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सरकार ने शराब दुकाने खोलने
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Boost wages to stimulate India's growth

Jayan Jose Thomas

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THE  HINDU

The economic crisis can be overcome only by raising the consumption of and investment for the poor

Impoverishment among English workers during the early years of the Industrial Revolution had prompted Leicester framework knitters to frame this resolution in 1817: "... if liberal Wages were given to the Mechanics in general throughout the Country, the Home Consumption of our Manufactures would be immediately more than doubled, and consequently every hand would soon find full employment" (cited in E. P. Thompson's *The Making of the English Working Class*, 1963).

One of the moving images from today's India is of **migrant workers** suddenly feeling desolate in their places of work and desperate to return to their villages, in the aftermath of the **COVID-19 outbreak**. The helplessness felt by the workers as seen from those images calls for nothing short of a radical rethink. We need to plan for an economic growth driven by rising — and not stagnant — wages, and a development model that is dispersed far and wide across the country, and not centred in a few big cities.

Also read: Return of thousands of migrant workers to Ganjam increases fears of contagion

Patchy data

Out of India's total workforce of 471.5 million, only 12.3% are regular workers receiving some form of social security, while the rest are mostly casual workers or petty producers surviving under various degrees of informality (figures for 2018). A **vast majority of migrant workers** belong to the category of informal casual workers. Available data on the size of the migrant workforce in India are rather patchy. According to the 2011 Census, there were 54.3 million persons (workers as well as non-workers) in the country who migrated from one State to

the other. The 'heartland' States of Uttar Pradesh, Bihar, Rajasthan and Madhya Pradesh accounted for 48.9% of these inter-State migrants, much higher than their combined share in India's population (of 36.8%).

Workers migrate from villages to urban centres as the growth of rural incomes has not kept pace with the rising numbers and aspirations of the young in the countryside. Those engaged in agriculture and allied activities as a share of the combined workforce in U.P., Bihar, Rajasthan and Madhya Pradesh fell to 49.1% in 2018 from 64.1% in 2005. This meant that, between 2005 and 2018, 19.3 million persons left agricultural work in these four States alone and sought job opportunities elsewhere.

Also read: Data | 96% migrant workers did not get rations from the government, 90% did not receive wages during lockdown: survey

Workers' shift out of agricultural occupations as well as out of their rural bases is set to accelerate, unless new economic opportunities are created in the countryside.

A majority of the workers who leave villages find themselves in the bottom rung of the urban economy, earning a precarious living as drivers, factory workers, security guards and domestic helpers. Their livelihoods are directly or indirectly linked to economic activities that cater to the demand from the relatively affluent in India and abroad (such as from industries producing sophisticated IT products).

Widening the demand base

Even as they work long hours often under exploitative conditions, informal workers manage to earn and consume only very little. According to the official consumption-expenditure surveys (for 2011-12), the richest 5% accounted for as much as 64.4% of the value of overall consumption of durable goods (such as of furniture or refrigerators) in urban India. The share of the poorest 50% was only 13.4%.

The COVID-19 pandemic is set to cause long-term disruptions to the existing structure of demand dominated by the consumption of a privileged few. Economic activities have now been halted for weeks on

end, and no end seems to be in sight for the downward slide in export demand, which began with the U.S.-China trade tensions. Businesses in India and elsewhere are concerned that even after the lifting of the lockdown, they will have to operate at a fraction of their installed capacities due to the sagging demand conditions.

Lockdown displaces lakhs of migrants

The crisis in the economy can be overcome only by widening the sources of demand, by raising the consumption of and investment for the poor. Consider, for instance, the setting up of industries linked to food processing or affordable housing in rural areas. The multiplier effects of such investment will be huge. Food processing can help boost farmer incomes, reduce food spoilage, create rural employment and, above all, improve the availability of nutritious food to the needy.

Broadening the demand base requires policies that differ fundamentally from conventional economic ideas. The mainstream argument has been that firms should try to reduce costs by squeezing wages. But cutting wages will shrink markets further and deepen the crisis during a depression. Instead, firms should assist in raising workers' wages and incomes, and thereby, in enlarging the size of the markets. Even with higher wages, profit rates will not dip because the larger demand allows firms to utilise their capacities better.

Increase government spending

For rejuvenation of demand, it is critical that governments increase spending on the economy, in areas such as infrastructure and innovation. Government spending can boost the "animal spirits" of the private investors, as had been suggested by John Maynard Keynes amidst the great depression of the 1930s.

The ideas of Keynes and his followers had helped to fuel an unprecedented economic boom in the U.S. and European countries for almost three decades after the end of the Second World War in 1945. A striking feature of this 'golden age of capitalism' was that the real wages kept rising, providing the much-needed succour to the working classes,

who had long suffered due the war and the inequalities of the depression years.

Battered by an oppressive economic system and now by an unpredictable virus, India's working classes deserve long-lasting relief and comfort. What is needed is a massive expansion in government spending, which will uplift workers' skills as well as their incomes and purchasing power. This will include investments in healthcare, education, roads, rural infrastructure, agricultural research, public transport, and so on — perhaps similar in scale and ambition to the post-war reconstruction efforts in western nations following the Second World War.

A grave challenge to future growth are the ageing demographic structures in most parts of the globe. In such a context, the rising numbers of the young in India, especially in its northern and eastern States, offer a potentially new source of demand that could sustain the economy over the next few decades. Lifting the wages and the spirits of the wearied Indian worker could just be the dose required to bring cheer to the Indian and the global economies.

COVID-19 challenge: India must decide on a large stimulus package, says Professor Abhijit Banerjee

[Sandeep Phukan](#)

MAY 05, 2020

THE  HINDU

Getting some cash into the hands of the population is the best way to kickstart the economy, says the Nobel laureate in a conversation with former Congress president Rahul Gandhi

Nobel laureate Abhijit Banerjee in a conversation with former Congress president Rahul Gandhi, an edited video of which was released by the Congress on Tuesday, said India needs a large enough stimulus package to increase spending and revive demand to face the challenge posed by the [COVID-19](#) pandemic.

This was Mr. Gandhi's second online conversation as part of a series of dialogues with experts to discuss the challenge posed by the pandemic.

From putting money in people's hands to reviving demand to issuing temporary ration cards for providing foodgrains to cancelling debts, Professor Banerjee offered a range of suggestions for India to absorb the shock of a prolonged lockdown, especially for migrant workers and the micro small medium enterprises (MSME).

"A lot of us have been saying that we need a stimulus package. That's what the U.S. is doing, Japan is doing, Europe is doing. We really haven't decided on a large enough stimulus package. We are still talking about 1% of GDP. The U.S. has gone for 10% of GDP," Dr. Banerjee said.

"Giving money in the hands of everybody, so that they can buy in stores or they buy consumer goods....I think spending is the easiest way to revive the economy. Because then the MSME people get money, they spend it and then it has the usual Keynesian chain reaction," he said.

To another query from Mr. Gandhi on whether a scheme like NYAY or minimum income guarantee for the poorest families would help, he said, "Whether it is to the poorest people, that is more debatable...I would say bottom 60% of the population, we give them some money, nothing bad will happen in my view. If we gave them money, well some of them might not need it. Fine they'll spend it. If they spend it, it would have a stimulus effect."

Talking about the two key challenges in a post COVID-19 world, he noted, "There are two concerns — how to avoid a chain of bankruptcies. Maybe writing off a lot of debt is the way to go...The other is demand shortfall, and getting some cash into the hands of the population is the best way to kickstart the economy".

The Nobel laureate, however, was quick to discount the notion that "only strong leaders can take on the virus" and cited the U.S. and Brazil as two disastrous examples where the leaders are "messing up right and left".

The economist also mentioned about their (along with Amartya Sen and Raghuram Rajan) suggestion to give temporary ration cards and make

the public distribution system universal and also find a way to put cash in the hands of people who don't have [Jan Dhan accounts](#).

On the issue of how quickly the economy could be opened up, Professor Banerjee said, "You don't want to take down the [lockdown](#) when a lot of people are getting sick."

Later, Mr. Gandhi — using the hash tag #ReopeningIndiasEconomy — tweeted, "While tackling the virus, think in terms of zones. While reopening the economy, think in terms of supply chains."

Fruit for thought! Lockdown has forced farmers into shock sales — and debt

[Vivian Fernandes](#) | May 6, 2020
 **THE FINANCIAL EXPRESS**

Everyone in the banana supply chain seems to be gaining from the lockdown, except growers

The country's banana landscape is carpeted with examples of lives upended by the sudden enforcement of a lockdown that has forced farmers into shock sales—and debt

Avinash Nathu Patil, 37, counts himself lucky. A resident of Shingadi village in Jagaon's Raver taluka, he has been growing bananas since 2008. With high-yielding tissue cultured saplings from Jain Irrigation, nurtured with water-soluble nutrients supplied with precision through drip irrigation pipes, he has built a profitable business. Last year, late rains compelled him to plant late. His fruit bunches, which are normally plucked in April, will be harvested in late May.

In Nichaul village, ~5 km from the UP-Nepal border, Gautam Poddar, 74, has been fortunate, too. Unlike Grand Naine bananas, which mature in 10 months in peninsular India, his is a 14-month crop due to four months of winter dormancy. Poddar has his 60-acre fruit garden picked in August.

Except for few cases like these, the country's banana landscape is carpeted with examples of lives upended by the sudden enforcement of a

lockdown that has forced farmers into shock sales—and debt. In the areas that supply to North Indian markets, there is seething anger against wholesalers. In videos on social media and in a stream of reports in dailies from Jalgaon, the district producing more than 70% of Maharashtra’s banana crop, they are accused of raking in unconscionable profits when they should have shared their gains with growers.

Wholesalers say they are being maligned. High truck rentals, a spike in wages, increase in fixed costs due to lower utilisation of ripening chamber capacity, and enhanced wastage caused by erratic offtake on account of virus-related restrictions on hawking have squeezed their margins, they say. They admit that farmers have suffered and prices paid to them don’t cover the cost of production, but don’t accept blame for it.

Mahavir Subhash Ghogare, 33, of village Bavada in Pune district’s Indapur taluka, had made a deal to sell his banana harvest at Rs 14/kg on March 20, a day before the Janata curfew was announced. The trader sealed the deal with a deposit of Rs 5,000, but couldn’t pick the 2,100 fruit bunches, weighing 35 kg each on average (~75 tonnes), worth Rs 10 lakh, due to the lockdown restrictions on transport from March 25.

A graduate in agricultural science with an MBA in agri-business management, Ghogare says he contacted around 30 traders in Pune and tried selling through two farmers’ producer companies, but failed. He distributed ~15 tonnes free in his village. The rest was left to rot.

Ghogare had planted export quality bananas, incurring a Rs 4.5 lakh cost. He has a full-time job and advises his father and brother, who do the cultivation. The family has a crop loan of Rs 18 lakh at a 13% interest. With the revenue stream from bananas all but dried up, servicing the loan and buying inputs for the next season’s planting will be difficult without government relief. He is considering shifting to sugarcane, which is less expensive to cultivate, and where the price is fixed by the government and purchase of cane by sugar mills is assured.

Santosh Lacheta, 43, of Sattalai village in Madhya Pradesh’s Barwali district sold bananas worth Rs 4 lakh before the lockdown at Rs 12-13/kg.

After the event, he got Rs 2.5/kg for 15 tonnes. He doesn't expect more than Rs 2/kg for another 4 tonnes. Because Lacheta's is heavy black cotton soil with a 85% clay content—40-50% is ideal for bananas—he grows his crop on raised beds for proper drainage and root-zone aeration. He has installed drip irrigation, applies nutrients after soil and water analysis. The bananas he produces on his 12-acre farm are usually exported to Dubai, Oman, and Iran. India exported 1.4 lakh tonnes of bananas in April-January 2020 versus 1.35 lakh tonnes in the previous fiscal. The price per kilo was also slightly higher. But, exports seized up when Lacheta harvested his crop.

The price he received didn't compensate his investment and effort. He believes the wholesalers raked it in. In March, average daily arrivals of bananas at Delhi's Azadpur mandi, from Gujarat, Maharashtra, and Andhra Pradesh, dropped to 19.74 tonnes against 96.55 tonnes during the same period last year. The rates were almost double at Rs 2,350/quintal against Rs 1,150 last year. In the first three weeks of April, daily arrivals at the mandi averaged 21.17 tonnes, and most of the trade happened at Rs 2,350/quintal. Last April, the daily arrivals were 115.7 tonnes, and the rates mostly in the range of Rs 1,150-1,500/quintal. Consumers paid more at around Rs 40/kg at Mother Dairy booths.

Not all the bananas that arrive in Delhi pass through Azadpur mandi. Much of the stuff goes directly to wholesalers, where it is ripened with ethylene gas. Once ripened, the bananas keep for about four days.

Kalyansing Baburao Patil, who heads Jain Irrigation's tissue culture and agricultural services department, has been active in creating public opinion against exploitation by local traders and wholesalers. Jain Irrigation introduced the Grand Naine variety in the 1990s in Jalgaon to create a market for its micro-irrigation equipment. By providing high-yielding clones and handholding the growers in efficient agronomic practices, it has made Jalgaon the country's banana hub.

Patil says the cost of cultivation is not less than Rs 6/kg. Truck rentals shot up to Rs 4/kg soon after the lockdown, from Rs 3 earlier, but the exemption for distribution of fruits and vegetables soon brought this close to pre-lockdown levels. Daily, 150-200 trucks would leave Jalgaon for Delhi and other destinations, he said.

With wholesale prices at Rs 23/kg, up from Rs 11.5-15/kg last year, he believes traders could have paid farmers at least the cost of production. He reckons, owners of ripening chambers, mostly wholesalers, made about Rs 8/kg, some of them even earning over Rs 2 lakh a day. Patil's brother, Dayal Singh, was so offended by the low price offered to him that he distributed 13 quintals of bananas free on April 16 at Bodwad taluka centre, ~40 km from Jalgaon.

The rate committee of the Jalgaon agricultural produce marketing committee has fixed Rs 600 a quintal as the floor trading price. Ramdas Tryambak Patil, 65, the committee's president admits that it is difficult to enforce the directive because traders can refuse to buy. Farmers also cannot delay harvesting beyond a point.

Pulkrit Batra, 27, whose family has been banana wholesalers for 40 years, points to the logic of the free market to explain price behaviour. He gives a laundry list of costs incurred between purchase from farmers and sale to retailers. These have spiked due to the lockdown. He admits that farmers are losing money. From his telling, it appears that everyone else is not.

**Abhijit Banerjee talks to Rahul Gandhi:
Don't give money to people now, it's
useless; do this instead**

[FE Online](#) | May 5, 2020

 **THE FINANCIAL EXPRESS**

While the government reportedly prepares a second economic relief package to mitigate the fallout of coronavirus, handing out

direct cash to people amid the ongoing lockdown is not a desired solution

The [Congress](#) has been highlighting the problem of the poor and vulnerable sections in society since the lockdown was imposed on March 25 to contain the spread of coronavirus in the country

While the government reportedly prepares a second economic relief package to mitigate the fallout of coronavirus, handing out direct cash to people amid the ongoing lockdown is not a desired solution, as it might create further problems rather than solving them, Nobel laureate Abhijit Banerjee said in an interview with Congress leader [Rahul Gandhi](#) today. "I don't think it is wise to give people money when the entire economy is shut. It will cause inflation," Abhijit Banerjee said, adding that there will be a supply demand gap. Instead, he suggested that the government must assure people that they will get money after two months, which can be spent when the lockdown lifts. He also suggested that the lockdown needs to be lifted soon but not at the cost of aggravating the coronavirus situation.

However, reiterating that money will play a decisive role in the survival of the economy, he said that India must learn from the US which is handing out money to people. He said that the same will kickstart the economy and the government must pump some money. "We should take a cue from the US by pumping in more money in the hands of people to revive demand," Abhijit Banerjee told Rahul Rahul. The Congress leader has been doing a round of interviews with prominent people including

On the issue pertaining to food for all, Abhijit Banerjee said that the government must start with handing out temporary ration cards to anyone who wants one as there might be people who will not benefit from the PDS because they don't have a ration card. For three months, the government must issue temporary ration cards so that no one who actually needs food, is without a ration card. India has enough food stocks to cater to its poor people. The rabi crop was also good this year which means that there will be enough wheat, Abhijit Banerjee said.

Nabard disburses Rs.12,767 cr to State Co-op Banks, RRBs

[Our Bureau](#) Mumbai | May 05, 2020

THE HINDU
BusinessLine

The National Bank for Agriculture and Rural Development (Nabard), on Tuesday, said it has disbursed Rs.12,767 crore to State Co-operative Banks (StCBs) and Regional Rural Banks (RRBs) across the country to augment their resources for extending credit to farmers during the ongoing lockdown.

There are 33 StCBs and 45 RRBs in the country, and they are important intermediaries in the rural credit structure.

Nabard has extended the refinance (May 4 and May 5) to these rural banks in 15 States so far, including Andhra Pradesh, Bihar, Chhattisgarh, Haryana, Karnataka, Kerala, Madhya Pradesh, Odisha, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal, the All-India Financial Institution (AIFI) said in a statement. On April 17, the RBI had announced a Rs.50,000-crore refinance facility for three AIFIs – Nabard, the Small Industries Development Bank of India (SIDBI), and the National Housing Bank (NHB).

Long-term funding

These AIFIs play an important role in meeting the long-term funding requirements of agriculture and the rural sector, small industries, housing finance companies, non-banking finance companies, and microfinance institutions (MFIs).

Of the Rs.50,000-crore refinance, Nabard got Rs.25,000 crore for refinancing RRBs, co-operative banks and MFIs. Nabard said it has augmented the resources of the rural banks to the tune of Rs.30,021 crore to since the second half of March 2020 when the lockdown came into force in different States as a measure to contain the spread of Covid19 pandemic.

'On ventilator mode': 20 per cent of traders may shut shop permanently, warns CAIT

[Our Bureau](#) New Delhi | May 05, 2020

THE HINDU
BusinessLine

The government has offered traders absolutely nothing, says CAIT's Praveen Khandelwal

The Confederation of All India Traders (CAIT), on Tuesday, said that nearly 20 per cent of the Indian retailers may have to wind up their businesses in the next few months due to the disruptions caused by the nationwide lockdown put in place to curb the spread of the coronavirus.

It has pegged the revenue loss of Rs.5.5 lakh crore for Indian retailers in the lockdown period from March 25-April 30, and has sought urgent intervention of the government to provide a stimulus package for the retail sector.

In a statement, the traders body said, "Covid-19 has caused a huge irreparable dent in Indian retail trade, which will have a devastating effect on the whole country. Indian retailers do a daily business of around Rs.15,000 crore and the country is in a lockdown for over 40 days now, that means there is a massive loss of over Rs.5.50 lakh crore of business which is done by 7 crore traders of India."

"In all likelihood out of these 7 crore traders around 1.5 crore traders will have to permanently down the shutters in a few months, and a further 75 lakh traders who are dependent on these 1.5 crore traders will fold up in the medium term," CAIT said.

Ambiguity hurts

The traders body said that Home Ministry notifications have not helped the situation on the ground as there is "no synchronisation" between the Centre and States in implementing the guidelines.

The ambiguity in implementation of the Central government guidelines by the State and local authorities have further added to the woes of Indian retailers due to such ambiguity in guidelines, it added. "The Indian retail sector is literally on ventilator mode and without the immediate intervention of the government which is by and large responsible for this chaos, the sector will suffer unprecedented damage. The economic pandemonium will be even bigger than the Corona pandemic," CAIT added.

'One-way traffic'

Expressing deep disappointment with the Central and various State governments for ignoring the plight of the trader, CAIT Secretary General Praveen Khandelwal said at least 2.5 crore traders in India are micro and small in nature who do not have deep pockets to sustain this severe economic catastrophe.

"It is quite appalling that the governments — both Centre and State — have not handhold the non-corporate sector which contributes more than 40 per cent to India's GDP and accounts for almost one-third of the total workforce of the nation. Instead the government has given diktats that all businesses will have to pay their salaries, the banks will continue to charge interest and the landlords will continue to ask for rentals. This is a complete one-way traffic where the government only expects from traders but has offered absolutely nothing at all till date," he added.



ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in