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GIST OF EPW

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1. MENTAL HEALTHCARE IN INDIA

What is the issue?

Instead of a common strategy socio-economic variables like gender, age, education, and financial dependence, matter a lot in determining the mental well-being of individuals in different states and different socio-economic strata.

What is mental health?

- According to the National Mental Health Policy of India (2014), mental health is not just the absence of a mental disorder.
- It is defined as a state of well-being in which the individuals realize their best abilities, can cope with the normal stresses of life, can work productively and can make a positive contribution to their community.
- Mental health refers to a broad array of activities directly or indirectly related to mental well-being.
- This is in keeping with the World Health Organization's (WHO) definition of health.
- Mental health is also related to the promotion of mental well-being, prevention of mental disorders, and treatment and rehabilitation of people affected by mental disorders.
- **Mental health problems –** It refer to conditions ranging from psychosocial distress affecting many people to mental illness and mental disability affecting a relatively small number of people.
- **Mental illness –** It refers to specific conditions such as schizophrenia, bipolar disorder, depression, or obsessive-compulsive disorder.
- **Mental disability -** It refers to disabilities associated with mental illness.
- While mental illness is a medical construct, disability is better understood using a medico-social model, and the two terms are not used synonymously.

What is the current status in India?

- Both the incidence and severity of mental illnesses are on the rise.
- The WHO estimates that at any given time, 10% of the global population suffers from some form of mental illness and one in four persons will be affected at least once in their lifetime.
- According to WHO, by 2020, around one-fifth of the debility cases might have been caused by depression trailing only ischaemic heart disease.
- A recent survey conducted by NIMHANS shows that in 35,000 respondents it suggests that nearly 14% of people in India suffered from at least one of the mental morbidities during their lifetime.
- Moreover, at a point in time, the current level of mental morbidity is around 10%.
- Mental health is characterized by cross-cutting issues that have a far-reaching impact on the fulfilment of goals and objectives.

- These include:
  - Stigma
  - Rights-based approach since violation of their rights and
  - Vulnerable populations may include inter alia children (both school going and out-of-school), women, economically and socially deprived, older persons, and persons with physical disabilities.
- The National Mental Health Survey shows urban areas to be the most affected (2016). At least 13.7% of India's general population suffers from various mental disorders, 10.6% of them require immediate interventions.
- While nearly 10% of the population has common mental disorders, 1.9% of them suffer from severe mental disorders.
- The prevalence of mental morbidity is found to be very high in urban centres, where there is a higher prevalence of schizophrenia, mood disorders, and neurotic or stress-related disorders.

What are the challenges?

- Mental illness is a key predictor for an increase in suicide and suicide attempts that affect a cross-section of society, particularly the youth and the distressed.
- Poverty, deprivation, and other vulnerabilities further exacerbate the ground situation.
- Untreated mental illness results in stigma, marginalization, and discrimination, often worsening one's quality of life. This leads to a substantial loss of social and human capital.
- Access to mental healthcare is not universal, and significant treatment gaps are experienced by many, because of which individuals cannot pursue their lives to the fullest.
- It is believed that 70% to 80% of the persons with mental disorders in India live with their families, and this is true across all demographic and social variables.
- Not every vulnerable person falls under the category of poor, yet those with high support needs irrespective of rich or poor are highly vulnerable due to their incapacity for self-care.
- The needs of persons with mental disorders have been neglected for a long time. Unmet needs hurt their lives as well as the lives of those for who they provide care.
- There is a significant demographic shift from rural to urban areas, often across state/regional boundaries.
- These individuals and families are usually engaged in work in the unorganized sector and have poor access to local health services.
- The disturbing scenario in Urban could be due to fast-paced lifestyles, stress, complexities of living, breakdown of support systems, and challenges of economic instability.
- Persons affected by disasters and emergencies, other marginalised populations such as commercial sex workers, victims of human trafficking, victims of riots, sexual minorities, children, and those living in situations of conflict bear a disproportionate burden of mental health problems.
- The emotional and social costs of providing care for a family member with mental illness cannot be quantified but exacts a huge toll on families.

What are the solutions?

- Mental healthcare in India is governed by the Mental Healthcare Act of 2017, which establishes a legal framework to protect and promote the rights of individuals with mental illnesses.
- It aims to ensure access to mental health services as a right for every citizen.
- The National Mental Health Programme (NMHP) addresses current mental health needs and emphasizes the evolving landscape of mental health services in the country.
- These are in line with the United Nations Convention on the Rights of People with Disabilities (UNCRPD).
- **Inter-sectoral collaboration** - Collaboration is also needed within the health sector, for example, between specialist mental health and general health services, and outside the health sector with education, employment, housing, and social care sectors.
- Similarly, there is a need for collaboration between the government (public) sector and the non-governmental sectors (non-profit and private).
- **Institutional care** - Mental hospitals have traditionally been a major source of treatment for persons with mental illness.
- Over the last few decades, the government has undertaken reform. The access is limited with inadequate staff and low funds should be improved.
- **Promotion of mental health** - To provide effective treatments in routine healthcare (for example, identification of barriers to integration of mental health into primary healthcare),
    - Causes of mental disorders in the Indian context,
    - Identification of effective treatments, including those from indigenous systems of medicine which can increase the therapeutic choices for persons with mental health problems,
    - Developing a deeper understanding of the bio-psycho-social determinants of mental health and mental illness as well as the pathways for action on the same, among others is needed.
- The strategic areas for action are linked to the situation analysis, cross-cutting issues, and goals as well as objectives of the Mental Health Policy (2014).
- There is also a paucity of mental health specialists, pointing out that mental disorders receive a low priority in the public health agenda.
- It recommended that mental health financing needs to be streamlined, and there is a need to constitute a national commission on mental health comprising professionals from different fields.

What is the conclusion?

- The results indicated that among different mental disorders, broadly, the sub-classifications of different socio-economic variables, including:
    - Gender,
    - Age,
    - Education and

- Financial dependence, matter a lot in determining the mental well-being of individuals.

- It is different for states as well as in different socio-economic strata and it cannot be dealt with by a common strategy but needs specific situation-oriented programmes.
- Education acts as a deterrent for high and moderate mental disorders, indicates that a highly educated person may be more responsive to mental treatment relative to one with only pre-college level education.
- Likewise, the independence of females leads to better mental health. Thus, mental illness for dependent females may be addressed by a combination of income-generating schemes and mental treatment.
- Similarly, ageing may lead to vulnerability and dependence and mental treatment may require groups (that can keep them engaged) for retired people and mental-therapy support.
- Thus, more budget outlay and better programme coordination may be helpful while keeping in mind these socio-economic determinants of mental health and related disorders.
- Further research may be necessary to confirm or refute these findings about mental disorders.

2. STREET VENDORS IN INDIA

What is the issue?

The multifaceted challenges that street vendors encounter in contrast with their composition in the labour market, working hours, and gendered difference in wages have raised significant concerns.

Who are the street vendors?

- Street vendors in India are informal self-employed workers who sell goods to people on the streets and do not have any permanently built structure for the process.
- The National Policy on Urban Street Vendors (NPUSV) 2006 defines street vendors as those who are identified as self-employed workers and sell goods and services on the street without having any permanent built-up structure.
- This type of employment is relevant for workers who have been retrenched from their formal sector positions and have joined the ranks of informal labour, especially in the wake of the liberalisation policies, 1991.
- This is also an important source of income for marginalized people, including rural migrants and less educated workers.
- **Types –** There are 2 types of Street vendors that includes
- **Stationary vendors -** These vendors operate from a fixed location, such as on pavements or other public or private spaces.
- **Mobile vendors -** These vendors move from place to place, carrying their goods in baskets on their heads or on push carts.

What is the status of street vendors in India?

- Using the National Classification of Occupations (NCO) 2004, street vendors are categorized under the broad division of elementary occupations.
- These include occupations such as street vendors with food and non-food products, door-to-door and telephone salespersons, and

shoe-cleaning and other street services.

Table 1: Percentage of Street Vendors in Total Workforce

All	0.6
Rural	0.4
Urban	0.9
Male	0.7
Female	0.2
Hindus	0.5
Muslims	1.1
ST	0.2
SC	0.6
OBC	0.7
General	0.6

- While about 0.6% of the entire workforce is engaged as street vendors, the proportion is higher among the urban workforce.
- Among religious groups, 1.1% of the Muslim workforce are street vendors. There is a higher share of street vendors among Muslims than Hindus.
- The low percentage of street vendors among STs is primarily due to the predominance of STs in agricultural activities.
- Most of the street vendors are concentrated in urban areas. Urbanization and rapid in-formalisation increase the number of workers who take up street vending as an occupation.
- The unskilled nature of the job becomes evident as less than 2% of street vendors are educated beyond the higher secondary level.
- This job is taken up by migrants who move from rural to urban areas in search of employment.
- About 77% of the female street vendors are stationary, whereas the
- Same for male street vendors is about 58%.
- Mobile street vendors like fish and vegetable sellers can be worse off than stationary street vendors because of the limited size of baskets restricts the quantity of goods that can be carried around.
- A study in Hyderabad finds that female street vendors prefer being stationary near their homes to being involved in mobile vending which can be perceived as unsafe for women
- Overall, the trends in earnings follow the national pattern where workers in urban areas earn more than those in rural areas, and male workers earn more than females.

What are the challenges?

- In the rapidly urbanising landscape of the country, street vendors are often considered eyesores who could not catch up with modernisation. This makes them vulnerable to harassment by authorities.
- They are often treated as criminals, subjected to eviction and confiscation, and compelled to bribe local authorities and police to continue with their vending.
- When public space is regulated to catch up with modern urban standards, street vendors often fall prey to the “clean-up” projects of city authorities.
- Additionally, street vendors suffer from high indebtedness, have no access to formal credit, and live in poor areas, which lack access to health and welfare.

- The shrinking opportunities of employment in the formal sector have caused people with low skills and low education levels to take up street vending.
- The location of work, especially for informal workers, can be a crucial characteristic of their status as workers. It is especially relevant for female workers, whose household responsibilities and social norms often restrict their movement outside their homes.
- Street vendors have to put in long working hours to make ends meet. Male vendors put in more hours of work than their female counterparts.
- Safety concerns for mobile female street vendors also contribute to this difference. Stationary female street vendors generally work near their homes which make them responsible for attending household duties.
- For all groups of workers, the average wage for casual workers is higher than that of street vendors while casual employment is generally considered the lowest in the hierarchy of labour.
- This implies that workers are involved in street vending when there is absolutely no other work available.
- Street vending, thus, may be a last resort for earning a living for workers. Even casual work is a more lucrative alternative for them.

What is the Conclusion?

- The resultant fact is that street vending is often not a choice but a result of various constraints, compelling individuals to enter this occupation as a means of survival rather than a preferred livelihood option.
- This highlights the point that street vending is typically not a voluntary choice but rather a consequence of a range of limitations, leading individuals to enter this occupation as a means of survival rather than a preferred livelihood option.
- The Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014 can help in establishing fixed vending zones for mobile street vendors that can improve their economic prospects and working conditions.
- There is also a requirement for street vendors to unionize which could bring them more security and higher bargaining power vis-a-vis the state in addition to protecting them from harassment by authorities.
- Unionisation has paid great dividends among women who have been associated with the Self-Employed Women's Association (SEWA).

3. CLIMATE RISK MANAGEMENT IN THE FINANCIAL SECTOR

What is the issue?

Climate change and nature loss have become one of the biggest emerging risks for financial institutions.

The Reserve Bank of India has recently drafted a climate risk disclosure framework to give due importance to climate change risk and factors in business sustainability decisions.

What are the major risks associated with the financial sector?

- For commercial banks, physical risks can materialize directly (flood-like natural calamities) through their exposures to climate shocks through housing loans and agricultural loans (crop failure caused by drought due to extreme heat).

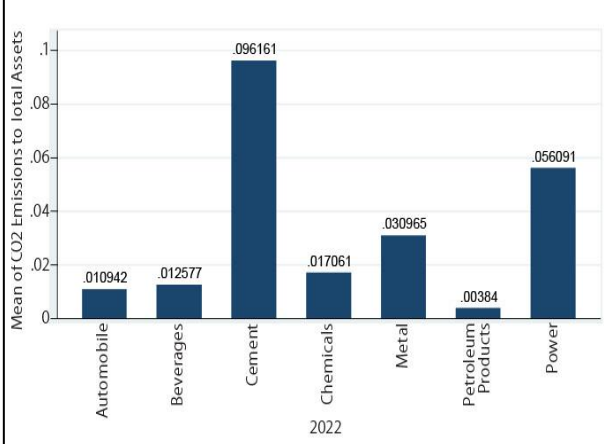
- Such exposures manifest themselves through increased default risk or clustered defaults in loan portfolios.
- Transition risks arise from the adjustment towards a net zero economy that requires drastic changes in policy, technology, and shifts in consumer preferences.
- Transition risks may hit the banks hard if there is a surge in carbon prices, which may lead to a rise in the default probability of companies.
- The sudden requirement for technology adjustment may also lead to the erosion of the market values of companies, leading to a rise in credit risk for lenders.
- The effect may be more prominent in high carbon-intensive companies than its less carbon-intensive counterparts.
- Further, companies receiving huge environmental penalties from regulators due to waste pollution, carbon emissions.
- Loans not being repaid due to crop failure and business closures due to pandemic-like situations may lead to simultaneous defaults.
- Such climate shocks can trigger fire sales at distressed prices, which may lead to a manifold increase in loss-given default (LGD) due to accumulation of stranded assets.

What is the essence of climate disclosures in the current situation?

- Currently, the climate risk assessment process is a new concept for Indian banks and only 69 companies among BSE top 200 firms voluntarily disclose their climate data and preparations.
- The RBI is trying to encourage banks to popularise the use of CO_2 equivalent as the universal unit measurement to evaluate the releasing of different GHGs against a common basis.

CO_2 intensities for high-risk industries

Figure 1: Sector-wise CO_2 Emissions from Fossil Fuels for High Environmental Risk Industries in India

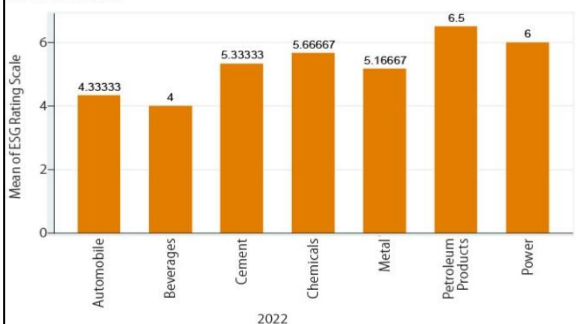


Source: Compiled from EIKON Refinitiv data for top BSE200 firms.

- The emission levels from fossil fuels for firms in proportion to assets are higher for the cement, metal, and power sectors.
- Such carbon intensity analysis across sectors will enable banks to map their exposure to fossil fuel-intensive sectors and establish a link with climate change risk.

Environmental social governance (ESG) ratings

Figure 2: ESG Ratings (in Order of Risk Scales) across High Environmental Risk Industries



Source: Compiled from EIKON Refinitiv data for top BSE200 firms.

- A better rating will receive a higher ranking on the risk scale and its values will be lower (scale 1, 2, 3). The mean ESG rating is 5.45.
- Thus, chemical, petroleum products, and power sector firms received lower ESG ratings and hence carried greater climate risk.

What does the Basel Committee on Banking Supervision say?

- The Basel Committee on Banking Supervision (BCBS) is an international committee of central bankers and banking supervisory authorities from 27 countries and the EU.
- It was established in 1974 by the central bank governors of the Group of Ten (G10) countries.
- It serves as the primary global standard setter for the prudential regulation of banks.
- It highlighted that banks and the banking system are exposed to climate change through macro and microeconomic transmission channels that may arise from physical and transition risks.
- Due to its indeterminate long-term impact, BCBS urges banks to take a prudent and dynamic approach to developing their risk management capacities.
- It clarifies that banks should include climate risk in their assessment of credit and market risk and monitor them on an ongoing basis.
- The data limitations for the assessment of climate change risks are explicitly acknowledged by BCBS and institutions are encouraged to improve their capacity to assess risks when more data becomes available.
- The purpose was to facilitate a globally consistent interpretation of existing standards given the unique features of climate-related financial risks.
- The first 12 principles cover banks' corporate governance, internal controls, risk assessment, management and reporting, capital and liquidity adequacy.
- Other elements of risk management are also covered, including scenario analysis.
- The remaining 6 principles focus on financial supervisors' and regulators' activities. The RBI's climate disclosure guidelines are in line with BCBS principles.

What does the RBI's draft framework say?

- The draft disclosure framework of RBI,2024 tries to align the regulated entities' climate policies with international standards by reporting climate exposures and risks with metrics and targets.
- The affected entities include commercial banks, certain urban cooperative banks, all Indian financial institutions, and all large non-banking financial companies (NBFCs).
- The disclosure of information based on 3 pillars will begin in financial year (FY) 2025–26.
- **Key areas of disclosures -** The framework broadly mandates disclosures in 4 key areas of governance, strategy, risk management, and metrics and targets.
- **Governance -** The governance part stresses that banks need to have structures and processes for board and management oversight on climate risk and opportunities.
- **Strategy -** The strategic aspects cover the actual and potential impacts of climate-related risk (physical risk as well as transition risk) and

opportunities for business strategy and financial planning.

- **Risk Management -** The risk management aspects suggest that banks need to describe the process to identify, assess, manage, and integrate climate risks into overall risk management frameworks.
- **Metrics and Targets -** In the metrics and targets section, RBI expects banks to specify methods and objectives used to assess, monitor, and manage climate-related risks and opportunities.
- The disclosures should be backed by appropriate internal control assessment and reviewed by the board of directors or a committee of the board. The disclosures should be made on a stand-alone basis.
- It has proposed a four-year road map starting 2025–26 for banks and financial institutions.
- Organizations use the Partnership for Carbon Accounting Financials (PCAF) approach to estimate financed emissions.
- It has emerged as a standard method for consistent and comparable assessment and calculation of financed emissions across the financial industry.
- Under this method, the attribution factor for each borrower or investee is multiplied by its absolute CO_2 emissions level.
- The attribution factor can be the ratio of the outstanding amount to the total equity and debt of the said firm.
- The disclosures shall be subject to appropriate internal control assessment and shall be reviewed by the bank board.

What are the implications for the market?

- Investors and market participants are now paying greater attention to climate change. Banks need to achieve greater transparency and quality disclosure to enhance investors' and depositors' confidence.
- Globally, stakeholders use the ESG score to assess the sustainability of the company's environmental sustainability.
- It reflects the company's ongoing performance and effectiveness based on publicly provided information.
- The higher the ESG score, the better will be the company's sustainable performance.
- As per the signalling theorem of corporate finance, investors will positively respond to such news which will ultimately increase the firm value (better price-to-book ratio, higher market capitalization).

What is the conclusion?

- Proper risk assessment and disclosure frameworks are essential to measure and understand climate change risks.
- It is essential to set time horizons for climate risk planning in line with the bank's business goals (medium- and long-term plans).
- For corporate loan books, the direct relationship between financial factors, credit ratings, and climate ratings like ESG scores or CDP scores at the firm level needs to be examined by banks.
- For this, it is essential to devise methodologies to assess exposures to high climate risk sectors and gauge erosion of capital or profitability

under stress scenarios with different mitigating responses from these industries.

- Metrics like CO_2 emissions to total sales, or total assets for firms/sectors, exposure to high CO_2 intensive or low ESG sectors, and their relation with bank (or external) credit ratings and non-performing assets will enable the bank to conduct such risk analysis more objectively.
- Similarly, climate value-at-risk (climate-VaR) will enable banks to integrate different climate scenarios into their credit or investment portfolios and perform loss analysis through Monte Carlo simulation.
- This way, banks can develop climate risk management capabilities.

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