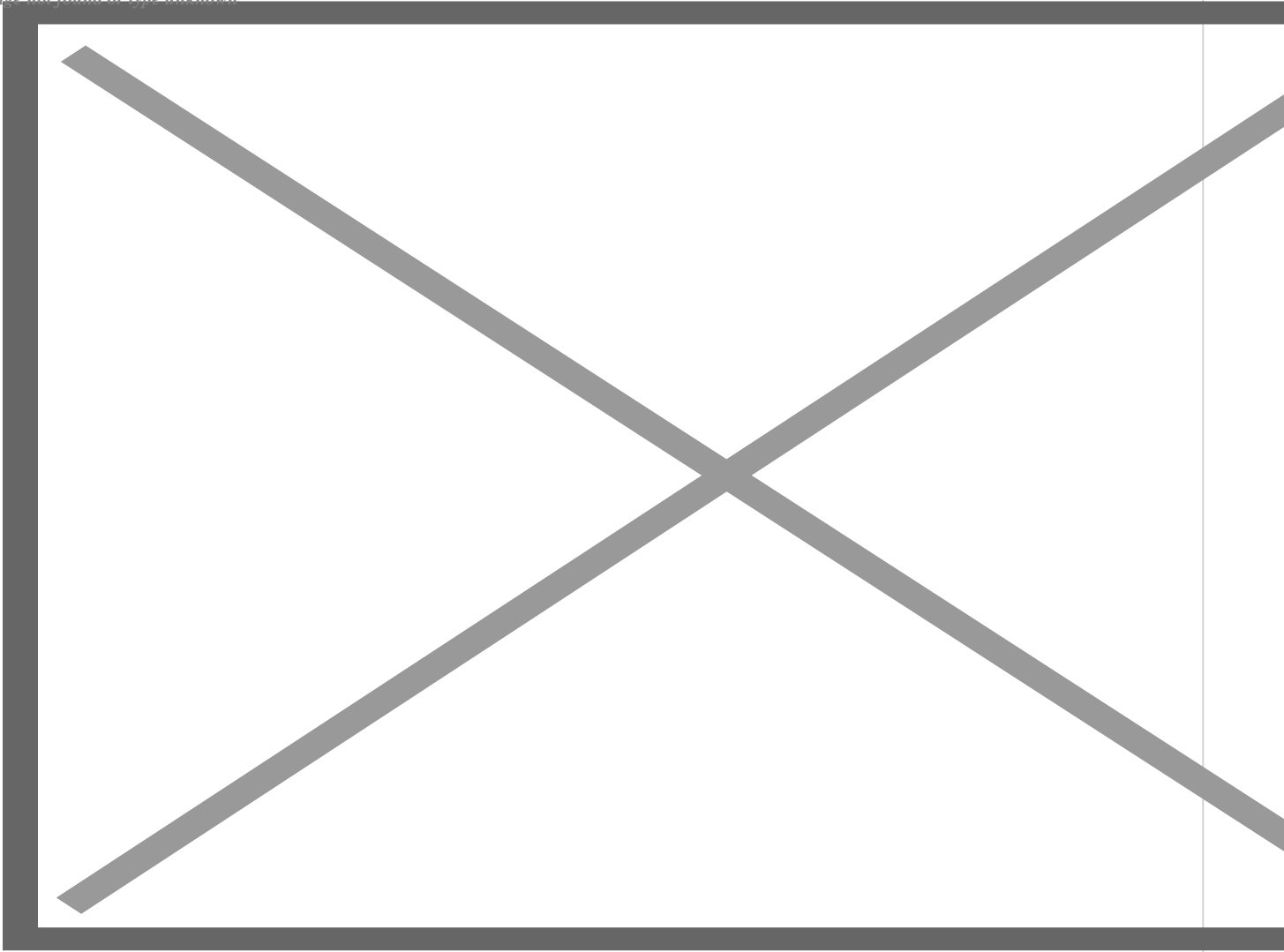


Rural India sinks deeper into debt as COVID wipes out work

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Rural India sinks deeper into debt as COVID wipes out work

New Delhi, July 8 (RHC)-- In India, the coronavirus and a lockdown aimed at stopping it last year saw millions of people thrown out of jobs in cities and towns and forced back to their villages, and ever higher levels of debt.

Interviews with 75 households in a cluster of eight villages in India's most populous state showed household incomes have slumped nearly 75 percent on average. Almost two-thirds of the households have taken on debt.

Devi's husband used to have a job in construction in the more prosperous state of Punjab to the northwest, which kept the family going. Now the job is gone and he is back home and struggling to find work. Others like him who have lost jobs crowd around a brick kiln near their village every day hoping for work.

Heavy debt and low income in the countryside will hold back any economic recovery the government is trying to make and also dent private savings and investment for longer than expected, economists say.

"It will have a huge impact and prolong the recovery process. Private consumption and investments both will be hurt. There is merit in finding ways to put money in the hands of the people," said NR Bhanumurthy, economist and vice chancellor at Bengaluru-based BR Ambedkar School of Economics.

India's gross domestic product (GDP) fell by a record 7.3 percent in the financial year that ended on March 31. The government has forecast a 10.5 percent growth for 2021-22 but a second wave of the pandemic has dented expectations and several economists have cut their forecasts.

The poor have especially been hit hard. The Reuters investigation showed most of the 75 households in the Uttar Pradesh cluster, a combined 518 people, have taken out a total debt of 6.12 million rupees (\$82,250), more than 80 percent of which remains unserviced, the householders said.

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