

## South Asia

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### Rags remain India's true story

By Kunal Kumar Kundu

BANGALORE - India continues to be the toast of the world, given its high growth rate, even in these most difficult periods. Indeed, recent lower growth notwithstanding, the resilience exhibited by the economy is praiseworthy. From the growth angle, the future does seem bright, as the original *sardar* of India's economic reform - Dr Manmohan Singh - is at the helm of the government. And, that too, for a second consecutive term as prime minister.

Indeed, things seem to be going well for India. Or are they? The response depends on which section of the population the question is thrown at. A comparatively smaller section of the population has indeed benefited from the high growth rate. But for a larger, poorer section, reform has hardly made a dent. Manmohan always emphasized reforms with a human face or more broad-based growth.

In reality, after nearly 20 years of economic reforms, the plight of a vast majority of the population hardly shows any signs of improvement. An economy that is hailed as an emerging global economic superpower, India lags in various social dimensions.

Some hard facts drive home the point.

India still has a highly undesirable rate of under-nourishment. Although there has been some improvement, other countries have moved at a much faster pace and many countries have overtaken India, with a few that were much worse off than India now pipping it to the post.

**Table: Prevalence of undernourishment in total population**

(%)

Country Name	1969-1971	1979-1981	1990-1992	1995-1997	2001-2003 provisional	2002-2004 preliminary
Mozambique	58	59	66	58	45	44
Cameroon	27	23	33	34	25	26
Thailand	29	23	30	23	21	22
<b>India</b>	<b>39</b>	<b>38</b>	<b>25</b>	<b>21</b>	<b>20</b>	<b>20</b>
Senegal	23	23	23	25	23	20
Philippines	51	27	26	22	19	18
Viet Nam	32	37	31	23	17	16
Burkina Faso	58	62	21	19	17	15

China	46	30	16	12	12	12
Ghana	24	65	37	18	12	11
Mauritania	53	40	15	11	10	10
Brazil	23	15	12	10	8	7
Malaysia	5	3	3	<2.5	3	3
Russian Federation					3	3

Source: FAO

The malnutrition rate is one of the highest anywhere.

India also has one of the lowest routine immunization (RI) rates in the world. Estimates from the 2005-2006 Indian National Family Health Survey (NFHS-3) indicate that only 43.5% of children aged 12-23 months were fully vaccinated (received BCG, measles, and three doses of DPT (covering diphtheria, whooping cough and tetanus) and polio vaccines), and 5% had received no vaccinations at all.

Given an annual birth cohort of 24 million surviving infants and an under-five-years-old mortality rate of 74/1,000, this results in over 12.5 million under-immunized children each year. As per WHO/ UNICEF estimates (2006 estimate), India's immunization rate compares quite unfavorably with even many African countries.

India also ranks low in infant mortality rate, even lower than Bangladesh.

**Table: Infant Mortality Rate**

(per '000 live births)

Country Name	Under-five Mortality Rate
Albania	18
Armenia	29
Bangladesh	73
<b>India</b>	<b>74</b>
Bhutan	75
Bolivia	65
China	27
Iran	36
Kazakhstan	76
Kiribati	65
Lao	79
Mongolia	49

Source: Immunization Summary: The 2007 Edition by UNICEF & WHO

Despite significant economic progress, a fourth of the nation's population earns less than the government-specified poverty threshold of US\$0.40 per day. Official figures estimate that 27.5% of Indians lived below the national poverty line in 2004-2005. A 2007 report by the state-run National Commission for Enterprises in the

Unorganized Sector (NCEUS) found that 25% of Indians, or 236 million people, lived on less than 20 rupees per day with most working in "informal labor sector with no job or social security, living in abject poverty".

In fact, when the World Bank revised upward its international poverty line norm from \$1 a day, they found that nearly five out of 10 Indians were living on less than \$1.25 (about 55 rupees) a day. What is worse, their number is on the rise, despite a fall in percentage terms.

In an update on its "International Comparison Program", the World Bank said that out of an estimated population of about 1 billion in 2005, the number of poor people living below \$1.25 a day had increased from 421 million in 1981 to 456 million in 2005. This is the biggest challenge facing India.

The study also pointed out that even as the number of people living on the earlier poverty line norm of less than \$1 a day had come down, there were still a large number of people living just above this line of deprivation and their numbers were not falling.

The revised estimates on poverty based on new purchasing power parity norms show that India's poverty rate fell by a mere 19% between 1990 and 2005 as compared with a global decline of 38%. In terms of a dollar a day, the number of people living below the poverty line decreased from 296 million in 1981 to 267 million in 2005. In comparison, China achieved a much faster rate of poverty reduction.

It is important to note that at the time of India's independence in 1947, the total population of the country was about 330 million. What this means is that, after more than 60 years of independence and nearly 20 years of reform, an entire independent India lives in abject poverty.

Even clean water supply is a scarce commodity. The standards of health and literacy also are dire.

More importantly, the post-reform period has also failed to bridge the rich-poor gap. This can be best understood by looking at the trend in regional disparities. The richer, better-run and more literate states - broadly, western India - have proved more attractive to investors than the poorer, more chaotic ones in the east.

Between 1999 and 2008, when the Indian economy grew at an average annual rate of 7.3%, many richer states grew faster: Gujarat at 8.8%, Haryana at 8.7% and [Delhi](#) at 7.4%. Among the poorest and most populous states, Bihar grew at 5.1%, [Uttar Pradesh](#) at 4.4% and Madhya Pradesh at 3.5%.

Does this mean that reforms have been a failure in India? The answer would be both "yes" and "no". "No" because the post-reform period has seen some structural improvement in the Indian economy, thereby leading to a higher growth path. "Yes" because policymakers have clearly exhibited that they do not have the stomach for difficult, yet essential reforms.

Administrative reform is a case in point. This has been amply made clear by a recent survey of Asian civil servants by the Hong Kong-based Political and Economic Risk Consultancy. In a survey of 12 nations, India received the wooden spoon, with its bureaucracy found to be the least efficient.

"They are a power center in their own right at both the national and state levels, and are extremely resistant to reform that affects them or the way they go about their duties," said the report, which involved inputs from more than 1,200 expatriates working in these countries.

This is surely not a surprise as Indians have good experience of the slothful ways of their bureaucracy. Unfortunately, the amount of economic output lost due to bureaucratic delays cannot be readily calculated and hence cannot be dealt with effectively. But if some studies are to be believed, improvement on this front alone could easily add a couple of percentage points to India's gross domestic product growth. Add to that the vested interests of politician policymakers and it seems almost a miracle that India manages to grow rapidly.

India's infrastructure is a famous victim of stifling red-tapism, as a result of which India always needs to play catch-up and is perennially an infrastructure (physical) deficit country. However, the biggest victims of bureaucratic inefficiencies are the delivery mechanisms of various social-sector projects.

As a result, despite substantial amounts of money being earmarked and officially spent on social projects, the intended beneficiaries are mostly bypassed. In the early 1980s, Rajiv Gandhi famously stated that only one-tenth of every rupee spent went to the intended beneficiary. That was in the pre-reform period.

Nothing has changed in the post-reform period. Indeed, lagging social indicators do point toward the sheer lack of administrative capability and proactive development delivery mechanisms pan-India. That is because most civil servants are politicized, personalized and corrupted.

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