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Opinion: India's poverty curse

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In the aftermath of the the global crisis, India stands out as an island of growth in an ocean of economic debris. With a likely growth of around 6.5 per cent this financial year, India seems to be one of the economies least affected by the crisis. However, according to a string of recent reports India continues to fall behind other emerging economies when it comes to fighting poverty.

A UNICEF report - ['Tracking Progress on Child and Maternal Nutrition'](#) - showed that India has the largest number of stunted children below the age of five in the world primarily due to undernourishment. The UNICEF reports also highlighted that India also has one of the highest numbers of underweight children, below the age of five, and one third of 'wasted children' (i.e. those facing a greater chance of death).

Another report by the Institute of Development Studies said that despite India's recent economic boom, at least 46 per cent of its children up to the age of three still suffer from malnutrition, making India home to a third of the world's malnourished children.

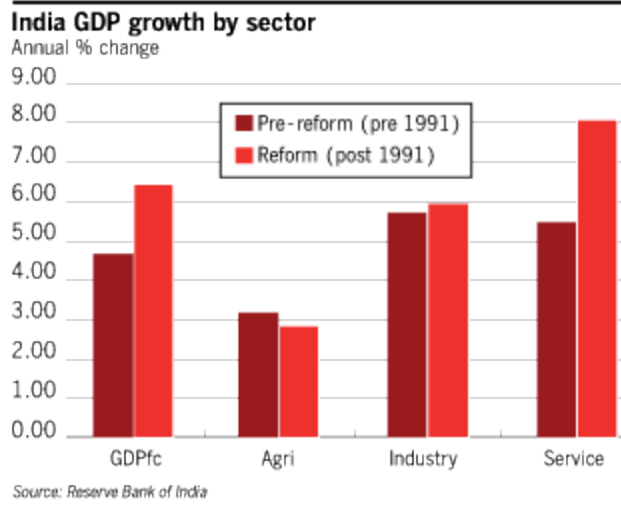
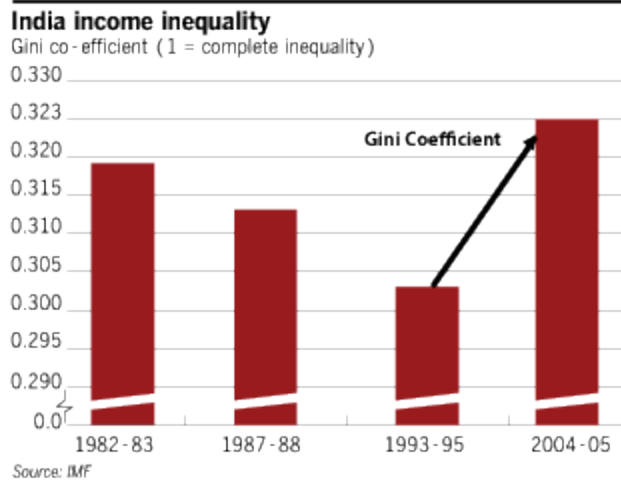
Dr. Joesph Hulse, a distinguished visiting professor at Dr. Swaminathan's research foundation, also estimated that there are about 100m people - including children - in India's rural areas alone who are malnourished.

Even the extent of poverty is very high in India. Currently, 27.5 per cent of India's population or more than 300 million people are poor. Considering that the population of India at the time of independence was 330m, it's shocking that the same number of people today live in a state of poverty.

According to the IDS report, the economic boom has enriched a consumer class of about 50m people, but an estimated 880m people still live on less than \$2 a day, many of them in conditions worse than those found in sub-Saharan Africa.

So, have the 1991 pro-market reforms delivered?

An epitome of growing India is the surging Bombay Stock Exchange's benchmark Sensex. While this has been a cause of celebration for a few, not everybody in India is smiling. The chasm between India (euphemism for suave, urbane populace) and Bharat (rural, semi to illiterate poor) has widened, despite the pro-market reforms.



The best way to understand this is by looking at India's Gini coefficient, a widely used measure of income inequality where zero denotes full equality and one totals inequality.

As per the International Monetary Fund's estimates - based on National Sample Survey Organization data of various round - while India's Gini coefficient was declining steadily, it actually rose substantially during the post-reform period. This means that inequality rose in the last 18 years.

Although India's average gross domestic product growth rate was 169 basis points higher during the reform years compared to the 18 years before the economy opened up, this improvement is mainly due to the strong growth rate in the service sector in recent years.

It is important to note that growth rate in agriculture actually declined post-reform, leading to a drastic reduction in the share of agriculture in GDP. While this need not be a problem, it assumes disastrous proportion if we consider the fact that there was hardly any adequate reduction in the dependence of the population on this sector. Currently, about 65 per cent of the population is still dependent on the agricultural sector.

The pro-market reforms also failed to galvanize industry, as the average growth rate improved by a mere 34 basis points during this period. This reduces the possibility of people moving out of agriculture and into industry. Not surprisingly, the Gini coefficient for India has been growing.

Fact is, governance has been a big failure in India. India is very much through with the so called 'low hanging fruit' as far as reform efforts are concerned. Where India is failing is in the next steps, which is undertaking the difficult part of the reform process. One of them is reforming bureaucracy and bringing in more accountability. Elsewhere delivery mechanisms will continue to be inefficient and real development will elude us. If after nearly two decades of reforms India continues to let these important changes pass by, India's commitment to Millennium Development Goals will fall flat on its face.

Not that India does not have programs aimed at ameliorating the plight of the poor. But when only about an estimated 15 per cent of the resource allocated for various social programs reach the intended beneficiaries, positive change is hardly visible.

Let's consider the case of Integrated Child Development Services, which possibly is the biggest nutrition supplementation program. As per the [World Bank Policy Research Working Paper 3647](#), levels of child malnutrition in India fell only slowly during the 1990s, despite significant economic growth and substantial public spending on the ICDS program. The states with the greatest need for the Program, India's poor northern states with high levels of child malnutrition and nearly half India's population, have the lowest program coverage and the lowest budgetary allocations from the central government. Also, while the program placement within a state has been found to be more progressive (i.e. poorer and larger villages having a higher probability of having an ICDS centre), they found little evidence of program impact on child nutrition status in villages with ICDS centres.

Despite continuously rising food subsidies, there is the pervasive presence of persistent hunger in India. It is no surprise, therefore, that poverty and malnutrition continues to be inexorably high in India.

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