



# World Bank Support to India's Informal Working Class

## Why in News

The [World Bank](#) has approved a **USD 500 million loan programme to support India's informal working class** to overcome the current pandemic distress.

- The loan will create greater flexibility for states **to cope with the ongoing pandemic, future climate and disaster shocks.**

## Key Points

### ▪ World Bank's Financial Support:

#### ◦ About:

- Of the USD 500 million commitment, USD 112.50 million will be financed by its concessional lending arm **International Development Association (IDA)** and the rest will be a loan from **International Bank for Reconstruction and Development (IBRD).**
- The loan has a **maturity period of 18.5 years** including a grace period of five years.

#### ◦ Fundings Since Start of Pandemic:

- In 2020, **provided immediate emergency relief cash transfers to about 320 million individual bank accounts** identified through pre-existing national social protection schemes.
- Also **an additional food rations** for about 80 crore individuals.

### ▪ Significance:

- States can now **access flexible funding** from disaster response funds to design and implement appropriate social protection responses.
- The funds will be utilised in **social protection programmes for urban informal workers, [gig-workers](#), and [migrants](#).**
  - A gig worker is indulged in the gig economy which is a free market system in which temporary positions are common and organizations contract with independent workers for short-term engagements.
- It is aimed at building the resilience of economies and livelihoods of communities.
- Investments at the municipal level will promote **[National Digital Urban Mission](#)** that will create a shared digital infrastructure for people living in urban areas and will scale up **urban safety nets and social insurance for informal workers.**
  - It will also include gender-disaggregated information on women workers and female-headed households.
  - This will allow policymakers to address gender-based service delivery gaps and effectively reach the unreached, particularly widows, adolescent girls, and tribal women.

- **Street vendors** are an integral part of India's urban informal economy. The programme will give street vendors **access to affordable working capital loans of up to Rs 10,000.**

- Some five million urban street vendors could benefit from the new credit programme,

#### ▪ **Informal Sector Worker:**

- The informal sector is the part of any economy that is **neither taxed nor monitored** by any form of government.
  - The workers who indulge in the informal sector are informal sector workers or informal workers.
- The informal sector provides **critical economic opportunities for the poor.**
- It is largely characterized by **skills gained outside of a formal education, easy entry, a lack of stable employer-employee relationships, and a small scale of operations.**
- Unlike the formal economy, the informal sector's components are not included in **GDP** computations.

#### ▪ **Need to Protect Informal Workforce:**

- India's estimated 450 million informal workers comprise **90% of its total workforce**, with 5-10 million workers added annually.
- Further, according to **Oxfam's latest global report**, out of the total 122 million who lost their jobs in 2020, 75% were lost in the informal sector.
- **Job loss and further increasing informalisation** due to **the Covid-19 pandemic** and subsequent **lockdown** has resulted in lack of **social protection** to poors.
- Moreover, in the financial year 2020-21, the economy contracted by 7.7%. So, there is an **urgent need to revive the economy by generating employment** and the informal sector is more labour intensive.

#### ▪ **Some Initiatives by the Government:**

- [\*\*Pradhan Mantri Shram Yogi Maan-dhan \(PM-SYM\)\*\*](#)
- [\*\*Labour Reform\*\*](#)
- [\*\*Pradhan Mantri Rojgar Protsahan Yojana \(PMRPY\)\*\*](#)
- [\*\*PM SVANidhi: Micro Credit Scheme for Street Vendors\*\*](#)
- [\*\*Atmanirbhar Bharat Abhiyan\*\*](#)
- [\*\*Deendayal Antyodaya Yojana National Urban Livelihoods Mission\*\*](#)

### **World Bank Group**

- The World Bank Group is a unique global partnership which consists of five development institutions.
- **International Bank for Reconstruction and Development (IBRD)** provides loans, credits, and grants.
- **International Development Association (IDA)** provides low- or no-interest loans to low-income countries.
- **The International Finance Corporation (IFC)** provides investment, advice, and asset management to companies and governments.
- **The Multilateral Guarantee Agency (MIGA)** insures lenders and investors against political risk such as war.
- **The International Centre for the Settlement of Investment Disputes (ICSID)** settles investment-disputes between investors and countries.
  - **India is not a member of ICSID.**
- As of now, IBRD has 189 member countries, while IDA has 173.

## Way Forward

- **Strengthening MSME:** Nearly 40% of the informal workforce is employed with [Micro, Small and Medium Enterprises \(MSMEs\)](#). Therefore, it is natural that the strengthening of MSME will lead to economic recovery, employment generation, and formalization of the economy.
- **Skilling Under CSR Expenditure:** The large corporate houses should also take the responsibility of **skilling people in the unorganized sectors** under [Corporate Social Responsibility \(CSR\) Expenditure](#).
- **Recognizing Invisible Labour:** A national policy for **domestic workers** needs to be brought in at the earliest to recognize their rights and promote better working conditions.

[Source: IE](#)

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