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India's banking system to be among the last to heal post pandemic, recovery could be beyond 2023

Kshitij Bhargava | September 24, 2020

Asset quality, among Indian financial institutions, had issues prior to the pandemic, unlike other nations where the trend was improving

S&P Global said that their base case for recovery assumes economic rebound in 2021 following the release of a vaccine for the coronavirus in the middle of the year

With the coronavirus taking a toll on the already stressed lenders, rating agency S&P Global has said that India's banking sector could be among the last to recover post the pandemic. In a recent report, S&P Global said that it anticipates difficulty in restoring financial strength ratings of financial institutions to pre-crisis levels. "We don't expect the world's largest banking sectors, including more than half of G20's, to recover to pre-COVID-19 levels until 2023, or beyond," it said. India will be joined by Mexico and South Africa among the banking systems to be the slowest to recover to 2019 levels.

S&P Global rating noted that India was already suffering with an overhang of high non-performing assets (NPA) as it entered into the pandemic. "We have taken negative rating actions on Indian banks and NBFIs as

operating conditions have deteriorated through the crisis," it said. The rating agency noted that India's banking sector, although will be late-exiter from the slump, but some rations could improve faster. "The Indian banking sector is considered a late-exiter. Its recovery will be longer, but some ratios may return more quickly to pre-COVID-19 levels as they were weak prior to the onset of COVID-19 in contrast with many other jurisdictions," S&P Global said.

Asset quality, among Indian financial institutions, had issues prior to the pandemic, unlike other nations where the trend was improving. The report adds that India's recovery could come beyond 2023. Which would take a toll on India which is looking to capitalize on the pandemic to pose itself as an alternative for manufacturing for global supply chains. S&P Global has classified late-exiters on the basis as jurisdictions where COVID-19 and other stresses have already had a meaningful negative effect. "That is, Banking Industry Country Risk Assessments (BICRA) have already been negatively revised. Potential recovery to pre-COVID-19 status is considered furthest, and timing is less certain after the onset of COVID-19," the rating agency said.

Further, S&P Global said that their base case for recovery assumes economic rebound in 2021 following the release of a vaccine for the coronavirus in the middle of the year. However, it does anticipate a lag between when an economic recovery takes hold and when the credit strength of banks stabilizes. S&P Global has taken 335 negative rating actions globally since the outbreak began. Among the banking systems that it expects to be the early ones to recover include China, Canada, Singapore, Hong Kong, South Korea, and Saudi Arabia. These are expected to recover by the end of 2022. While the US, UK, Australia, France, Germany, and Russia are likely to recover not before 2023, according to S&P Global.

Unrecognised labour: Frontline workers, such as ASHA workers, need to be incentivised by govt

The Financial Express | September 24, 2020

Add to this new responsibilities such as screening migrants, contact tracing, etc, and it is fair to say frontline workers have rendered crucial services to the nation

On the contrary, an Oxfam survey notes, only 23% of ASHA workers were provided bodysuits; with respect to the usage of PPEs, nearly one in four ASHA workers never received any training

A recent report, by Women in Global Health India (WGHI), highlights the fact that frontline workers (FLWs), especially ASHA workers, are not being given due incentives for the work they are doing in these hard times. Against the backdrop of the pandemic having interrupted delivery of healthcare services, thereby impacting access for the most vulnerable, even the regular work of ASHA workers—from linking pregnant women to antenatal care to ensuring post-natal care for lactating mothers and babies, etc—had become both more important and incredibly challenging to execute. Add to this new responsibilities such as screening migrants, contact tracing, etc, and it is fair to say FLWs have rendered crucial services to the nation.

Yet, there has been no extra honorarium forthcoming from the government. On the contrary, an Oxfam survey notes, only 23% of ASHA workers were provided bodysuits; with respect to the usage of PPEs, nearly one in four ASHA workers never received any training. The government must recognise the work of ASHA workers via financial and non-financial incentives, and establish capacity-building strategies concerning technology, and develop a support system for their physical and mental well-being. Though ASHA workers are eligible for state support in the Covid times under the Pradhan Mantri Garib Kalyan Yojana,

the Oxfam survey showed that only 38% of the ASHA workers knew about the scheme. Without efforts to support FLWs, the battle against corona will be hard to win.

Agrarian reforms: Can over-reliance on MSP harm agricultural states?

Shweta Saini & Siraj Hussain | September 24, 2020

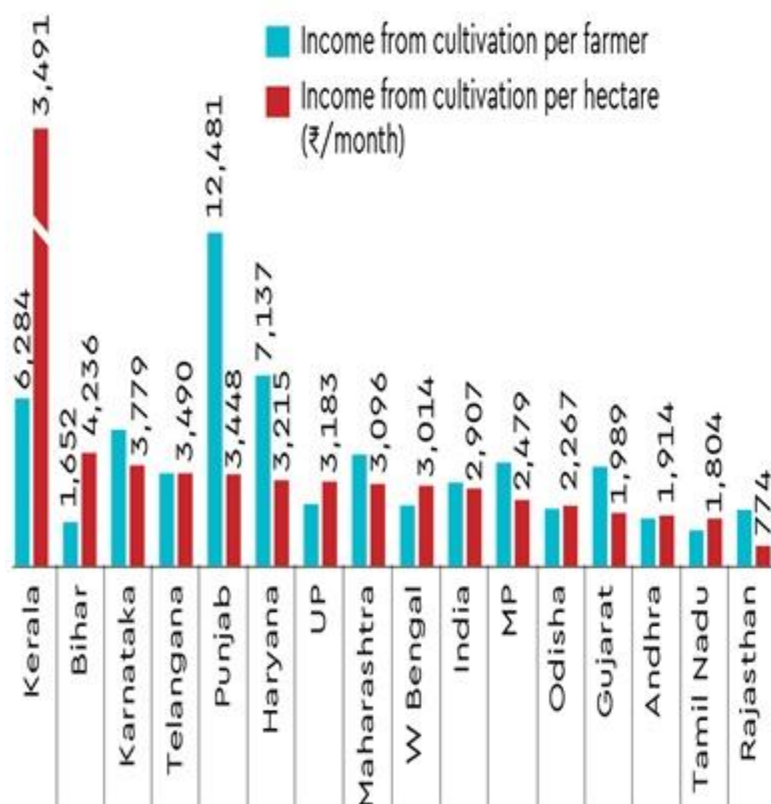
Dependence on MSP-led procurement of grains has led to low crop diversification in states like Punjab, keeping farmers from reaping the benefits of high-value crops

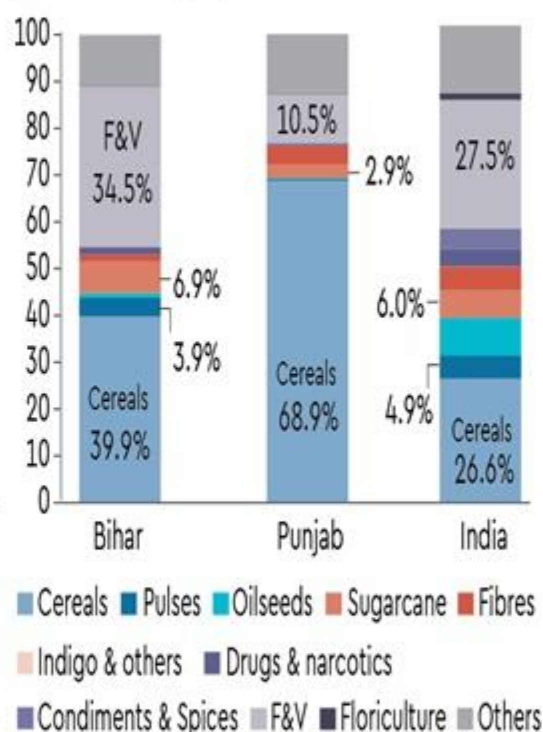
By focusing on lower-valued crops, Punjab is missing benefits of diversification that Bihar is tapping on

Farmer agitations against the recently promulgated farm Bills are growing in northern states of Punjab, Haryana, Madhya Pradesh, and Uttar Pradesh. Interestingly, these are states benefitting most from the government's MSP operations. What are their concerns, and if any underlying assumptions guide those? We explore this and more in this article.

On June 5, the president of India promulgated three Ordinances for improving the farming environment in the country. Most contentious of the three is the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance 2020 (FPTC).

Indian agricultural markets are studied to have suffered at the hands of oligopolistic APMC traders/middlemen. The FPTC Bill provides an alternate to state APMCs and offers the freedom to sell and purchase agri-produce to both farmers and buyers. By creating alternate and competing markets, which do not levy taxes/fees, FPTC will help farmers by reducing transaction costs, increasing transparency, and improving their share in consumer's rupee.





The biggest issue of agitating farmers is that they were not consulted while framing these Bills. They fear that with the implementation of FPTC, among other things, state APMCs will slowly die due to constraints of resources, leaving farmers to the whims of 'exploitative' traders and corporate buyers. Farmers also equated the Bill with the eventual phasing-out of government's MSP operations, but those fears were allayed by PM Modi, who confirmed their continuity.

According to us, there are two basic assumptions of these agitating farmers. For them, the only alternative to APMC is a 'villainous' and 'exploitative' corporate buyer/trader. And, by producing MSP crops (mainly rice and wheat) and selling them in assured markets at assured prices, farmers think they are maximising their gains and are safeguarded for future.

We visit both assumptions below. Repeated reference is of two states—Punjab and Bihar. These represent two extreme examples—Punjab, on the one hand, has a robust procurement system, and financially thriving APMCs (used mainly for procurement), Bihar on the other, had repealed

APMC in 2006 and has a relatively small and insignificant level of procurement operations.

Let’s start by looking at data on farmer incomes.

NAFIS or NABARD All-India Rural Financial Inclusion Survey 2016-17 report gives state-wise estimates of farmer incomes and its components, for 2015-16. We use the income component that farmers earned from cultivation activities. By dividing this income with average landholding size in the state (taken from GoI’s Agriculture Census 2015-16), we get a state-wise estimate of incomes generated per hectare (see graphic).

Let’s take a closer look at Punjab, Bihar, and Kerala. Their average monthly income from cultivation were: Rs 12,481, Rs 1,652 and Rs 6,284, respectively, and average landholding sizes were: 3.62ha, 0.39ha, and 0.18ha. Upon dividing respective incomes with sizes, we find that on per hectare basis, Kerala farmers generated the highest incomes (Rs 34,910), followed by Bihar (Rs 4,236) and then by Punjab (Rs 3,448). Even though a Punjab farmer earns more than a Bihar or a Kerala farmer, average incomes generated from every hectare in the state are much lower (perhaps, large differences in landholding sizes between these states could mathematically explain this counterintuitive trend).

But how can farmers in Bihar, for example, generate more income per hectare than in Punjab?

We looked at what crops were produced in these states using data on the value of output (VOO) from GoI. In 2015-16, Punjab’s agricultural output (current prices) valued at about Rs 1.3 lakh crore and Bihar’s at Rs 1.1 lakh crore. While Punjab’s agricultural basket emerged cereal-centric, Bihar’s was more diversified (see graphic). Cereals constituted only 40% share in Bihar, but 70% in Punjab. Share of fruits and vegetables (F&V) in Bihar was high at 35%, but only 11% in Punjab. Bihar also generated higher value from pulses, oilseeds, sugarcane, among others, unlike Punjab.

Cereals are low-valued crops compared to F&V, oilseeds, or pulses. In 2019-20, MSPs of major cereal crops were below Rs 20/kg (wheat Rs

19.25/kg, paddy Rs 18.35/kg, maize Rs 17.6/kg). But for pulses, MSPs averaged Rs 60/kg (gram Rs 48.75/kg, moong Rs 70.5/kg, tur Rs 58/kg), and for oilseeds, MSPs averaged Rs 44/kg (groundnut Rs 50.9/kg, soybean Rs 37.1/kg, mustard about Rs 44.25/kg). Average yearly prices of F&V are also higher than cereal prices.

By focusing on lower-valued crops, Punjab is missing benefits of diversification that Bihar is tapping on.

Kerala is another striking example. With the smallest landholding size in the country (less than 0.2ha), the state generates the highest per hectare incomes (about Rs 35,000/month) (see graphic). What does it produce? Condiments, spices, and coconuts, mainly. Prices of spices range between Rs 300 to Rs 1,500/kg, and MSP of coconut or copra (ball) was Rs 99/kg (2019).

Interestingly, both Kerala and Bihar do not have APMC systems. Bihar does not even have robust MSP procurement machinery. In 2018-19, GoI procured about 13 million metric tonnes (MMTs) of wheat and 11MMTs of rice (about 71% and 88% of state's wheat and rice production) from Punjab. In Bihar, they procured about 3 thousand MTs wheat and about 1MMTs of rice (about 0.05% and 15% of state wheat and rice production).

Government's procurement at MSP offers assured markets to farmers. This market assurance encourages the majority of Punjab farmers to continue producing wheat and paddy year-on-year. As Bihar farmers do not have this assurance, they produce diversified crops. Despite a considerable advantage in the size of operational holdings, Punjab is unable to recover a high value on every hectare.

Besides, MSP is not the right remuneration benchmark, and there is only as much growth that GoI's MSP operations will see going forward. Driven by environmental or economic factors, states dependent on paddy-wheat cropping patterns should consider diversifying their production baskets, and FPTC will facilitate triggering opportunities.

What now?

By opening space for providing alternate marketing channels, the government seeks to provide a level-playing field to farmers. States like Bihar should build on their enterprising farmers and immediately improve rural infrastructure and marketing facilities, and states like Punjab should look at devising ways to leverage benefits from diversification. The government might handhold farmers and provide checks and balances together with a robust grievance redressal mechanism until farmers establish benefits of the new system. Likewise, the government should work with state governments to customise programmes for different regions.

Given that agriculture is a state subject, the government will do well by engaging with stakeholders. Only with consensus and convergence can the Bill reach where it is rightly positioned and intentioned to reach.

During lockdown, over 1 crore migrants returned to home states on Indian Railways Shramik trains and on foot

Devanjana Nag | September 23, 2020

During the nationwide lockdown, migrant workers in big cities were frequently seen walking in groups along highways, carrying their belongings especially before the train services were started by Indian Railways on 1 May 2020

A total of 63.19 lakh passengers travelled from cities to their home states in as many as 4,621 Shramik Special trains between the months of May and August

Over 1 crore migrants returned from cities to their home states! During the nationwide lockdown period, imposed due to the COVID-19 pandemic, nearly 1.06 crore migrants left their cities of work and returned to their home states. The figure includes those who travelled on Indian Railways' Shramik Special trains as well as those who travelled on foot, V K Singh,

the Minister of State for Road Transport and Highways recently told the Lok Sabha. A total of 63.19 lakh passengers travelled from cities to their home states in as many as 4,621 Shramik Special trains between the months of May and August, as per official figures shared by the Railway Ministry, according to an IE report.

Even when Indian Railways was running Shramik Special train services during the lockdown, many migrant labourers or passengers, mostly in the states of Bihar and Uttar Pradesh, were seen travelling on foot or taking commercial truck rides in order to reach their destinations. During the nationwide lockdown, migrant workers in big cities were frequently seen walking in groups along highways, carrying their belongings especially before the train services were started by Indian Railways on 1 May 2020.

Recently, the national transporter rolled out 40 clone trains on high traffic routes. The newly introduced clone special trains are primarily 3-AC trains that boast higher speeds, fewer halts, and departure time before parent trains of Indian Railways. These trains are said to be a boon for those who have made last-minute plans or those who have to travel in an emergency.

The stoppages of these clone trains are limited to operational halts or the Divisional Headquarters that falls enroute (if any), thereby reducing the journey time. The ticket prices for 19 pairs of these clone trains, each having 18 coaches, are charged at the rates of Humsafar Express. While ticket prices of one clone train, consisting of 22 coaches, between Lucknow and Delhi is at par with Janshatabdi Express rates.

PM Modi's farm bet a gamble: Chaos ahead if few large capitalists become new overlords

Bloomberg | September 24, 2020

THE FINANCIAL EXPRESS

Big changes are afoot in Indian agriculture, driven by Prime Minister Narendra Modi at considerable political risk

Expected 20-fold growth in online grocery sales over the next five years is the surest shot to end the stifling status quo, provided farmers can unite and hold their own in negotiations with aggregators.

Big changes are afoot in Indian agriculture, driven by Prime Minister Narendra Modi at considerable political risk. Freeing up farming markets may be as significant as dismantling industrial licenses in 1991. However, if the state's protection withers away only to reveal a few large capitalists as the new overlords, there will be chaos and misery rather than progress and prosperity.

To gauge the scale of what's being done, picture the depth of the stasis: 119 million cultivators and 144 million farmhands — taken together, 10 times Australia's population — yoked to a marketplace designed to be anti-competitive, and denied the lift in productivity that propelled urbanization from Japan and South Korea to Taiwan and China.

"It's like a massive old table in the center of the room, crawling with parasites." That's how Hemant Gaur, an entrepreneur who's bringing technology to potato farming in India, describes to me the "mandi," or the designated market yard in which produce changes hands. "We dared not discard it, because how would we ever replace it?"

Finally, Modi has thrown out the old furniture by ramming legislation through parliament, passed by a dubious voice vote. Now growers don't have to bring their harvests to the mandi. They can sell it at farm gates, factories, warehouses, silos, and cold storages. The market yard remains, but can't charge any fee on transactions outside its physical space. Trades can take place online. Farmers can enter five-year, fixed-price contracts with corporate buyers. The government will tame only excessive price increases rather than impose caps on incremental jitters; free markets will be the rule.

The repercussions will reverberate across the world's second-most populous country. India's sheer size as a producer and consumer means ripples may also be felt as a long-term deflationary wave in global food prices.

Gaur's SV Agri Pvt. operates at the intersection of technology and farming. It produces and markets seeds and inputs to farmers, buys back and stores their potatoes in modern warehouses before supplying firms that make crisps and snacks. In one stroke, the 2.5% mandi tax Gaur pays in Uttar Pradesh, India's largest state, is gone. With the more efficient procurement that makes possible, he reckons on savings of up to 10%. The efficiency gains will be shared by farmers, processors and consumers. They'll lead to more investments in cold chains, and less wastage, a huge problem.

But without the fees and commissions, the market yards may atrophy, and the local elite that's thrived off the system but also buffered it could lose its sway, leaving farmers at the mercy of traders' cartels controlled by corporate monopolies. This could be particularly true in the grain-producing belt of Punjab and Haryana, where the percentage cut in mandi taxes and other levies is in double digits. No wonder that political opposition will be fiercest in these northern states.

Modi has gambled big before, with some disastrous results. It's asking a lot of people in rural India to trust him again. The ban on most currency notes in 2016 was supposed to immobilize tax cheats. It froze the economy. His goods and services tax became a compliance nightmare. Opposition parties claim that the agricultural "reform," too, will fail, especially since freedom from the regulated yard in the poor eastern state of Bihar 14 years ago brought the market to the roadside, with no infrastructure and no open auction for price discovery.

Cultivators' biggest fear from deregulation is losing their most important bargaining chip: minimum prices guaranteed by the state. Modi has assured farmers the support will stay by announcing prices for the winter

crop, though as farmer activists have noted, the 2.6% increase for wheat is only half the cost escalation.

The need of the hour is for farmers to establish large sales organizations of their own. If state support could give them bargaining power, they wouldn’t be selling cotton to private traders for a quarter less than the guaranteed minimum. How will Modi assure base prices once the mandi system slips into disuse? The professionally run dairy cooperative in Gujarat, the prime minister’s home state, has $5 billion in annual revenue from its Amul brand of milk, butter and cheese. But that movement took shape in a very different political firmament of the 1960s, and it didn’t succeed everywhere or in all commodities.

With all the risks involved, a new farm-to-fork model is still worth it. Boosting agricultural productivity is important for societies to reach the “Lewis turning point.” Beyond that threshold posited by the economist Arthur Lewis, surplus rural labor ceases to be a drag on urban wages and living standards. Japan got there by nearly tripling per capita output between 1950 and the early 1960s, thanks to the shakeup from General Douglas MacArthur’s postwar land reforms. After independence from the British, India missed its chance to give land to tillers, and allowed absentee landlords to remain backseat drivers of policy.

Almost 9 out of 10 Indian farmers have less than five acres. A majority carry on reluctantly, barely able to scratch out a living. Landless labor is paid to stay in villages with a rural job guarantee from the taxpayer. The pressure of feeding India’s 1.3 billion people has led to suboptimal choices, like a water-guzzling rice crop grown in abundance in Punjab that bleeds aquifers dry. The burning of the paddy residue causes unbearable pollution in New Delhi.

Expected 20-fold growth in online grocery sales over the next five years is the surest shot to end the stifling status quo, provided farmers can unite and hold their own in negotiations with aggregators. With the Covid-19 lockdown hollowing out urban production centers, the rural economy

has become more crucial. But free markets should also be fair. Otherwise, India's farmers will crawl out of a hole only to land in a ditch.

Global labour income estimated to have declined by 3.5 trillion USD in first 3 quarters of 2020: ILO

PTI | September 24, 2020

"The devastating losses in working hours caused by the COVID-19 pandemic have brought a 'massive' drop in labour income for workers around the world," the ILO said in its latest assessment of the effects of the pandemic on the world of work

The working-hour losses are expected to remain high in the third quarter of 2020, at 12.1 per cent or 345 million FTE jobs

Global labour income is estimated to have declined by 10.7 per cent or USD 3.5 trillion in the first three quarters of 2020 due to the COVID-19 pandemic, the International Labour Organization (ILO) said on Wednesday. "The devastating losses in working hours caused by the COVID-19 pandemic have brought a 'massive' drop in labour income for workers around the world," the ILO said in its latest assessment of the effects of the pandemic on the world of work.

Global labour income is estimated to have declined by 10.7 per cent or USD 3.5 trillion in the first three quarters of 2020, compared to the same period in 2019. This figure excludes the income support provided through government measures.

The ILO said the biggest drop was in the lower-middle income countries, where the labour income losses reached 15.1 per cent, with the Americas being the hardest hit region at 12.1 per cent. The ILO Monitor: COVID-19 and the world of work sixth edition also estimates that global working hour losses in the first nine months of 2020 have been "considerably larger" than previously estimated.

The revised estimate of the global working time lost in the second quarter of this year (compared to Q4 2019) is for 17.3 per cent, equivalent to 495 million full time equivalent (FTE) jobs. The working-hour losses are expected to remain high in the third quarter of 2020, at 12.1 per cent or 345 million FTE jobs.

The outlook for Q4 has worsened significantly since the last ILO Monitor was issued. Under the ILO's baseline scenario, global working-hour losses are now projected to amount to 8.6 per cent in the fourth quarter of 2020 (compared to Q4 2019), which corresponds to 245 million FTE jobs. This is an increase from the ILO's previous estimate of 4.9 per cent or 140 million FTE jobs.

The ILO said a reason for the estimated increases in working-hour losses is that workers in developing and emerging economies, especially those in informal employment, have been much more affected than by past crises. It also notes that the drop in employment is more attributable to inactivity than unemployment, with important policy implications.

"While many stringent workplace closures have been relaxed, there are significant variations between regions. 94 per cent of workers are still in countries with some sort of workplace restrictions and 32 per cent are in countries with closures for all but essential workplaces," the agency said.

Workers in developing nations had also seen their income drop by more than 15 per cent, ILO Director-General Guy Ryder told journalists in Geneva. "On top of this, these are the places where there are the weakest social protection systems, so there are very few resources or protections for working people to fall back upon," he said. "If you look at it regionally, the Americas were worst-affected, with losses of 12.1 per cent."

Ryder said while the governments of richer countries had shored up their economies with hundreds of billions of dollars, poorer nations had been unable to do the same. Without such fiscal stimulus, working hours losses would have been 28 per cent between April and June, instead of 17.3 per cent, he added.

In order for developing countries to reach the same ratio of stimulus to working hours lost as in high-income countries, they would need to inject a further USD 982 billion (USD 45 billion in low-income countries and USD 937 billion in lower-middle income countries). The stimulus gap for low-income countries amounts to less than one per cent of the total value of the fiscal stimulus packages announced by high-income countries.

This huge "fiscal stimulus gap" is even more worrying in the light of the social protection deficits in many developing countries. Moreover, some of these countries have also had to redirect public spending from other objectives in order to mitigate the labour market impact of the crisis, the ILO said.

"Just as we need to redouble our efforts to beat the virus, so we need to act urgently and at scale to overcome its economic, social and employment impacts. That includes sustaining support for jobs, businesses and incomes," Ryder said.

"As the United Nations General Assembly gathers in New York, there is a pressing need for the international community to set out a global strategy for recovery through dialogue, cooperation and solidarity. No group, country or region can beat this crisis alone," he added.

RBI working paper lays down 11 indicators of financial stress

FE Bureau | September 24, 2020

The banking-related sub-indices are the realised volatility of the banking sector equity index, Cmax for the banking sector equity index and the banking sector beta

Staff members at the Reserve Bank of India (RBI) have identified 11 indicators of financial stress across five market categories. All the three financial stress indicators (FSIs) were found to be negatively correlated with real economic activity (IIP growth), and can be used as a leading

indicator for predicting real economic activity, said a working paper released by the central bank.

The paper, titled 'Measuring Financial Stress in India' and authored by Manjusha Senapati and Rajesh Kavediya, said, "The world over, central banks measure financial stress by constructing the financial stress index (FSI) to monitor the functioning and resilience of financial system. Such an index provides an aggregate measure of financial stability to policymakers."

The paper has identified the indicators from the money market, debt market, equity market, forex market and the banking system.

The indicators in the money market sub-index are the realised volatility of the three-month interbank rate and the TED spread, or interbank spread.

The Mumbai interbank offered rate (MIBOR) is a benchmark interest rate at which banks borrow funds from the interbank market. Any financial stress is likely to emerge first in this segment, the paper said.

The TED spread is calculated as the difference between the three-month MIBOR and the three-month treasury bill (T-Bill) rate from January 2002 onwards. The widening of the spread between risky and safe assets reflects the flight to quality, implying a decline in investors' willingness to hold risky assets. The higher the spread, higher will be the liquidity and counter-party risks in the interbank loan market.

The indicators in the debt market sub-index are the realised volatility of 10-year government bond yields and the 10-year government bond yields spread over global yields. The first is expected to measure the stress level in the government bond market. The second is calculated as the difference between 10-year government bond yields and 10-year US government bond yields.

"The yield gap between Indian and foreign government bonds is a key determinant of cross-border arbitrage flows in the bond markets and is often the source of carry trade, but from the perspective of the financial stress, elevated domestic yields often imply that global investors have

gone into risk-off mode, thus contributing to financial stress in the domestic markets," the paper said.

The equity market sub-index consists of two indicators – the realised volatility of the equity market index and Cmax for the equity market index. Crises in the equity markets can be identified by determining maximum cumulative loss over a specified period using the Cmax method, the paper said.

The banking-related sub-indices are the realised volatility of the banking sector equity index, Cmax for the banking sector equity index and the banking sector beta.

The forex market indicators are the realised volatility of the exchange rate and the Cmax for the exchange rate.

The paper found when the FSIs are above the 90th percentile, they correspond to substantial declines in IIP growth. The months when FSIs were above the 90th percentile are identified as June 2008 to May 2009, from September 2011 to January 2012 and from July to September 2013.

Over 2 lakh people in urban India do not have shelter; two western states top list of most homeless

Samrat Sharma | September 23, 2020

The two western states of Rajasthan and Gujarat host the most number of urban homeless people in the country

More than 2 lakh people in urban India sleep without a shelter over their heads at night. So far, 22 States and Union Territories (UTs) have conducted a third-party survey through which 2.08 lakh urban homeless persons have been identified, Hardeep Singh Puri, MoS, Ministry of Housing and Urban Affairs, said in a reply to a question in Lok Sabha. The two western states of Rajasthan and Gujarat host the most number of urban homeless people in the country. The two states together account

for 36 per cent of urban homeless people in the country. Uttar Pradesh and Haryana follow Rajasthan and Gujarat in the list.

Hardeep Singh Puri further said that land and colonisation are state subjects, therefore, it is the responsibility of the states and UT governments to frame policies and implement schemes for providing permanent houses to destitute persons. However, the Centre through Pradhan Mantri Awas Yojana – Urban (PMAY-U) Mission, has been providing technical and financial assistance to the states in providing houses with basic civic amenities to eligible urban poor including destitute persons.

The government has set a target of 1.12 crore houses in urban areas by 2022 under PMAY – "Housing for All", one of the flagship programmes of the Modi government. Last month, the government said that 35 lakh houses have so far been delivered to beneficiaries under the PMAY-U while 65 lakh houses are currently under construction. Besides, Hardeep Singh Puri had estimated that 3.65 crore jobs would be generated in the construction of all sanctioned houses under the mission and of these, about 1.65 crore jobs would have already been generated.

Meanwhile, Prime Minister Narendra Modi inaugurated 1.75 lakh houses built under Pradhan Mantri Awaas Yojana – Gramin in 12,000 villages in Madhya Pradesh earlier this month. PM Moid had said that Pradhan Mantri Awaas Yojana is not just about providing housing, but also about instilling confidence in the poor so that they are free of daily struggles and they can focus on building a better future and can sleep peacefully.

CAG raps Centre over non-utilisation of cesses, levies for specified purposes

Our Bureau New Delhi | September 23, 2020

THE HINDU BusinessLine

The Comptroller and Auditor General (CAG) has come down on the utilisation of cess collections by the Centre. Also, it has questioned the utilisation of Integrated Goods and Services Tax (IGST) revenues.

According to the CAG's report on the accounts of the government for 2018-19, tabled by Minister of State (Finance) Anurag Singh Thakur in both Houses of Parliament, the Centre collected over Rs.2.74-lakh crore through 35 types of cesses during FY19.

Transfer to Reserve Funds

Under the rules, the collection first needs to be transferred to Reserve Funds and then used for the specific purposes as approved by Parliament. However, "only Rs.1,64,322 crore was transferred to Reserve Funds/Boards and the rest was retained in the CFI (Consolidated Fund of India)," the report said.

Funds collected through Central taxes along with cesses and other levies go to the CFI. Here, taxes and surcharges are parked in a divisible pool and 42 per cent of the total is given to States as devolution. The money collected via cesses is used by the Centre for specific purposes through dedicated funds of the administrative ministries.

A 'Social Welfare Surcharge' on Customs Duty, amounting to over Rs.8,800 crore, was levied but a dedicated fund for the same was not envisaged, the report said.

"Non-creation, non-operation of Reserve Funds makes it difficult to ensure that cesses and levies are utilised for the specific purposes intended by Parliament," it added.

The report highlighted that over Rs.40,000 crore of GST Compensation Cess (levied on some goods falling under the 28 per cent rate bracket) was not credited to the related Reserve Fund.

Similarly, Rs.10,157 crore of the Road and Infrastructure Cess collected during FY19 was neither transferred to the related Reserve Fund nor used for the specific purpose.

In addition, over Rs.1.24-lakh crore collected as cess on crude oil over the past decade was not been transferred to the Oil Industry Development Board, but was instead retained in the CFI. Other short transfers to

designated Reserve Funds included Rs.2,123 crore of the Universal Service Levy and Rs.79 crore of the National Mineral Trust Levy.

Apportioning of IGST

On IGST, the report said over Rs.15,000 crore was erroneously transferred and accounted as States' share of net proceeds instead of being apportioned between the Centre and States.

In addition, a balance of Rs.13,944 crore was left unapportioned under the head and retained in the CFI, even though the amended IGST Act now provides for ad hoc apportionment of the revenue. "As a result, States received overall less funds on account of IGST," it said.

55% of customers may seek loan recast: Paisabazaar survey

Our Bureau Mumbai | September 23, 2020

THE HINDU BusinessLine

Most customers under moratorium want six-month extension of loan tenure

More than half the customers may approach their banks for loan restructuring, although 40 per cent of those who took the moratorium could afford to pay their EMIs, a new survey by Paisabazaar.com has found.

"Fifty-five per cent of the customers responded that they would approach their lender to restructure their loan in some form to provide relief. Though this includes many whose income has not been affected due to the coronavirus pandemic and, hence, their lenders may not find them eligible for a loan recast plan," said the survey report 'Dealing with Debt - How India plans to pay EMIs'.

A total of 8,616 participants, in the age group of 24-57 years, responded to the survey and had outstanding debt of over Rs.1 lakh. The responses were registered from 37 cities.

The survey also revealed that 70 per cent of those who have already claimed the moratorium would like their lenders to provide them some form of relief in their loan repayment.

While 46 per cent of those under moratorium said they do not want a new moratorium, 67 per cent of the moratorium beneficiaries would prefer if their loan tenure can be extended to bring down their EMIs

"Maximum customers want their loan tenure to be extended by up to six months only," it said.

Repayment

"With the moratorium over, lenders are closely monitoring how existing customers who took the moratorium repay their EMIs. The trends that emerge from here would, to a large extent, shape how lenders open the supply for new loans for the next six-odd months," said Naveen Kukreja, CEO and Co-founder, Paisabazaar.com.

Large lenders would need to walk the tight rope as they balance the relief they offer through loan recast plans, and restoration of supply of new loans that would chart the recovery for the industry, he noted.

Significantly, the survey revealed that of the consumers,who had opted for the moratorium, 40 per cent say they now have the repayment capacity to meet their monthly EMI obligations in full. Of these, 52 per cent claimed the moratorium for the entire duration.

HDFC Bank sets minimum outstanding at Rs.25,000 for restructuring retail loans

Our Bureau Mumbai | September 23, 2020

THE HINDU BusinessLine

The country's largest private sector lender HDFC Bank has set out a minimum outstanding of Rs.25,000 for restructuring of retail loans.

“Minimum outstanding balance required to convert the card or loan outstanding is Rs.25,000,” the lender has answered in the frequently asked questions (FAQs) on loan restructuring.

“The reduction of income and its financial impact on the customer will be reviewed by the bank basis the documents or information provided which does show the drop in cash flow due to the Covid-19 impact. The bank will assess the viability of the customer to pay the restructured EMIs basis the documents provided, before granting the restructuring,” it further said, adding that the repayment track record of the customer, and the responses given by the customer while claiming moratorium earlier will also be factored in the restructuring decision.

Customers can visit the bank’s website or contact the relationship manager to fill the application.

“The link for application will be updated shortly,” it further said.

Borrowers would have to submit documents about the current status of their employment or business such as salary slips and bank statements for salaried customers and bank statements, GST and income tax returns and Udyam certificate for self-employed customers.

It could also charge a fee for restructuring the loan.

Further, the loan or credit facility will be reported to the credit bureau as ‘Restructured’.

Loans to individuals or entities for agricultural purposes and classified as agricultural loans by the bank, agricultural credit societies, financial service providers, Central, State and local government bodies, HDFC Bank employees and exposures to housing finance companies which have already been rescheduled would, however, not be eligible for restructuring, it further said.

End of loan holiday threatens pain, defaults for small businesses

Bloomberg September 24 | September 24, 2020

Bankruptcies, job losses and bad loans set to increase

Small businesses in India, already struggling amid the pandemic, are now having to repay mounting debt after a loan holiday ended last month.

The Reserve Bank of India gave borrowers a six-month freeze on their loan repayments, which ended on August 31, with about a third of the country's $1.8-trillion outstanding loans being deferred under the program. Businesses still trying to cope with a collapse in demand must now figure out how to pay back their loans or face closure.

Pedestrians walk along a near-empty street near Crawford Market in Mumbai, June 2020.That's a dilemma Regi Philip is dealing with. He owns a travel agency in Mumbai, which has had no business since April when the nation went into lockdown. He got a temporary reprieve from his bank, helping him save Rs.45 lakh a month in debt repayments. He's worried about how he's going to resume those payments, given his travel business hasn't recovered yet and he still has salaries and other overheads to pay.

"The Reserve Bank should ask banks to extend the moratorium," said Philip, managing director of Cosmos Agencies LLP. "Else, I may have to resort to cut capital expenditure and staff retrenchment."

Some relief to borrowers

The central bank has provided some relief to borrowers by allowing banks to extend the moratorium and restructure loans, but the process isn't automatic. Lenders can grant extensions of as long as two years, and have until the end of the year to pick which loans to recast and until June 2021 to get it done.

Prime Minister Narendra Modi's government has also set up a panel to assess waiving interest on loans frozen through August 31, which amounts to as much as Rs.2 lakh crore.

But for many small businesses, which make up about 30 per cent of the economy, the relief won't be enough. About 17.5 million shops,

representing a quarter of small businesses, are on the verge of shutting down because of a lack of financial support from the government, according to the Confederation of All India Traders.

“The next level of stress for the economy is likely to emerge,” said Kunal Kundu, an economist with Societe Generale GSC Pvt. in Bengaluru. “Many of those organisations that barely managed to stay afloat thanks to the moratorium offered will inevitably go bankrupt, reducing levels of employment and aggregate demand.”

The economy’s 23.9 per cent contraction last quarter was the worst on record and the most of all the major economies tracked by Bloomberg. Consumption, which makes up about 60 per cent of gross domestic product, took a severe knock after millions of Indians lost their jobs during the lockdown. The recovery has been slow, and a surge in virus cases has led many economists to downgrade their growth forecasts even more.

Withhold payments

Banks are against extending the loan payment freeze as they see it as a strain on their finances and an opportunity for borrowers — who have the capacity to repay — to withhold payments.

About 75 per cent of the businesses that opted for the moratorium were sub-investment grade, according to an analysis of 2,300 companies by Crisil Ltd., the local unit of S&P Global Ratings. In sectors such as gems and jewellery, hotels and automobile dealers, every fifth company applied for the moratorium, it said.

“We are staring at a scenario of a potential collapse of our business if we don’t get any reprieve from the government,” said Ashokan Puthenpurackal, chief executive officer of Anntech Offshore Engineering Pvt. in Mumbai. “We are completely blank about the future for the simple reason that business is yet to get momentum.”

ED attaches assets worth Rs.11.85 crore in bank fraud case

SPECIAL CORRESPONDENT
SEPTEMBER 24, 2020

The ED probe is based on an FIR and charge sheet by the Central Bureau of Investigation

The Enforcement Directorate has attached assets worth Rs.11.85 crore in a case involving Surya Vinayak Industries Limited and others, who have been accused of cheating the public sector banks of Rs.2,066 crore.

The attached assets belong to the company, Sanjay Jain, Rajiv Jain, Neena Jain, Surya Vinayak Hospitalities, Florina Airlines Ltd. and also shares of Limited Companies of Abhinav Shukla and Sudhir Shukla.

The ED probe is based on an FIR and charge sheet by the Central Bureau of Investigation. It is alleged that the directors used forged documents and records to get loans to the tune of Rs.2,240 crore for the company. The funds were diverted to various companies and entities controlled by them and also to their personal accounts.

The ED has so far issued five provisional property attachment orders involving assets worth Rs.179 crore. Two charge sheets have been filed against 32 persons and companies.

40% of toilets surveyed by CAG in government schools non-existent, unused

SPECIAL CORRESPONDENT
NEW DELHI, SEPTEMBER 23, 2020

Over 1.4 lakh toilets were built by 53 CPSEs, with key support coming from power, coal and oil firms

Public sector units claimed to have constructed 1.4 lakh toilets in government schools as part of a Right to Education project, but almost 40% of those surveyed by the Comptroller and Auditor General of India (CAG) were found to be non-existent, partially constructed, or unused. In an audit report presented in Parliament on Wednesday, the CAG said over 70% did not have running water facilities in the toilets, while 75% were not being maintained hygienically.

The Swachh Vidyalaya Abhiyan was launched by the Ministry of Human Resource Development in September 2014 to meet the Right to Education Act's mandate that all schools must have separate toilets for boys and girls. Lack of dedicated funds, poor maintenance and poor water availability in toilets were identified as major challenges, and central public sector enterprises (CPSEs) were roped in to bridge the gap over a one year period.

Physical survey

There are 10.8 lakh government schools in the country. Overall, more than 1.4 lakh toilets were built by 53 CPSEs, with significant support coming from power, coal and oil companies. The CAG audit conducted a physical survey of a sample of 2,695 toilets built by these companies in 15 States.

Out of that sample, CPSEs identified but did not construct 83. Another 200 toilets were reported to be constructed, but were non-existent, while 86 toilets were only partially constructed. Another 691 toilets "were found not in use mainly due to lack of running water, lack of cleaning arrangements, damages to the toilets and other reasons like use of toilets for other purposes, toilets locked up, etc," said the audit report. Thus, almost 40% of toilets were non-existent, partially completed or unused.

No functional toilets

Out of the 1,967 coeducational schools surveyed, 99 schools had no functional toilets while 436 had only one functional toilet, meaning that the objective of providing separate toilets for boys and girls was not fulfilled in 27% of the schools, said the CAG.

In order to effectively change the behaviour of students, the project norms required the CPSEs to build toilets with running water and hand washing facilities, and to maintain the toilets for three to five years while charging the annual expenses to their CSR budgets.

However, the survey found that 72% of constructed toilets had no running water facilities inside, while 55% had no hand washing facilities at all. The audit also noticed "cases of defective construction of toilets, non-provision of foundation/ramp/staircase and damaged/overflowed leach pit, which led to ineffective use of toilets," said the report.

With regard to maintenance and sanitation, 75% of toilets did not follow the norm for daily cleaning at least once a day. The survey found that 715 toilets were not being cleaned at all, while 1,097 were being cleaned with a frequency of twice a week to once a month. "Cases of non-provision of soap, bucket, cleaning agents and disinfectants in toilets and inadequate cleanliness of pathway were also noticed," said the report.

Addressing the mental health needs of homeless persons

Vandana Gopikumar & J. Radhakrishnan
SEPTEMBER 24, 2020

An integrated approach that is in place in Tamil Nadu will ensure that the lives of those on the fringes matter

As many as 66.1% of those worst affected in India during the Spanish Flu belonged to oppressed classes and suffered the consequences of multidimensional poverty. Similar trends persist today. The inability to adhere to public health protocols that prescribe distancing and use of hygienic products, the absence of private toilets and basic amenities, and the lack of adequate nutrition are all realities in lower- and middle-income countries. Amongst those most affected are homeless persons and the ultra-poor, many of whom are employed in the informal sector. They are

exposed to greater adversity against the backdrop of intergenerational social disadvantage and lack of social security.

Health shocks could precipitate a downward spiral into a state of not just homelessness, but also hopelessness. Globally, unpreparedness to handle the pandemic and near collapse of the health systems denudedour ability to focus on health. Many countries have attempted to make amends for the unjustifiable perpetuation of structural barriers and inequities. However, are we awakened to the needs of our poor only during a disaster? The pandemic has made a sound case for increased investments in the health and social sectors. States must also re-examine the role of social determinants of health in perpetuating unjust structures that normalise deprivation. A person's social context and health intersect to help achieve a better quality of life. Relative poverty and its co-relation to stress, mental health and well-being have been evidenced. While distress cannot always be pathologised, data suggest that deaths by suicide and common mental disorders have also been on the rise during the pandemic.

Distinctly deprived

Within this context, distinctly deprived are homeless persons living with a mental illness. They are at risk of violent victimisation, assault and long-term incarceration. In India, close to two million individuals sleep rough; 35% of them live with one or the other mental health concern.

The presence of homeless persons with mental illness elicits a range of responses from a desire to help, triggered by evocation of pity or sympathy, to wilfully wishing them away or shunning them from mainstream society. Historically, in a limited context of religiosity associated with renunciation and hearing voices (considered unique to the saint), a few were deified; however, the majority were feared, found to be repulsive and often treated as objects of ridicule. This has resulted in their occupying a lowly place in society's hierarchical structure even today.

Pathways into homelessness include abject poverty, conflict, natural or man-made disasters, lack of access to health and mental health care,

social hardships, disruptions in care-giving and domestic violence. In India, homeless persons with mental illness are also the largest number of long-stay patients in State mental hospitals. Besides a few exceptions, services for this under-served group are scarce globally. As they are susceptible to physical co-morbidities and co-occurring substance misuse, and unshielded against the consequences of homelessness, malnutrition, sexual violation, loss of support networks and kinship, homeless persons find their longevity impacted. Further, their experience of loneliness and hyper-segregation contributes to their low sense of self-worth and shrunken group identity, weakening their collective ability to influence change. Additionally, we unfortunately inherited a legacy of name-calling and large and unwieldy lunatic asylums and poor houses from the colonial era which got off to an altruistic start but were later ridden with inadequacies and often deployed as punitive measures to initiate 'reform'. Inadequate care staff resulted in a grossly underwhelming caregiving climate. Fortunately, strong resistance has been built against parochial practices which are giving way to newer dimensions of therapeutic and social care. However, much remains to be done.

A person-centric action plan

UN Secretary General Antonio Guterres's call to "step up for the vulnerable" cannot be more timely. The UN set up a fund of $2 billion to alleviate the distress of the ultra-vulnerable, including those living with disability or chronic illness. Along similar lines, the Tamil Nadu government, taking cognisance of the mental health needs of homeless persons, will take to scale Emergency Care and Recovery Centres (ECRC) that will support the treatment and community inclusion of this vulnerable section in 10 districts (in addition to the five districts where ECRCs were set up in 2018). The Department of Health, the National Health Mission, the Institute of Mental Health in Chennai, and The Banyan, a mental health care establishment, in partnership with multi-sectoral service providers, will together pursue the goal of improving mental health access and mitigating social and opportunity losses.

Three hundred bed spaces will be earmarked for homeless persons in psychosocial distress, with a capacity to service more than 1,000 people a year, in smaller and integrated care units in district hospitals and/ or social care centres. Early enrolment into care may result in reduction of exposure to harm, injury and starvation, and better prognosis. An integrated approach may also help address stigma associated with this group. Additionally, facilitation of social needs care and livelihoods may reduce the recurrence of episodic homelessness, critical to sustaining and enhancing well-being gains. Three sectors — the government, development and corporate sectors — will partner to ensure that the lives of those who live on the fringes matter. The mental health team that anchors the Centre may also lend further support to the District Mental Health Programme, and offer counselling support to address mental health issues in the context of the pandemic.

However, we must remember that issues of homelessness and mental ill health even independently present intractable problems; in combination, one may confront ethical dilemmas and emerging constraints and challenges. We realise that the ECRCs are not a panacea to all distress undergone by homeless individuals, and that we cannot frame the problem within a restrictive and normative orientation. Incorporation of heterogeneity of experiences and multi-nodal approaches to care, which are embedded in values of accountability and integrity and take into account variegated distress markers, maybe critical for the evolution of newer meaning-making around social and psychiatric phenomenology. More importantly, these care paradigms have to be informed by the long overdue voice of the 'subject in distress'. While this is a powerful start to acknowledge the need to focus on minority mental health, we also hope to benefit from feedback to further build on care plans and mental health systems for the vulnerable.

Project to focus on increased enrolment of migrant children

G.KRISHNAKUMAR
KOCHI, SEPTEMBER 23, 2020

Rs.78-lakh plan to be submitted to district administration

The Education Department has reworked the funding proposal for the Roshni project in Ernakulam by recommending assistance to schools having the maximum number of migrant students.

The Rs.78-lakh project for the new academic year will be submitted to the district administration as part of receiving financial aid from Bharat Petroleum Corporation Ltd (BPCL). The Roshni project, was launched in 2017 in five schools in the district to enhance the academic performance of migrant children through improved language proficiency. The project is at present operational in 38 schools. The project proposal for getting the assistance from the BPCL was reworked, based on a directive issued by the district administration. The company had sanctioned Rs.1 crore in the previous academic year from its CSR funds for the initiative. With schools remaining closed and the academic sessions switching to the online mode, the project proponents were asked to re-draft the initial report.

Education Department officials said that the revised proposal had recommended that the financial aid could be extended to nearly 40 schools in the order of institutions having the highest number of enrolment of migrant students.

The revised proposal has suggested that the financial aid can be extended for arranging conveyance facilities to the PTA in government and aided schools with the maximum enrolment of migrant children. The estimate budget was reduced from Rs.1 crore to Rs.78 lakh as schools were remaining closed and the expenses incurred had come down compared with the normal academic days.

Centre retained Rs.1.1 lakh crore of cess receipts, observes CAG

SPECIAL CORRESPONDENT
NEW DELHI, SEPTEMBER 23, 2020
THE HINDU

It points to shortfall in transfer to reserve funds from almost Rs.2.75 lakh crore collected in 2018-19

The Centre retained in the Consolidated Fund of India (CFI) more than Rs.1.1 lakh crore out of the almost Rs.2.75 lakh crore collected in 2018-19 through various cesses, instead of transferring the receipts to the specified Reserve Funds that Parliament had approved for such levies, the Comptroller and Auditor General (CAG) of India observed in a report.

Moreover, Rs.1,24,399 crore collected as cess on crude oil over the last decade had not been transferred to the designated Reserve Fund — the Oil Industry Development Board — and had been retained in the Centre's coffers, the CAG reckoned.

The Goods and Services Tax (GST) Compensation Cess, which has become a bone of contention between the States and the Centre, was also 'short-credited' to the relevant reserve fund to the extent of Rs.40,806 crore in 2018-19.

'IGST accounting flawed'

Separately, the CAG noted that erroneous Integrated GST (IGST) accounting also led to States receiving less funds from the Centre. A sum of Rs.15,001 crore collected as IGST was erroneously transferred and accounted as States' share of net proceeds of IGST instead of being apportioned between Centre and States. A balance of Rs.13,944 crore was also left 'unapportioned' and retained in the CFI, 'even though the amended IGST Act now provides for ad-hoc apportionment of IGST,' the CAG stated "As a result, States received overall less funds on account of IGST," the audit concluded.

Designated funds

"The Union Government collected Rs.2,74,592 crore from 35 cesses and levies in 2018-19. Under the scheme, such cesses and levies are required to be first transferred to designated Reserve Funds and utilised for the specific purposes intended by Parliament. However, only Rs.1,64,322 crore was transferred to Reserve Funds/Boards and the rest was retained in the Consolidated Fund," the CAG noted in an audit report on Union Government accounts tabled in Parliament on Wednesday. In at least one case, no dedicated fund was created for the surcharge levied on taxpayers. For instance, a 'Social Welfare Surcharge' on customs duties yielded Rs.8,871.19 crore, but no dedicated fund was found for it.

As much as Rs.10,157 crore of the Road and Infrastructure Cess collected during the year was neither transferred to the related Reserve Fund nor utilised for the purpose for which the cess was collected. Separately, the CAG said that a journal entry after the close of the year was used to transfer Rs.10,250 crore from the Central Road Fund, recording the same as a non-tax receipt in violation of accounting procedures.

Similarly, Rs.2,123 crore of Universal Service levy and Rs.79 crore collected as National Mineral Trust levy was not transferred to the relevant funds.

'India must focus on reforms as high growth is not a given'

PTI
MUMBAI, SEPTEMBER 24, 2020
THE HINDU

Growth needs continued action, says Warburg Pincus CEO

India has tailwinds, such as its demographic advantage, to make it a high-growth economy, but the same cannot be considered foreordained and requires continued action, global private equity major Warburg Pincus CEO Charles Kaye said on Wednesday.

Implementing the reforms vision is the "principal challenge" for India, he said, specifying that both the challenges and opportunities for the country

are domestic in nature. Warburg Pincus has invested $5 billion in India since 1995. Its bets include HDFC, Kotak Mahindra Bank and Bharti Airtel, where it made handsome returns, setting a milestone for risk capital investing.

"India has all the powerful tailwinds of demography and so much else, but that's not destiny; it's not foreordained and requires continued vigilance and significant action to continue to take advantage of that opportunity," he emphasised.

Speaking at a business summit via video, he said India had improved remarkably since 1995 when the firm first invested in HDFC but added that the main challenge for the country was to complete the reforms vision.

Offloaded responsibility

He welcomed the policy response to the pandemic. "The more significant way it dealt with it is that it essentially offloaded responsibility... into the banking system and then provided meaningful monetary support through the RBI and moratoriums; we will see how it plays," Mr. Kaye added.

India's strategy seemed to be "letting the recovery itself lead economic recovery".

Amid COVID-19 impact, Indian economy forecast to contract 5.9% in 2020: U.N.

PTI
UNITED NATIONS, SEPTEMBER 23, 2020
THE HINDU

China is expected to register an economic growth of 1.3% this year and a whopping 8.1% in 2021, the report said, recording the highest economic growth rate in the world

Impacted by disruptions caused by the COVID-19 pandemic, India's economy is forecast to contract by 5.9% in 2020, the U.N. has said in a report, warning that while growth will rebound next year, the contraction is likely to translate into a permanent income loss.

The Trade and Development Report 2020 by U.N. Conference on Trade and Development (UNCTAD) said on Tuesday that the world economy is experiencing a deep recession amid a still-unchecked pandemic.

It said the global economy will contract by an estimated 4.3% this year, leaving global output by year's end over $6 trillion short (in current U.S. Dollars) of what economists had expected it to be before the coronavirus began to spread.

"In short, the world is grappling with the equivalent of a complete wipeout of the Brazilian, Indian and Mexican economies. And as domestic activity contracts, so goes the international economy; trade will shrink by around one-fifth this year, foreign direct investment flows by up to 40% and remittances will drop by over $100 billion," the UNCTAD report said, painting a grim picture of the global economic scenario.

UNCTAD expects South Asia to contract 4.8% in 2020 and recover to 3.9% in 2021. India's GDP is forecast to contract 5.9% in 2020 and recover to 3.9% next year, the report said.

"In the case of India, the baseline scenario is a sharp recession in 2020 as strict lockdown measures to stem the virus' spread brought many productive activities to a halt across the country," it said.

The report said that while UNCTAD expects a rebound in India's GDP growth in 2021 in line with the growth rates of the Indian economy in recent years, "the contraction registered in 2020 is likely to translate into a permanent income loss".

In the U.S., UNCTAD expects GDP to fall 5.4% in 2020 and recover 2.8% in 2021. China is expected to register an economic growth of 1.3% this year and a whopping 8.1% in 2021, the report said, recording the highest economic growth rate in the world.

"This year is shaping up to be a very difficult year for the global economy. With many countries unprepared to respond to a health pandemic, lockdown seemed to be the only plausible way to protect lives and preserve health systems. Doing so triggered an economic crisis that spread as quickly as the virus itself," the U.N. trade agency added.

Global recession matching the Great Depression

Data for the first two quarters of this year show output contracted more sharply than in 2008-2009, and in some cases registering the steepest drop on record. Estimates for the year point to a generalised global recession matching the Great Depression of the 1930s, it said.

While 2021 will likely see a rebound, it will be uneven within and across countries and uncertainty will persist, the report said, warning that unemployment will be on an upward trend, more and more companies will be facing the threat of bankruptcy; supply chains will be fragile; confidence will be shaken and demand will be weak.

"Debt levels across the world, in both the public and private sectors, will have risen significantly from the historically high levels registered before the crisis. In this condition, the wrong policy steps — and ignoring the experience of the last decade — could trigger further shocks which would not only derail recovery but could usher in a lost decade," the report said.

It said that the biggest absolute falls in output will be in the developed world, with some countries set to register a double-digit decline over the year.

"But the greatest economic and social damage will be in the developing world, where levels of informality are high, commodities and tourism major sources of foreign exchange, and fiscal space has been squeezed under a mountain of debt," it said.

Between 90 million and 120 million people will be pushed into extreme poverty in the developing world, with close to 300 million facing food insecurity, it said.

UNCTAD Secretary-General Mukhisa Kituyi said building a better world require smart actions. "The lives of future generations, indeed of the planet itself, will depend on the choices we all take over the coming months, Kituyi said.

The report also said that even if economic activity continues to bounce back and advanced country governments continue with the current mix of

fiscal and monetary measures, employment will not fully recover, and many countries will remain in debt distress and income gaps will widen.

"Forecasters' talk of a V-shaped recovery can easily mislead. Such a recovery would require double-digit global growth next year, which is out of the question, said Richard Kozul-Wright, UNCTAD's director of the division on globalisation and development strategies.

The report asserted that a global recovery plan must be both bold and comprehensive, built around a coordinated macroeconomic expansion focused on job creation and higher wages and supported by a big public investment push into cleaner energy, environmental protection, sustainable transport systems and the care economy.

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