# [***Biodiversity loss to raise India's bankruptcy risk 29%***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:65S9-9BK1-F12F-F395-00000-00&context=1516831)

Down To Earth

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**Body**

India, June 24 -- The first study of sovereign credit ratings reveals that partial collapse of ecosystems will add burden of billions of dollars for at least 26 countries

***Loss*** of ***biodiversity*** will downgrade the credit ratings of several countries, including India, increasing their bankruptcy risk, according to a study by British economists.

A team of economists from British universities - University of Cambridge, University of East Anglia, Sheffield Hallam University and School of Oriental and African Studies (SOAS) University of London - analysed the sovereign credit ratings of 26 countries, including India.

Sovereign credit ratings are an independent assessment that determines the creditworthiness of a country.

The team claimed that investors and corporations ignoring ***biodiversity*** ***loss*** from calculations could lead to market stability being undermined. They found that at least 58 per cent of the 26 countries would face a detrimental impact.

The authors wrote that the study was based on World Bank predictions which talk about a "partial ecosystem collapse" such as in fisheries, tropical timber production and wild pollination.

The Artificial Intelligence simulation reflected that in such a scenario, more than half the 26 countries studied would face downgrades, with China and Indonesia plummeting by two notches on a 20 notch scale within 2030.

China and Malaysia would be the worst-affected with downgrades of more than six notches, according to the study.

India, Indonesia, Ethiopia and Bangladesh can expect downgrades of four notches while a third of the countries studied would experience more than three.

The downgrades to four notches for India and other countries means that they will be burdened with billions of dollars in interest. Twelve of the 26 countries analysed will be at the risk of bankruptcy.

The report estimated that India will have a risk over 29 per cent while Bangladesh will suffer the most, with an estimated 41 per cent and Ethiopia by 38 per cent.

Madagascar, Pakistan and other four countries are likely to default, which means they will be unable to repay the credits due to a sudden collapse of ***biodiversity***.

The repercussions to the situation would result in additional interest costs between $28 billion and $53 billion per annum on the global capital markets.

Matthew Agarwala, lead author from University of Cambridge's Bennett Institute for Public Policy said in a statement:

As nature ***loss*** reduces economic performance, it will become harder for countries to service their debt, straining government budgets and forcing them to raise taxes, cut spending, or increase inflation. This will have grim consequences for ordinary people.

Co-author Patrycja Klusak, affiliated researcher at Cambridge's Bennett Institute and associate professor at the University of East Anglia, said in the statement, "Developing countries are already saddled with crippling debt burdens driven by COVID-19 and soaring prices, and ***loss*** of nature will push these countries closer to the edge."

Klusak said there was an urgent need for innovation in sovereign debt markets.

Ulrich Volz, director of the SOAS Centre for Sustainable Finance, who is also a co-author, added: "***Biodiversity***-related risks are a material risk to economic activity and public finances. Protecting the natural habitat is not just important for nature's sake but also crucial for safeguarding macroeconomic stability."

***biodiversity*** ***loss*** plants Animals credit ratings World Bank Group (WBG) University of Cambridge Wildlife & ***Biodiversity*** World

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