies have corroborated the GHI report. A World Bank report referred to the illiteracy rates in India; Thomas Piketty wrote about the top 0.1 per cent of India's population having the same share of growth in income as the bottom 50 per cent; ASER has consistently referred to abysmal primary and secondary schooling standards; repeated studies on nutrition, and child mortality in India establish the critical situation in this regard. Clearly, there is no shortage of reminders of the terrible condition of the "common man". It is no coincidence that the countries at the top of every economic and social index in the world are closely identified with high-quality education, public health and nutrition. The nation should stop fooling itself. The delusion that India is an aspirant to be a "world power" is like a donkey dressing itself up, imagining that it is a race-horse.

The current precarious social and human conditions were not created in a day — these are the wages of a corrupt political system, where the spoils were appropriated by a select few who ran the country during the past five decades, pursuing disastrous policies, deliberately with poor implementation to suit the needs of the ruling classes. Major changes relating to human affairs, including in education, infrastructure, public health cannot take place in days or weeks, or even years. As it is now, no one in the country will miss the ministries of education, public health, environment, childcare and agriculture at the Centre or the states if they are abolished. Surely, it is early to blame the current government for the disastrous situation the country finds in, but the current inaction will force them to own up the situation in a couple of years.

Major economic policies have been ushered in in the recent past. Demonetisation symbolises the formal recognition of black money — no country can afford to have a parallel economy eating its vitals. The GST, with all its teething problems, can transform the economy within five years. The Digital India programme, despite its current tardy implementation, can turn the administration efficient. These are valuable and significant steps, and have withstood concerted opposition from vested interests. However, major reforms in the social sector are yet to be ushered in. As and when it happens, trust entrenched interests to attack them.

There is inadequate recognition that the common man's needs have to be the priority of a democratic government. Even a superpower will not remain stable if the bottom 25 per cent of its population lives in penury. There is not enough recognition of the power of the informal sector, currently numbering six crore, as a change agent, and the critical importance of making resources available to them at non-usurious rates. There is no awareness that primary and secondary education can be a major change agent in 10 years, if there is genuine reform. In short, with the technology available today, the country can be transformed in ten years — but this can't be done just by speeches, and with good intentions alone.

It is the social sectors — education, public health, nutrition etc — which need the direct attention of the highest manager of the country. Policies concerning these sectors need to be reformed and necessary resources have to be provisioned to usher in change.

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**PM reviews steps taken to reduce under-nutrition****PM reviews steps taken to reduce under-nutrition**

The Prime Minister, Shri Narendra Modi, on Friday reviewed the progress and efforts being made to prevent and reduce under-nutrition and related problems in India. The high level review meeting was attended by officials from PMO, NITI Aayog and other Ministries.

The current status of malnutrition, stunting and related problems was reviewed. Successful nutrition initiatives in some other developing countries came up for discussion.

The Prime Minister stressed on the need to work towards concrete objectives to reduce stunting, under-nutrition, low birth weight, and anaemia. He emphasized that visible and measurable results should be seen by 2022, the 75th anniversary of independence.

Towards this end, real-time monitoring towards progress of nutrition outcomes was discussed, especially in the worst performing districts.

Senior officials repeatedly emphasized that initiatives of the Union Government such as Swachh Bharat Abhiyan, Mission Indradhanush, Beti Bachao - Beti Padhao, and Pradhan Mantri Matru Vandana Yojana etc, are having a positive impact on nutrition. In this context, the Prime Minister called for convergence among all schemes of Union and State Governments, which directly or indirectly have an impact on nutrition outcomes.

He said raising social awareness towards the importance of nutrition is necessary, to achieve the desired results. He stressed on the importance of using informal channels to generate this awareness.

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## The bane of growing India?

In 2017, India ranked 100 out of 119 countries on the Global Hunger Index, performing worse than Myanmar, Bangladesh and Iraq. Among adults, malnutrition directly impacts adult productivity and hampers the cognitive development of children. Simply put, it is only natural that an individual who is unwell and undernourished is unable to function at her peak physical or mental capacities.

As a member of the Citizens Alliance against Malnutrition, I, along with a number of Members of Parliament cutting across party lines, have advocated solutions to help alleviate malnutrition, for over a decade. Various initiatives have been taken up by government and non-governmental organisations towards this effort. For instance, recently, rice fortified with iron has been introduced in the mid-day meal scheme in Gajapati, Odisha, to reduce anaemia among primary school students — from 73% to 5%. Although innovations such as rice fortification should be encouraged, they must be reinforced with proper monitoring and implementation. As we have seen in a study in another State, leakages from the government's Integrated Child Development Services (ICDS) programme, which provides food, pre-school education, and primary health care to mothers and children, have not only been costly but also compromised the effectiveness of the government scheme. To curb leakages, information and communications technology solutions that track last mile delivery to cover both top-down and bottom-up channels of information are essential for the timely delivery of services to beneficiaries.

Malnutrition is often a symptom of underlying problems such as poor maternal health which may lead to low weight at birth, stunting and susceptibility to diseases in childhood. Based on the fourth National Family Health Survey (NFHS) (2015-16), 38% children below 5 years are stunted and 58.4% are anaemic. Not surprisingly, we also found that 54% women between 15 and 49 years to be anaemic while 22.9% have a low maternal body mass index.

Returns are high

The economic returns to investing in health and nutrition can be very high. Introducing specific interventions to tackle malnutrition among children born in 2015 in India can lead to 20% reduction in stunting and a consequent increase in incomes by 11%. This is an incredibly high return on investment. The government can strengthen existing schemes and programmes such as the ICDS and the Public Distribution System (PDS) to make available diverse, nutritious and micro-nutrient fortified foods. Another option the government can explore is cash transfers supplemented with counselling to ensure behavioural change among people and to generate demand for such diverse dietary choices.

In Odisha, the State government has been implementing nutrition-specific interventions through the years; the number of Anganwadi centres in the State has been doubled, and self-help groups (SHG) developed under 'Mission Shakti', a women's empowerment initiative. These SHGs have also helped strengthen programmes such as ICDS. Between 2005-6 and 2011, stunting rates improved among vulnerable sections. Establishing nutrition rehabilitation centres, identifying children suffering from severely-acute malnutrition, and fixing a day for monitoring such children through Pustikar Divas were among other action steps that have been recognised and adopted.

These interventions have worked well; mobilising communities and SHGs can initiate change across the country. As a member of the Lok Sabha, I am working to improve the health status of the people in my constituency through the Saansad Adarsh Gram Yojana, which aims to equip people with quality access to basic amenities and opportunities to help them shape their own destiny. Improving the health and nutrition status of people is fundamental to achieving this objective. A well-implemented mass media communication campaign, involving trained health

workers, will have a strong impact. In Madhya Pradesh, there is a nutrition project which aims to reduce severe malnutrition among by creating community awareness around these issues. It aims to strengthen governance, accountability and mutual responsibility of service providers and communities to foster the programme's success. Providing people quality health care and living conditions will empower them and complement their personal goals and development. No citizen deserves less than a shot at a healthy, prolonged and quality life in a prosperous economy. Moreover, no nation can achieve its true potential without it.

Baijayant 'Jay' Panda is a BJD Lok Sabha MP. The views expressed are personal

World Diabetes Day highlights the implications of neglecting women's health

The Cardiff University professor, who reported on the enzyme called New Delhi metallo beta lactamase, says China and Pakistan are more serious about anti-microbial resistance genes than India.

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