Multidimensional Poverty and Inequality in India and Pakistan

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Abstract

After the dissolution of the British rule on the Indian subcontinent in 1947, India and Pakistan were formed as two new sovereigns. Both countries struggled to bring prosperity and economic successes in their governance due to numerous factors, of them—conflict, cultural feuds, and internalized violence. This article explores multidimensional poverty and inequality in India and Pakistan, particularly poverty resulting from the lack of opportunity, lack of empowerment, and lack of security. Furthermore, the article proposes strategies for inclusive development that may lead India and Pakistan to better prospects as both of their windows of opportunity near.
I. Introduction

Ever since India and Pakistan parted as independent sovereign nations in 1947, both governments have had trouble finding footing and stabilizing their economy while maintaining equality. The population and poverty continued to grow without control and has reached a point where the two neighboring nations are considered still amongst the poor in the world. However, the working-age proportion has been increasing for both India and Pakistan, bringing them to the cusp of development. While this is true, there are numerous issues that both countries must address, like existing inequity, before they are able to rise to the challenge.

This article discusses a major factor that has prevented India and Pakistan from graduating their low-income nation status—the combination of multidimensional poverty and both countries’ inability to provide programs and policies to counteract the factors perpetuating poverty, specifically the lack of opportunity, lack of empowerment, and lack of security.

The lack of opportunity is an umbrella term for the fundamental things that constitute poverty. This includes the lack of material opportunity, which includes access to jobs, electricity, clean water, sanitation, health and education. These factors are interconnected and are the aspects that distinguish the poor from the rest. While unequal opportunity is the overarching instigator of poverty, the lack of empowerment and the lack of security, which often arises from the lack of opportunity, also perpetuate poverty. Disempowered and insecure people in poverty are less likely to escape poverty and less likely to feel as though they have to ability or right to do so.

Disempowerment and insecurity have specific influences on the poor people of India and Pakistan as the cultural environment of both nations encourages segregation by religion, social class, and caste. These cultural and socioeconomic divides have direct correlations to the opportunities presented to each of those populations and amounts to inequality in education, the work place, and healthcare. While cultural constraints have loosened with modernization, a majority of India and Pakistan still abide by long engrained prejudices, which alienate the poor even more so. This article proposes means of overcoming inequity in these countries and the benefits of doing so.

II. Literature Review

There are a number of sources and studies that have analyzed the complexity of poverty and development in India and Pakistan. The following sources discuss multiple factors contributing to poverty, their individual implications, and means of correcting those implications.

- Azam’s (2011) study, “Causes and Measures for Poverty Reduction in Pakistan,” examines the causes of poverty in Pakistan and the current poverty reduction strategy in the country. The numbers suggest that poverty has reduced in Pakistan as in India as well. The paper argues that radical sectorial, occupational, and educational measures need to be taken to ultimately reduce poverty and aid the economic growth of the developing nation. Specifically, this study examines the Pakistan Poverty Reduction Strategy (PPRS), which consists of the following five elements: accelerating economic growth and maintaining macroeconomic stability, investing in human capital, augmenting targeted interventions, expanding social safety nets, and improving governance.
Aspalter’s (2002) paper, "Population Policy in India," presents reasons relating to India’s backward social development and weak population control policies are discussed. The paper examines policies put into action by the political system since 1950 and describes the effects that it had on the actual population control. What the analysis found was that the distribution of India’s population is diverse and has cultural and other implications. In specific, a high degree of poverty, low levels of female literacy, a high proportion of Muslims in population, and a lower degree of urbanization are all contributing factors to population growth via high birthrates.

The paper “Poverty Alleviation in India and Pakistan” (2012) examines multidimensional reasons for economic shortfalls and poverty in India and Pakistan. It discusses historical, social, and cultural aspects that add to the economic inequality in the two countries, and provides information and the impacts and strategies for alleviation. The paper holds urbanization, disengaged youth, disempowerment, low social capital, ineffective political systems, and religious conflicts responsible for the prevalence of poverty in the region. According to the paper, “since independence, a vast majority of people in India and Pakistan do not have access to education, information, health care and other support systems necessary for attaining quality of life”.

Mohanty’s (2011) paper, “Multidimensional Poverty and Child Survival in India,” discusses the need for multidimensional poverty analysis in, but not limited to, India. He uses data collected from various socioeconomic groups in India and 10 indicators to determine the various levels of poverty in states of India as well as the resulting effect on child mortality by those factors. The study found that those who are economically poor are almost always health-poor due to failures on the part of the government and its policies. Using education, gender, and relative poverty measurements, the paper concluded that inequality is a predominant factor affecting the state of poverty in India.

The study “Poverty in Global Perspective: Is Shame a Common Denominator?” (2013) attempts to understand the sociological and psychological aspects of poverty in developing and developed countries, including India and Pakistan. Populations of men, women, and children were interviewed to determine their views on poverty and their individual social standing. That study found that feeling shame was something common for all of those experiencing poverty. Furthermore, the feeling of shame and disempowerment came from inability to provide for themselves and their families. A common consensus amongst those interviewed was that poverty is a “vicious cycle” that only perpetuates more poverty.

III. Empirical Background

India and Pakistan, in terms of GDP (gross-domestic product) and population, are of the most dominant countries in South Asia. India has the fourth largest economy and is slated to have the largest and youngest work force the world has seen thus far. As of

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1 Khalid (2012)
2012, India had the world’s second largest population of about 1.2 billion, and Pakistan, while a fourth of the size of India, had a population of 180 million. Both countries have been experiencing an increase in GDP per capita adjusted for Purchasing Power Parity (constant 2005 international $) as seen in Figure 1.

**Figure 1: GDP per capita, PPP (constant 2005 international $), 1980-2011**

![GDP per capita, PPP (constant 2005 international $), 1980-2011](image)

Source: Created by author based on World Bank (2013).

While Pakistan and India have been experiencing a rise in GDP per capita, India’s GDP has been increasing at a faster rate and surpassed that of Pakistan between 2003 and 2004. According to The World Bank, India’s GDP as of 2011 was about $3203 per capita, and as of 2011, Pakistan’s GDP per capita was approximately $2424.

The stark difference in GDP between the two neighboring countries can be attributed to many factors. Firstly, India has a higher population, a larger work force, and more resources geographically and industrially for business. While it is true that India’s GDP is higher and increasing at a faster rate, the income contribution of the majority of India’s population is smaller as the income of the wealthy skews the average GDP. This relationship is seen in Figures 2 through 4.

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2 The World Bank (2013)
3 The World Bank (2013)
Figure 2 represents the percentage of people living in poverty for both India and Pakistan according to The World Bank. The figure depicts the percentage of the population earning under $2 a day in PPP and under $1.25 in PPP. Overall, the number of people living in poverty has declined in Pakistan and India.

In 1978, 89% of the Indian population earned below $2 a day, and about 66% of the people earned less than $1.25 per day.\(^4\) Over the years, however, as the GDP increased for both countries, the number of people living in poverty decreased. By 2010, the population earning less than $2 a day decreased to 68% and those living under $1.25 decreased to about 32%.\(^5\) The same relationship was present for Pakistan’s population living in poverty, though the trend is less consistent due to missing data for certain years.

Something of interest, though, is that while India’s GDP is greater than Pakistan’s the number of people living under poverty is greater. This relationship is heavily attributed to inequality in income distribution, which can be described using a GINI Index as seen in Figures 3 and 4.

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\(^4\) The World Bank (2013)
\(^5\) The World Bank (2013)
The GINI Index presents a relationship for equality in which an index of 0 implies perfect equality and an index of 100 implies perfect inequality. The GINI index values for both Pakistan (Figure 3) and India (Figure 4) have been fluctuating between 28 and 35, but India has overall more inequality compared to Pakistan.

Income inequality is only one of the many dimensions of poverty. Another important factor that plays into the development of India and Pakistan is education. As seen in Figure 5, progress needs to be made by both in terms of literacy. India has a consistently higher literacy rate as compared to Pakistan (Figure 5). While the data for literacy rates for Pakistan and India were only consistently collected in 1981 and 2006, the figure accurately represents a noticeable trend.
In 2006, the literacy rate for the total youth, those 15 years of age to 24 years, was about 81% for India and 69% for Pakistan. Furthermore, both countries’ data show that the literacy rate for the youth is greater than the adult literacy rate. In 2006, India’s adult literacy rate was about 63% while Pakistan’s adult literacy rate was approximately 54%. Since 1981, however, both countries have shown great leaps in the literacy, which correlates with an increased GDP and a decrease in poverty.

IV. Discussion

IV.1. Lack of Opportunity

India and Pakistan have been able to maintain a positive growth in GDP, but poverty still remains an issue. “The persistence of poverty of great magnitude and the widening of inequalities in consumption and living standards during the period of high economic growth suggest that there are larger structural inequalities that need to be addressed by state policy and that the market cannot be left to regulate itself.” The lack of opportunity is one of the major and most evident dimensions of poverty. The various factors that are included under opportunity inequality are interconnected and include, inequity in the work place, education opportunities, and healthcare, and consistent throughout all poverty-stricken nations including Pakistan and India. While the economy has been growing in both countries, “accelerating progress in human development remains the key underpinning for sustained economic gains.” As of 2012, 21.9% of India

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6 The World Bank (2013)
7 The World Bank (2013)
8 Nambissan (2010)
9 The World Bank (2014)
was living under the national poverty line.\textsuperscript{10}

IV.1a. Lack of Equal Work Opportunities

The inequity in the work place for both countries is best modeled through the lens of the Indian labor force. Despite high rates of economic growth, 39.26\% of the Indian population (more than 300 million) in 2008 were in extreme poverty, below the international poverty line of $1.25 a day and an estimated 200 million were ‘near poor’.\textsuperscript{11} ‘Poverty lines’ fail to capture the magnitude and complexity of poverty because there are regional as well as rural and urban inequalities among the poor in India.\textsuperscript{12} They include a disproportionately large number of Scheduled Castes (who are discriminated against because of their position as ‘ex-untouchables’ in the caste system) and Scheduled Tribes who have experienced neglect and cultural marginalization) as well as Muslim minorities.\textsuperscript{13} These inequalities contribute to the inequality in the labor force.

The Indian labor market is dominated by a large, unorganized informal sector that accounted for 92\% of the labor force from 2005-2006. The informal sector perpetuates inequality as it is characterized by insecurity of employment, low wages and the absence of labor laws. These works also have low literacy rates and are vulnerable to unemployment. The same relationship is present in Pakistan, where there is also noticeable inequality in occupational earnings.\textsuperscript{14}

\textbf{Figure 6: Percent of Vulnerable Employment in Pakistan and India in 2005}

![Vulnerable Employment for Pakistan and India (2005)](image)

Source: Created by author based on World Bank (2013).

Figure 6 illustrates the percent of the work force with vulnerable employment in India and Pakistan in 2005. According to The World Bank, the total percent of the Pakistani workforce that was under vulnerable employment was 61\% while for India it

\begin{itemize}
  \item \textsuperscript{10} The World Bank (2014)
  \item \textsuperscript{11} Nambissan (2010)
  \item \textsuperscript{12} Nambissan (2010)
  \item \textsuperscript{13} Nambissan (2010)
  \item \textsuperscript{14} Nambissan (2010)
\end{itemize}
Another relationship with inequality in the workplace is between male and female workers. In both countries, more females were under vulnerable employment than males. In 2005, 68% of women in Pakistan and 88% of women in India were vulnerable, while 60% of men in Pakistan and 80% of men in India were vulnerable.  

IV.1b. Lack of Education Opportunities

Education is a dimension of poverty that is often overlooked by governments when dealings specifically with the economy. Even amongst policy makers, there is a general presumption secondary and higher education is not necessary for economic growth and development.” Studies have concluded is that an economic slowdown is likely to result from a large number of informal sector workers slipping into poverty, which in effect adversely effects the education of their children. In reality, education and poverty exist in a destructive cycle. Poverty prevents further education and a lack of education leads to increased poverty. Secondary and higher education enhances earnings of the individuals and contributes to economic development, and post-elementary education makes a significant contribution to reduction in absolute as well as relative poverty.

For India and more so for Pakistan, government assistance with education programs is not strong enough. India spent about 4.3% of its GDP on education in 2000 while Pakistan spent only about 1.8% of its GDP on education (Figure 7). Over time, however, Pakistan’s GDP contribution to education has increased slightly but has not reached 3%. It is ranked of the lowest spenders on health and education in the region. India’s expenditure has decreased since 2000, but has remained close to 3.3% overall.

Figure 7: Government Expenditure on Education in India vs. Pakistan (%GDP) from 2000-2010

Source: Created by author based on World Bank (2013).

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15 The World Bank (2013)  
16 Tilak (2007)  
17 Nambissan (2010)  
18 Tilak (2007)  
19 The World Bank (2014)
Figure 7 suggests that India’s government support is greater than the support for education in Pakistan over all. This relationship translates to the higher rate of literacy in India as opposed to Pakistan. Primary education is nearly universal in India, but the enrollment ratios in secondary and higher education are very small. The gross enrollment ratio in secondary education is 37.5% and that in higher education less than 9% in 2002–2003. For the same years, however, Pakistan’s gross enrollment in secondary education was 27.7% and for tertiary education was 2.6%.

Another important issue is the disparity between the female and male literacy rates and school enrollments in both countries. India has reached parity between males and females for primary education, but Pakistan has yet to reach parity. Equality for women in the workplace and education has proven to be an important factor in relieving poverty.

**Figure 8: Percent of Abject and Moderate Poor by Education Level and Sex of the Head of Household, India, 2005-2006**

![Bar chart showing percentage of abject and moderate poor by education level and sex of the head of household, India, 2005-2006](chart.png)

Source: Mohanty (2011), pg. 7.

Figure 8 represents the relationship between sex, education, and poverty in India. “In general, it is observed that the extent of abject poverty and moderate poverty decreases with age (result not shown), educational level of households, households with many members and that it is higher among female headed households.”

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20 Tilak (2007)  
21 Tilak (2007)  
22 The World Bank (2013)  
23 Mohanty (2011)
education opportunities for men and women would give more groups of people the ability to escape poverty.

Apart from the financial aspect of education, there are issues such as inequality and insufficient teaching that lend to underdevelopment. Children experience multiple deprivations such as ill health, hunger, malnutrition, violence and insecurity as well neglected school environments. There are also intersecting disadvantages that emerge from exclusions resulting from caste position, minority status, gender, ethnic and other identities and are likely to adversely affect children’s sense of self, their confidence and hence their education. Teachers in India and Pakistan will have to becoming better equipped to understand and accommodate for the diverse needs for students from poverty.

IV.1c. Lack of Equal Healthcare Opportunities

The classification of households on economic, education and health dimensions suggests that those who are economically poor are more likely to be educationally poor both in rural and urban areas. Among the economically poor in India, half are educationally poor compared. Among the economically non-poor, only one-sixth are educationally poor. When it comes to health, however, those who are economically are almost always health-poor.

The inequality in healthcare can be examined using India’s BPL (Below Poverty Line) scheme, which is a benchmark that identifies those who live under $1.25 a day in PPP and provides them with government aid. According to Mohanty (2011), the possession of a BPL card entitles a household to government provided subsidized rations, guaranteed employment, free housing and maternal benefits etc. However, research conducted recently found that even though a higher proportion of abject poor households possess a BPL card compared to moderate to non-poor households, the majority of poor households are not covered under the poverty eradication program. “The coverage of health insurance in the population is low and almost non-existent among abject poor.”

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24 Nambissan (2010)  
25 Mohanty (2011)  
26 Mohanty (2011)  
27 Mohanty (2011)
Both India and Pakistan spend small amounts of their GDP on healthcare. According to The World Bank, the Indian government’s expenditure is relatively consistent and stable at around 4% of the GDP. However, Pakistan spends among the lowest in the region for healthcare. The amount that Pakistan has been spending on healthcare has decreased over the years and by 2010, the Pakistani government only spent 2% of its GDP for this program.28

IV.2. Lack of Empowerment and Security

Poverty is often considered and measured only in terms of income, but poverty outcomes are greatly affected by political and social processes. Social norms, values, and customary practices within a family or a region can lead to the exclusion of certain groups by gender, race, and religion.29 Exclusions and inequality caused by these practices are what make those experience poverty also experience disempowerment. Poor people are conditioned by their circumstances to believe that they cannot escape poverty and they may not deserve that escape. While the feelings of disempowerment are difficult to quantify, studies have been conducted over various regions including India and Pakistan in which men, women, and children are questioned about their views of poverty and their relative statuses in society.

A sociology study by Cambridge University in 2013 found that “though socially and culturally nuanced, shame was found to be associated with poverty in each location.”30 The respondents from India were mostly laborers, with families that lived in one-story, two one or two room spaces with cooking spaces outside. They had variable access to electricity and received water from communal taps. The Pakistani respondents lived in similar conditions. Neither of the groups had access to sanitation. The children from both countries were working full-time without attending school. All of the respondents expressed their frustration about being unable to meet their material needs,

28 The World Bank (2014)
29 The World Bank (2001)
30 Walker (2013)
which they associated with esteem. They faced the problem of feeling shameful for not being able to provide for themselves and their families and having to do shameful things to be able to provide.

People in poverty feel as though they are “trapped in a vicious life cycle,” in which “limited human and social resources constrain the acquisition of the financial resources necessary” to acquire more social resources that may help them escape poverty.\(^{31}\) Poverty makes the poor vulnerable to all aspects of life. Therefore, external events like natural disasters and conflicts exacerbate material poverty.\(^{32}\)

The matter of security is of significance in both Indian and Pakistan, but more so in Pakistan. The World Bank states that “while Pakistan’s overall inequality remains steady and relatively low compared to other developing countries,” its volatile border regions have a higher than average level of poverty. “Pakistan faces significant economic, governance, and security challenges to achieve development outcomes. The persistence of conflict affects all aspects of life in Pakistan and exacerbates poverty in those regions.

**Figure 10: Relationship Between Conflict Intensity and Poverty Rate in South Asian Regions in 2005**

Analysis on the South Asian region by The World Bank shows a higher incidence of conflict in poor and landlocked regions and states that there is a close relationship between higher poverty rates and greater conflict. The data, as seen in Figure 10, suggests a positive correlation between conflict and poverty. This relationship can be interpreted in two ways. In one instance, this can suggest that “it might be easier for rebels to recruit people the their cause in poorer areas” based on ethnicity or religious affiliation.\(^{33}\)

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31 Walker (2013)
32 The World Bank (2001)
33 Ghani, Ejaz and Iyer, Lakshmi (2010)
Another, more viable interpretation, is that regions that are poorer also have poorer state capacities, and their governments are unable to deal with rebels effectively.  

V. Conclusion

India and Pakistan have faced challenges with development since their independence and separation in 1947. Both have had difficulty dealing with poverty and have yet to improve on their approaches to combating the various dimensions of poverty—opportunity, empowerment, and security. In order to improve on these shortcomings, both nations must find a way to increase opportunity, facilitate empowerment, and strengthen security.

In order for new policies to be effective in reducing poverty, the benefits that come from increased job opportunities and encouraged involvement, have to be shared equal amongst various socioeconomic groups. Both India and Pakistan must invest in the education of the young and old, men and women. Furthermore, divides due to ethnicity and religion need to be addressed and corrected for to make sure that inclusive development occurs.

In Pakistan, especially, the government must invest more in education to be able to grow a literate workforce that has the ability to earn money in an invulnerable labor force. For both India and Pakistan, healthcare coverage for each of the socioeconomic classes needs to be equalized by funding healthcare opportunities for the poor even more so. There is a trend that exists between each of the various dimensions of poverty, each contributing to the other.

Increasing opportunity can increase education in the same way that education can increase job opportunity. Education parity can only be reached if external factors like healthcare can be equalized amongst the population. Without healthcare for the poor, environmental factors such as sickness can get in the way of the education of poor children. Accommodating for the differences amongst various groups in the countries is the only way of achieving equal education standards. After offering the poor equal opportunity in all ways, India and Pakistan will be able to better distribute income and hopefully be set for development as both of their windows of opportunity near.

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34 Ghani, Ejaz and Iyer, Lakshmi (2010)
References


