

The World Bank in India

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Poverty is more than a lack of money. According to poor people themselves, it means hunger, untreated illnesses, and social exclusion. It means lack of electricity and clean water, and being unable to send children to school, often needing them to work instead. For some it can mean a constant feeling of insecurity and stress based on an uncertain future.

POVERTY IN INDIA

India has significantly reduced the number of its people living in poverty since gaining independence in 1947. Yet over 25 percent still live below the country's poverty line. This means that, with the world's second largest population—over one billion—India is home to over one third of the world's poor people. As of 2001, the country's per capita gross national income was \$460, slightly higher than low-income countries worldwide.

India made good economic progress over the past decade due to wide-ranging reforms, launched in 1991, which opened and deregulated the economy, substantially improving the investment climate. Trade liberalization has continued and privatization of state-owned enterprises has significantly increased government revenue which could be used to increase services for the poor.

Yet much of India's economic success is not reaching many of the poorest people of the country. Factors critical to India's future poverty reduction are: increased economic growth which benefits the poor as well as those who are better off, and an increase in the ability of India's states to deliver services to the poor.

THE CHALLENGE

Prior to Independence, India suffered from frequent, devastating famines. Hence, poverty reduction and agriculture were central themes of India's founding fathers. In the early 1950s, nearly 50 percent of India's population was living in poverty, and although the percentage has dropped, population growth means that around 250 million are still impoverished.

Traditionally, India has measured poverty according to the level of household consumption expenditure. Those who are not able to consistently meet their most basic human needs fall below the poverty line. In the past few years there has been an intense debate—and recently a growing consensus—concerning the methodology used to



The feel of poverty

Although most of their friends are still in school, extreme poverty forced brothers Ram and Pranay, who live in the state of Uttar Pradesh, to drop out to work in a local tea stall. They earn only around Rs. 10 (around 25 cents) each day for working 14-16 hours, and often sleep on the floor of the stall rather than walk home late at night. They say the tea-stall owner mistreats and strikes them often. If they have to work under these conditions, the boys say they would prefer to do so far from their own neighborhood because they feel a sense of shame when community members see them being beaten.

Poverty in India, The Challenge of Uttar Pradesh—World Bank

calculate poverty levels and trends in India. There is also a growing recognition of the need to build the capacity of India's statistical system to support this work.

Measuring consumption levels, for example, doesn't begin to show the multidimensional nature of poverty. Increasingly other aspects—such as lack of access to medical care and schooling, indebtedness and insecurity—are being added to the measurement of poverty. (see box, left)

Despite remarkable progress in education, for example, India is still home to the world's largest number of illiterate people. India accounts for 20 percent of the world's out-of-school children and for 20 percent of the gender gap in elementary education. Maternal mortality remains high, particularly in rural areas, with estimates at 479 deaths per 100,000 live births. Maternal deaths in India account for almost 25 percent of the world's childbirth-related deaths.

While some gender indicators have improved, such as a declining gender gap in school enrollment and female life expectancy now exceeding that for men, the overall picture remains one of stark inequality. Many of India's women are malnourished with anemia, which is present in 60 percent of the female population.

Despite improvements in health and well-being, malnutrition remains a silent emergency in India. Almost half of all children under the age of five are malnourished and 34 percent of newborns are significantly underweight.

In addition, the threat of HIV/AIDS is spreading quickly, moving from high-risk groups into the general population.

Making India's poverty reduction challenge all the more formidable is its size and diversity. The 28 states of India's federation differ vastly in terms of their natural resources, administrative capacity, and economic performance. They play a key role in devising and implementing policies to reduce poverty, promote human development, and stimulate growth. Yet deteriorating finances have caused state spending on critical sectors such as health, education, irrigation, and infrastructure to decline below the levels required to make further headway against poverty.

Both poverty and illiteracy are becoming more concentrated in India's largest and poorest states. Uttar Pradesh, a state larger than many of the world's countries, is home to an estimated eight percent of the world's poor.

As of May, 2000, 21.9 percent of the people in the State of Andhra Pradesh were living below the poverty line, compared to 33 percent in the state of Uttar Pradesh.

Millennium Development Goals

At a Millennium Summit in 2002, major development organizations looked at development goals which had been agreed at international conferences and world summits during the 1990s, and distilled them into eight goals:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria, and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

The Goals were formed in response to what was seen as uneven development progress, where globalization benefits millions, but poverty and suffering still exist.

Many developing countries have their own sets of poverty reduction goals in keeping with their national development agendas. The Millennium Development Goals are the international community's commitment to try to do a better job of supporting them.

Success in India, which has the world's second largest population, is critical to the achievement of these goals

MAKING PROGRESS

Uplifting poor people and integrating them into the mainstream is a recurrent theme of India's Five Year Plans, and universal access to education is enshrined in the country's constitution. India has established a wide array of anti-poverty programs, and much of its thinking on poverty has been mainstreamed internationally.

The poverty incidence in India began to decline steadily since the mid-1970s. The official estimates are that poverty fell from 36 percent of the population in 1993/94 to 26 percent by the end of the decade. However, there is a debate on the rate of decline due to data difficulties, and most researchers think that poverty fell by less than this.

During the same decade, important achievements were made in literacy, with enrollment of primary school-aged children rising from 68 percent in 1992/93 to 82 percent at the end of the decade. India today has 108 million children aged 6 to 10 attending primary school, making it the world's second largest education system after China.

India's average life expectancy at birth has increased from 49 years to the current 63 years. The total fertility rate has been lowered from six children per woman to three since the 1960s. Similarly, since 1950, there has been a dramatic reduction in infant mortality from 146 to the current average of 68 per 1,000 live births.

LOOKING AHEAD

Despite admirable progress in the 1990s, poverty reduction remains India's most compelling challenge. In 2001-02, the economic growth rate, essential to poverty reduction, was estimated at 5.5 percent. Acknowledging the achievements of its stabilization and reform programs during the 1990s, India's future progress in reducing poverty and improving social indicators depends on its ability to accelerate economic growth and maintain a stable macroeconomic framework. While growth over the last twenty years has averaged almost 6%, this rate still falls short of the government's objective of 8 percent, as outlined in its 10th five-year plan. As the plan argued, there is a need for a second wave of reforms to launch India onto a higher growth path that reduces poverty faster.

Basic education, health and infrastructure need better and more public spending to reduce poverty and encourage growth. Withdrawal of the government from non-core activities through faster privatization (not just sales of minority shares) in manufacturing and service sectors, such as airlines and hotels, and increased private sector participation in infrastructure, would allow the government and the civil service to focus on truly public sector activities that can improve well-being.



In addition, increasing public revenue and spending it more efficiently are two critical challenges for the government. This would require tax reform, a reduction of subsidies, wage and hiring restraint, and improved financial management. Opening the public sector to public scrutiny so that both corruption and nonfeasance can be identified and redressed will be critical to this effort.

At the grassroots level, more progress is needed to ensure that poor men and women have access to social services and are empowered as citizens who can demand these as their right.

Job creation will be critical to reducing poverty and to achieve this, India will have to improve its investment climate. For industry and services, this means addressing market distortions and inefficiencies and improving infrastructure. Businesses also require reliable and reasonably priced power and smooth transportation. In Agriculture, this means addressing market distortions, enhancing productivity and developing rural, off-farm income opportunities.

These reforms cannot be carried out by the central government alone. Continuing to strengthen states' abilities to improve economic growth and reduce poverty through comprehensive state-level reforms will be essential. ■

All dollar figures are in US dollar equivalents.

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