Growth without development: rhetoric and deprivation

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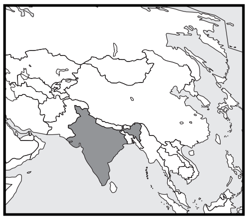

The performance of the economy, the increasing gap between the goal of macroeconomic development and social development and the complete lack of political will and economic agenda for long-term social development show how the rhetoric belies reality. Growth without development will deepen inequality and have dangerous socio-political consequences that could undermine the very essence of freedom and democracy.

The Indian economy has grown at an average rate of 6.4% a year since 1992. The average rate of economic growth in the 1990s is indeed impressive, compared with the 5.8% recorded in the 1980s. Policy makers never fail to link economic growth with the apparent drop in poverty from 36.19% in 1993-94 to 26.10% in 1999-2000.[2] Such rhetoric belies reality. The total number of poor has increased substantially and so has inter-regional disparity. The fact is that 44.2% of India's population lives with an income of less than USD 1/day.[3] The Human Development Report 2001 ranks India 115, with a Human Development Index (HDI) value of 0.571.

The three main reasons for deprivation and increased inequality are the inequitable distribution of land and natural resources, the lack of adequate financing for social development; and the adverse impact on the poor of liberalisation, structural adjustment and the trade regime led by the World Trade Organisation (WTO).

Inequitable distribution of land

About 70% of India's people depend on land and agriculture for survival. Approx. 53.7% of Indians is landless or semi-landless. Tribals, accounting for 8.3% of the population, are trapped in a vicious circle of displacement, poverty and disease. In the last 50 years, an estimated 30 million people were displaced as a result of various infrastructure development projects. Of these, 40% were tribals and 25% *Dalits*.[4] A majority of landless labourers is from the historically marginalised *Dalits* and tribal communities. A reported 915,444.57 acres of land has been alienated from tribals.[5] Small and marginal farmers with 78% of the land cultivate only 32.2% of the cropped area, whereas medium and large farmers with 8.8% of the land holdings cultivate 47% of the cropped area. In India, 91% of employment is in the informal sector, and most labourers are landless.

TABLE 1

Main macroeconomic indicators

	ANNUAL GROWTH RATES (%)				% OF GDP				PER CAPITA			
	GDP	IIP	AGRICULTURE	FOOD GRAINS	WPI	EMPLOYMENT	SAVINGS	INVESTMENT	FISCAL DEFICIT	TRADE DEFICIT	CAPITAL FLOW	FOOD AVAILABILITY
1990-91	5.6	8.2	3.8	3.1	12.1	1.44	23.1	26.3	6.6	-3.0	2.7	510.1
1999-00						0.04	22.3	23.3		-3.8	2.3	466.0
2000-01	6.0	5.7	-3.5	-4.7	6.6				5.9			

Source: Economic Survey 2000-2001, pp 4, 192 and S-24. IIP = Index of Industrial Production. WPI = Wholesale Price Index. Employment refers to the formal sector, which receives the bulk of investment. Food Per Capita Availability in the last column is in grams per day. Fiscal Deficit for 2000-01 is projected on the basis of the latest data available.

Insufficient budget, inefficient management

Policy makers have made numerous lofty claims about economic growth, but public expenditure for social development has decreased consistently in the last decade. Public health investment is among the lowest in the world. As a percentage of GDP, it declined from 1.3% in 1990 to 0.9% in 1999. In the states, which have the major responsibility for public health, health expenditures declined from 7% to 5.5%. The current annual *per capita* public health expenditure is INR 160, less then USD 4. The draft of the proposed National Health Policy, 2001 of the Government of India admits, "economic liberalisation has resulted in the declining *per cent* of state resources allocated to the health sector".

The infant mortality rates of Scheduled Tribes and Scheduled Castes[6] are 84.2 and 83 per 1,000 respectively, much higher than the national average of 70 per 1,000. Among the Scheduled Tribes and Scheduled Castes, the percentage of underweight children is 55.9 and 53.5 respectively.[7] Outbreaks of contagious diseases such as tuberculosis, malaria and HIV/AIDS are very high among the poor. The withdrawal of government from the health sector

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2 Economic Survey 2000-2001, Government of India.

3 Draft National Health Policy, 2001, Ministry of Health and Family Welfare, Govt. of India.

4 *Dalits* are the lower strata of the caste system. They are considered untouchable.

5 Land for Life 2001, National Centre for Advanced Studies, Pune.

6 Scheduled Tribes are Tribals or *Adivasis* (indigenous people) and Scheduled Castes are *Dalits* (see footnote 4).

7 Draft National Health Policy 2001. Ministry of Health and Family Welfare, New Delhi.

TABLE 2

Expenditure of central and state governments on health	
YEARS	PERCENTAGE TO GDP AT CURRENT MARKET PRICES
1993-94	1.25
1994-95	1.22
1995-96	1.02
1996-97	0.95
1997-98	1.00
1998-99	1.11
1999-2000	0.90

Sources: Centre for Monitoring of Indian Economy (CMIE), Public Finance.

affects the primary health of the poor, particularly the reproductive health of women. The proposed user fees for primary health care will in effect push the poor out of the public health care system and further strengthen unregulated private health care.

With state governments reducing budgetary allocations for elementary education, 63 million children age 6 to 14 are out of school. The Kothari Commission Report (1964-66) prescribed 6% of GDP for education, but public expenditure on education has been around 3%. Latest estimates show that INR 470 billion (USD 10 billion) would be required to provide universal elementary education by the year 2015.[8] The World Bank-funded District Primary Education Programme (DPEP), extended to 240 districts in 16 states, has failed to make the desired impact. In the 1980s, national level enrolment grew by 2.5% per annum. This growth declined to about 0.41% between 1995 and 1998.[9] The 93rd amendment to the Indian Constitution ensures the fundamental right to education. However, lack of required budgetary allocations and ongoing attempts to privatise education are denying this right to the poor.

A study of the Central Budget in the last three years shows that the government not only failed to allocate adequate funds for social development, but also failed to spend a large chunk of the allocation. For instance, the Human Resource Development Ministry surrendered INR 15,980 million (USD 340 million) because it failed to spend the money. The Rural Development Ministry surrendered INR 13,800 million (USD 293.5 million) of the INR 319,950 million (USD 6,807 million) sanctioned. The Health and Family Welfare department surrendered INR 11,070 million (USD 235.5 million). According to the latest Economic Survey (2001), 91% of the rural India does not have sanitation facilities. Out of the INR 3,360 million (71.5 million) allocated for rural sanitation for three years, the government failed to spent INR 510 million (USD 10.8 million).[10] This lack of budgetary commitment and failure to implement social development programmes expose as rhetoric the policy of "growth with development".

Economic recession

In 2000-2001, there have been substantial declines in the growth of industrial production, infrastructure development, India's share in world trade, savings and investment rates, and in Foreign Direct Investment (FDI) flows. The index of industrial production growth rate declined from 6.45% to 5.7%. FDI inflows to India have declined since 1997. In 1998, FDI inflows declined from USD 3,577 million to USD 2,168 million. In the same period, India's share in world trade declined from 0.765% to 0.38% and 0.259%.[11] An anticipated rise in FDI and resultant increase in the employment proved to be wishful thinking and false hope.

The decline in FDI has been accompanied by a decline in domestic savings and investment rates. The savings rate (gross domestic savings as a percentage of GDP) declined from 25% in 1995-96 to 19% in 2000-01. During the year, there were severe droughts and other large-scale natural calamities such as the earthquake in Gujarat and flood in Orissa. These made agricultural activities difficult, particularly for small-scale farmers and resulted in a crisis in the agricultural sector. Consequently, the growth rate projected by the Economic Survey for the financial year 2001-02 is only 4.8%, indicating an acute recession in the economy.

A significant goal of the Central Budget for the year 2001-02, a fiscal deficit of 5.1%, has been achieved. However, the combined fiscal deficit of the states and the central government is about 10% of GDP. Foreign exchange reserves increased from USD 5.8 billion in 1990-91 to USD 41 billion in 2001-02. But the country's debt is higher by USD 15 billion and inflow of foreign capital (which is a country's liability) is USD 40 billion. The public debt is USD 100 billion and a significant part of the budget goes for debt servicing. The Central Budget of 2000-01 was heralded as the "second generation reforms" to accelerate the process of liberalisation and economic growth. However, the performance of the economy and the complete lack of political will and economic agenda for long-term social development show how the rhetoric belies reality.

Despite the promises, employment generation in the formal sector, which received large investments in the last decade, is completely stagnant. Since quantitative restrictions were lifted on 1 April 2001, the market has been flooded with cheap Chinese goods, which may affect the small-scale sector adversely. This provision of the WTO-led policy regime places the livelihoods of hundreds of millions of people in the agricultural and small-scale sectors under unprecedented threat.

There has been a feminisation of poverty. About 85.4% of women workers are in the agricultural sector. The crisis in the agricultural sector adversely affects the livelihoods and food security of the rural poor, particularly women. The total unemployment rate increased between 1993-94 and 1999-00. There has been a sharp increase in the number of deaths from poverty and malnutrition.

The GDP growth rate gives a false sense of growth and development. The GDP for 2000-01 is estimated to be INR 19.727 trillion (USD 419.6 billion). The total expenditure of the central government for the year 2000-01 is estimated to be INR 3,752.23 billion (USD 79.8 billion). Despite such huge expenditure, the real amount spent on social development is insignificant when compared with defence spending and spending to run the government machinery. There has been a decrease in budget allocations in some key areas of social development. In 2001, there was a short fall of INR 6 billion (USD 127.6 million) for social services, INR 10 billion (USD 212.7 million) for rural development and INR 6.8 billion (USD 144.6 million) for agriculture.

After ten years of liberalisation, we need to raise critical questions about the increasing gap between the goal of macroeconomic development and social development. Why is the "fastest growing" economy so slow in reaching out to impoverished millions in remote villages and congested urban slums? If economic growth is achieved without social development at the grassroots level, it will not only widen inequality but also give rise to socio-economic paranoia, socio-political unrest and instability. Growth without development will have dangerous socio-political consequences that could undermine the very essence of freedom and democracy. ■

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8 Documents of the National Alliance for Fundamental Right to Education, 2001.

9 Aggarwal, Yash (2000) "Monitoring and Evaluation under DPEP", NIEPA: New Delhi.

10 "Budget of Poverty and Poverty of Budget". *The Hindu,* 23 March 2001.

11 World Investment Report 2000.