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IMPORTANCE OF FEMALE LABOR FORCE PARTICIPATION

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF "IMPORTANCE OF FEMALE LABOR FORCE PARTICIPATION". THIS TOPIC IS RELEVANT IN THE "SOCIETY" SECTION OF THE UPSC CSE EXAM.

WHY IN THE NEWS?

In a significant ruling on Monday, the Supreme Court, led by Chief Justice of India D Y Chandrachud, emphasized the fundamental importance of women's participation in the workforce. The bench underscored that this participation is not merely a privilege but a constitutional right safeguarded by Article 15 of the Constitution.

The case pertained to a plea by an assistant professor at Government College, Nalagarh, who was denied childcare leave (CCL) to care for her child with a genetic condition. Despite provisions entitling women government employees to two years of CCL per child until they turn 18, the employer contended that adoption of such policies was at the discretion of the state.

However, the judgment emphasized that Article 15 not only prohibits gender-based discrimination but also empowers states to enact special provisions for women. This ruling underscores the state's obligation as a model employer to address the unique concerns of women in the workforce.

IMPORTANT HIGHLIGHTS

At a juncture where discussions about the subdued involvement of women in the job market are widespread, the ruling emerges as a timely response. It arrives amidst growing recognition from both state and central administrations regarding the imperative role of childcare provisions in bolstering women's engagement in formal employment.

In a societal landscape where caregiving duties are predominantly seen as women's responsibilities, the verdict underscores a crucial shift in perspective. It elucidates that both the government and employers bear the onus of facilitating an environment conducive for women to enter and sustain their careers.

In India, women shoulder a disproportionate burden of managing household chores, caregiving responsibilities, and paid employment, often with little support. According to the Time Use Survey of India (2019), women spend significantly more time than men on unpaid domestic and care work, highlighting the unequal distribution of labor within households. This burden is even heavier for socially and economically marginalized women.

Furthermore, working women often encounter obstacles such as "marriage penalties" and "motherhood penalties," which can force them to temporarily withdraw from the workforce due to marital obligations or pregnancy. Consequently, it's not surprising that female workforce participation in India remains low, standing at a mere 37 percent according to the Periodic Labour Force Survey (PLFS) of 2022.

Moreover, the employment landscape for women in India is characterized by a high proportion of self-employment, with 60 percent of women being self-employed. However, a significant portion of these self-employed women—53 percent—work as unpaid family helpers, reflecting the challenges they face in accessing formal employment opportunities. Many women opt for flexible employment options close to home to juggle their multiple responsibilities, further perpetuating the cycle of limited workforce participation.

These intertwined outcomes stem from both a lack of opportunities in the labor market and the necessity for women to seek flexible employment arrangements that allow them to balance their domestic and professional duties. Addressing these challenges requires comprehensive policy interventions aimed at creating a more inclusive and supportive environment for women in the workforce.

REASONS FOR LOW FEMALE LABOR FORCE PARTICIPATION RATES

The low participation of women in the labor force in India can be attributed to various factors, each of which impacts women's employment opportunities and their ability to engage in economic activities. Here are some explanations with examples:

1. **Social and Cultural Norms**: Deep-rooted societal expectations often confine women to domestic roles, limiting their participation in the workforce. For instance, in many Indian households, women are expected to prioritize caregiving and household duties over pursuing a career. This expectation is reinforced by cultural beliefs that view a woman's primary role as that of a homemaker. As a result, women face pressure to conform to these norms, which can deter them from seeking employment outside the home.
2. **Lack of Education and Skills**: Limited access to education and vocational training opportunities disproportionately affects women in India. In rural areas, where educational infrastructure is often lacking, girls may have lower enrollment rates and higher dropout rates compared to boys. Without adequate education and skills training, women are less likely to qualify for well-paying jobs or positions in sectors that require specialized expertise. For example, in regions with poor access to schools and training facilities, women may be unable to pursue careers in fields such as technology or healthcare.
3. **Occupational Segregation**: Women in India are often concentrated in low-paying and informal sectors such as agriculture, domestic work, and cottage industries. This occupational segregation

limits their access to higher-paying jobs in sectors traditionally dominated by men. For instance, while men may dominate roles in engineering or manufacturing, women are more likely to be employed in roles such as garment workers or domestic helpers, where wages are lower and job security is precarious.

4. **Gender Wage Gap**: Women in India frequently encounter wage discrimination, receiving lower wages than their male counterparts for similar work. This wage gap persists across various sectors and occupations, exacerbating economic inequalities between men and women. For example, studies have shown that women in the agricultural sector earn significantly less than men for performing similar tasks, despite making substantial contributions to agricultural production.
5. **Unpaid Care Work**: Women in India often bear the burden of unpaid care work, including household chores, childcare, and eldercare. The expectation that women will assume these responsibilities can limit their ability to pursue paid employment outside the home. For example, in rural areas where access to childcare facilities is limited, women may have to forego employment opportunities to care for their children, further reducing their participation in the labor force.

STEPS TAKEN BY GOVERNMENT

The Government of India has implemented several policy measures aimed at increasing women's participation in the labor force and addressing gender disparities in the workforce. Some of these policy initiatives include:

1. **Maternity Benefit Act (2017)**: The Maternity Benefit Act mandates paid maternity leave of 26 weeks for women working in the organized sector, with provisions for extended leave in certain cases. This policy aims to support women's participation in the workforce by providing them with adequate maternity benefits and job security during pregnancy and childbirth.
2. **Pradhan Mantri Matru Vandana Yojana** (PMMVY): PMMVY is a maternity benefit scheme that provides financial assistance to pregnant and lactating women for their first live birth. Under this scheme, eligible women receive cash incentives for maternity-related expenses, aiming to improve maternal health outcomes and support women's employment.
3. **National Policy for Skill Development and Entrepreneurship (2015)**: This policy framework emphasizes skill development initiatives tailored to the needs of women, including training programs in non-traditional sectors and entrepreneurship development. By enhancing women's skills and entrepreneurial capabilities, the government aims to promote their economic empowerment and increase their participation in the labor force.
4. **National Rural Livelihoods Mission (NRLM):** NRLM includes provisions for promoting women's self-help groups (SHGs) and livelihood opportunities in rural areas. Through NRLM, women are provided with access to financial services, training, and support for income-generating activities, aiming to enhance their economic independence and participation in productive employment.
5. **Stand-Up India Scheme**: Stand-Up India is a government scheme aimed at promoting entrepreneurship among women, Scheduled Castes (SCs), and Scheduled Tribes (STs) by providing them with access to bank loans for starting new ventures. By facilitating access to credit and entrepreneurial support, the scheme aims to empower women entrepreneurs and promote their participation in the formal economy.
6. **Gender Budgeting:** The Government of India has adopted gender budgeting as a strategy to mainstream gender concerns in the budgetary process. Gender budgeting entails analyzing government budgets to assess their impact on women and allocating resources to address

gender disparities. By prioritizing investments in areas such as education, healthcare, and social protection, gender budgeting aims to promote women's welfare and economic inclusion.

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NEW GUIDELINES FOR ASSET RECONSTRUCTION COMPANIES

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF "**New guidelines for Asset Reconstruction Companies**". THIS TOPIC IS RELEVANT IN THE "**ECONOMY**" SECTION OF THE UPSC CSE EXAM.

Why in the News?

Recently, the Reserve Bank of India (RBI) released directives detailing revised instructions for **Asset Reconstruction Companies (ARCs)**. These guidelines are applicable to all Asset Reconstruction Companies (ARCs) registered with the Reserve Bank of India (RBI) under **section 3 of the SARFAESI Act, 2002.** They encompass regulations concerning ARC registration, the necessity of maintaining a minimum net-owned fund, the operational scope of ARCs, and the prescribed guidelines for their activities.

MORE ABOUT THE RECENT GUIDELINES

Increase in Minimum Net owned Fund requirements:

- The minimum capital requirement for ARCs has been raised to Rs 300 crore, marking a notable increase from the previous threshold of Rs 100 crore.
- Existing ARCs are given a transition period to meet the new minimum Net Owned Fund (NOF) requirement of Rs 300 crore by 31st March 2026.
- As part of the transition process toward the heightened capital requirement, ARCs must ensure a minimum capital of Rs 200 crore by 31st March 2024.

Corporate governance regulations:

- It mandates that ARCs maintain a board comprising a minimum of 50% independent directors, with the chairman being an independent director as well.
- Additionally, ARCs are obligated to establish audit, nomination, and remuneration committees.

Investment Opportunities:

- ARCs are permitted to allocate funds into government securities and deposits within scheduled commercial banks, as well as institutions such as the Small Industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD), or other entities designated by the central bank periodically.
- Furthermore, ARCs have the option to invest in short-term instruments like money market mutual funds, certificates of deposit, and corporate bonds/commercial papers rated AA- or higher by a recognized credit rating agency. However, there exists a restriction wherein the maximum investment in such short-term instruments is limited to 10% of the Net Owned Fund (NOF).

Enhanced Disclosure Requirements:

- ARCs are obligated to provide financial data covering the previous 5 years and a track record detailing returns and recoveries for all security receipt schemes over the past 8 years.
- Additionally, they must disclose their interactions with rating agencies.

Limitations on Management Fees:

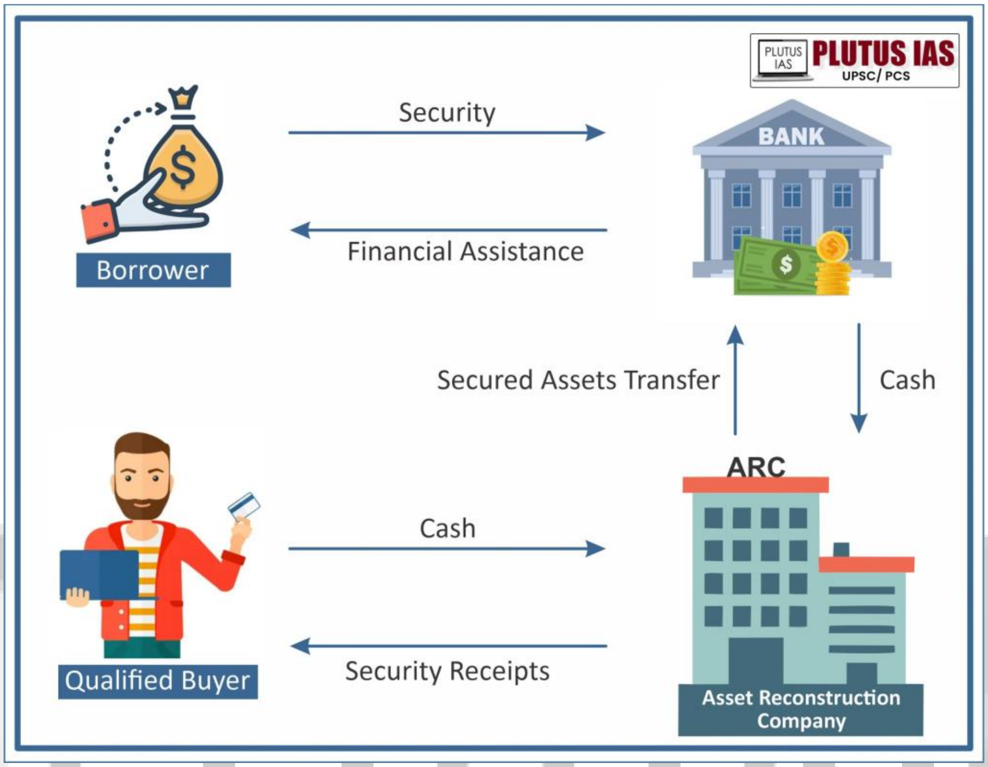
- ARCs are now prohibited from levying management fees that are not tied to the asset recovery process.

WHAT ARE ASSET RECONSTRUCTION COMPANIES?

- Asset Reconstruction Companies (ARCs) are entities that specialize in acquiring non-performing assets (NPAs) or distressed assets from banks and financial institutions. These companies work to resolve these assets by either restructuring them, recovering dues through various means, or selling them to other investors.
- Asset Reconstruction Companies (ARCs) are entities established under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act in India.

How do ARCs function in India?

- **Acquisition of Distressed Assets:** ARCs acquire distressed assets from banks and financial institutions, primarily non-performing loans (NPLs). These assets are purchased at discounted prices, allowing the selling institutions to offload non-performing or stressed assets from their balance sheets.
- **Resolution and Recovery:** ARCs undertake various strategies to resolve and recover the distressed assets once acquired. This may include debt restructuring, where the terms of the loan are renegotiated to make it easier for the borrower to repay, or asset sales, where the underlying collateral securing the loan is sold to recover funds.
- **Legal Proceedings:** In cases where debt restructuring or asset sales are not feasible, ARCs may resort to legal action to recover dues from defaulting borrowers. This could involve initiating recovery proceedings through the Debt Recovery Tribunal (DRT) or filing cases in civil courts.
- **Debt Restructuring and Rehabilitation:** ARCs may work with borrowers to restructure their debt obligations, providing them with more manageable repayment terms to facilitate the revival of their businesses. This may involve extending the repayment period, reducing the interest rate, or converting debt into equity.
- **Asset Management:** ARCs actively manage the acquired assets to maximize their value. This includes monitoring the performance of the underlying assets, identifying opportunities for value enhancement, and implementing strategies to optimize returns.
- **Securitization and Reconstruction:** ARCs may securitize the acquired assets by bundling them together and issuing security receipts (SRs) to investors. These SRs represent an undivided interest in the underlying pool of assets and provide investors with a share in the proceeds recovered from the assets.



How ARCs Helped India in Controlling NPAs?

- **Acquisition of Non-Performing Assets (NPAs):** ARCs procure NPAs from banks and financial institutions through bilateral agreements or auctions. This process aids banks in cleansing their balance sheets, enabling them to concentrate on their primary lending functions.
- **Resolution of Non-Performing Assets (NPAs):** Upon acquiring NPAs, ARCs develop resolution strategies within a six-month timeframe to recover outstanding dues. They employ various approaches such as debt restructuring, enforcement of security interests, settlement of liabilities, asset possession, and business divestment.
- **Enhanced Recovery Rates:** ARCs have exhibited higher recovery rates compared to banks. As per Reserve Bank of India (RBI) statistics, **ARCs acquired 9.7% of the previous fiscal year's gross NPAs in FY2023, a significant increase from 3.2% in FY2022.** This trend underscores the escalating significance of ARCs in NPA resolution efforts.
- **Liberating Bank Capital:** Through NPA acquisition, ARCs release capital for banks, allowing them to channel resources towards new lending activities and bolstering their financial stability.
- **Securitization and Fundraising:** ARCs raise capital by issuing security receipts (SRs) to accredited institutional investors. This mechanism furnishes them with financial means to procure and resolve distressed assets effectively.

What more can be done by RBI to strengthen ARCs?

- o **Implement stricter regulatory framework:** The RBI should implement stronger regulation and compliance measures for ARCs to ensure transparency and accountability. This includes regular audits, increased disclosure requirements, and enforcing strict adherence to capital adequacy rules.
- o **Diversify Funding Channels for ARCs:** The Reserve Bank of India (RBI) might consider permitting ARCs to tap into alternative funding streams like **external commercial borrowings or bond issuance** to complement their capital needs. This measure would

furnish ARCs with additional financial resources, enabling them to acquire and address distressed assets more effectively.

- **Encourage collaboration between banks and ARCs:** Banks must collaborate closely with ARCs to facilitate faster resolution of NPAs. Standardized processes for data sharing, joint assessment of stressed assets, and coordinated decision-making will enhance efficiency and speed up resolution timelines.

- **Promote Consolidation and Expertise:** The RBI could encourage the merging of smaller ARCs to form larger, specialized entities adept at handling and resolving intricate distressed assets more effectively. This initiative might entail easing specific regulatory conditions governing mergers and acquisitions involving ARCs.

Prelims based Question

Q1. Consider the following statements:

1. The functioning of ARCs is governed by the Insolvency and Bankruptcy Code of 2016.
2. RBI oversees the functioning of ARCs.

Choose the correct answer using the codes given below:

(a). 1 Only
(b). 2 Only
(c). Both 1 and 2
(d). Neither 1 nor 2

ANSWER: B

Mains based Question

Q1.Analyze the role of the Reserve Bank of India (RBI) in strengthening Asset Reconstruction Companies (ARCs). Discuss potential measures that the RBI could implement to enhance the regulatory framework for ARCs.

Vikas Agarwal