

Indian Development Experience: Are there Lessons for Mongolia?

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Acknowledgements

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- I would also like to thank Mrs. Sugarbayar Nergui, Program Administrative Officer, GZI Mongolia and her team for all possible support in facilitating my travel and extending local hospitality.
- It is indeed an honour for me to speak in this gathering where colleagues from different Asian countries are here to share the development experiences in their respective countries.

Acknowledgments (contd...)

- This is my first trip to Mongolia, the land of the Great Genghis Khan whose descendants have ruled India, known as Mughal dynasty---also spelled Mogul, and in Arabic Mongol. It was Muslim dynasty of Turkic-Mongol origin that ruled most of India including modern day Pakistan and large part of Afghanistan from early 16th to mid18th century.
- The dynasty was founded by a Chagatai Turkic prince named Babur who reigned during 1526-30. Babur descended from the Turkic conqueror Timur (Tamerlane) on his father's side and from Chagatai, the second son of the Mongol ruler Genghis Khan on his mother's side.
- The most notable distinction during their rule was the attempt of the Mughals, who were Muslims, to integrate Hindus (the majority population group) and Muslims into a united Indian state.

This presentation

- First, I give a very brief account of the issues in Development that will serve as background for the rest of the talk.
- Next, I will present Indian development experience in two sections. The first part will provide a snapshot of the Indian development path at the aggregate or macro level. Second section has regional dimension of the Indian economic development.
- Next, I will compare the growth performance of Indian economy and its spatial dimensions with the Mongolian experience.
- Finally, I will summarise the presentation in the context of relevance for Mongolian regional development.

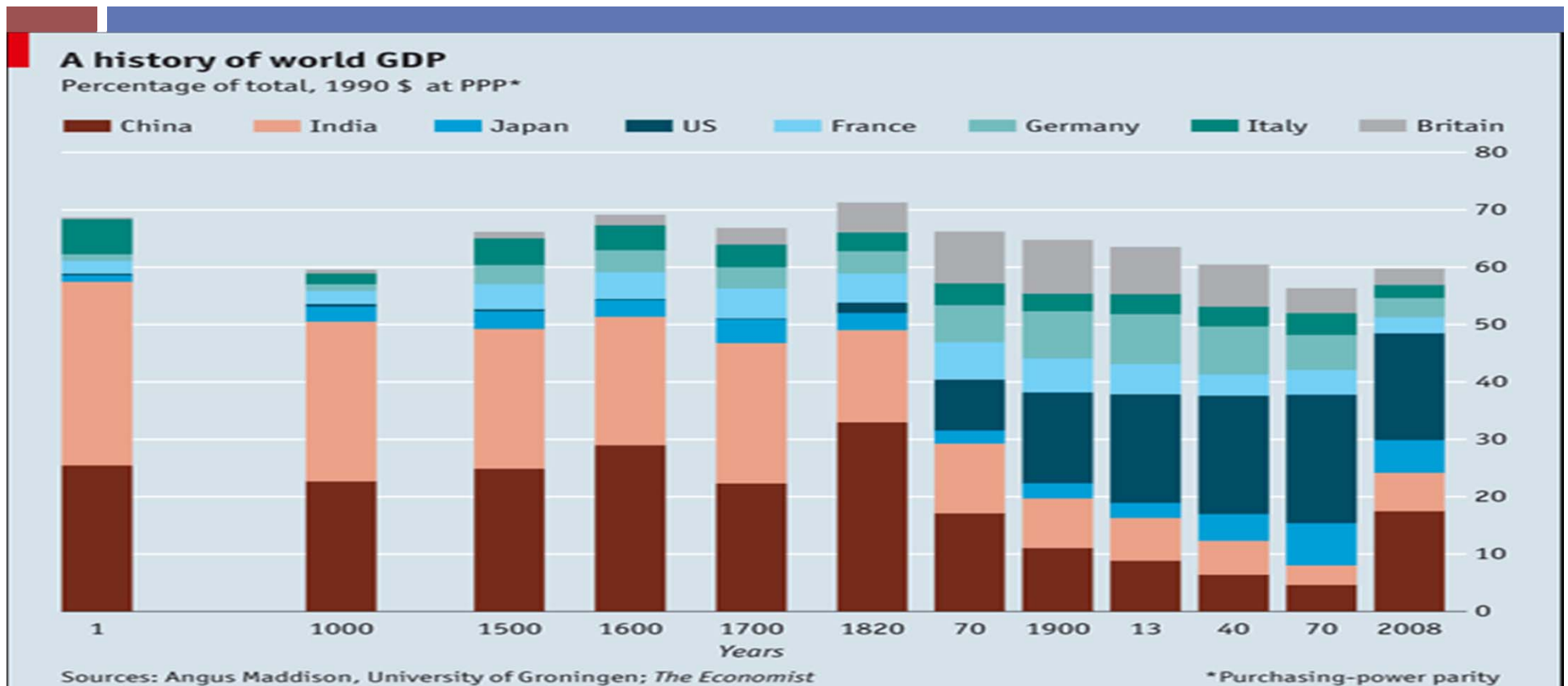


Conceptualising development

Economic development

- In a broader sense, the term Development is often used to refer to the gradually unfolding process as societies go from a simple to a more complex form of organisation--- production, distribution and consumption.
- In narrower sense, Development is more commonly used to denote material or economic advancement to overcome the underdevelopment which is characterised by various kinds of deprivation--- poverty, hunger etc.
- Economic advancement or wealth is unequally distributed? What brought about the disparities? Natural endowments or something else?
- A glimpse into the historical distribution of wealth.

A glimpse into the distribution of world's wealth: Inter-domain prosperity and inequality



What we see from the world prosperity map?

- Huge disparities?? From years 0-1700 AD, India had the largest share in the world GDP
- Indian GDP share declined thereafter, China's share increases during 18th century, eventually both falling behind other European and economies starting 1800s.
- Why did China and India fall behind? The reason is **Industrial Revolution**: drastic or revolutionary change in the production structure from pre-dominantly agricultural to non-agricultural --- more complex form of organisation of production, distribution and consumption.

What we see from the world prosperity?

- India may have financed a part of this change during the period of industrial revolution---being under the British rule but not benefit from it.
- This seems to have lead to the rise of dichotomous worlds---“developed” and “un-developed”, termed an under developed, now referred “developing”.
- The underdevelopment is charatcterised by various kinds of deprivation.
- First brought to the forefront by the Indian National Congress way back in 1876 by an Indian parliamentarian in Britain, Sir Dada Bhai Naoroji.

Development economics: early formulations

- Consequence of change in the world's wealth distribution resulted in most part of the world becoming poor or underdeveloped, India becoming the home to the most number of poor in the world:
 - Sir Naoroji pointed out that in later part of 19th century, 70-75% Indian households were poor, do not have enough to eat.
 - Late 20th century estimates put that one in three poor in the world (now one in five) is an Indian
- Of course, India took lead in the systematic study of underdevelopment and ways to overcome the under-development.



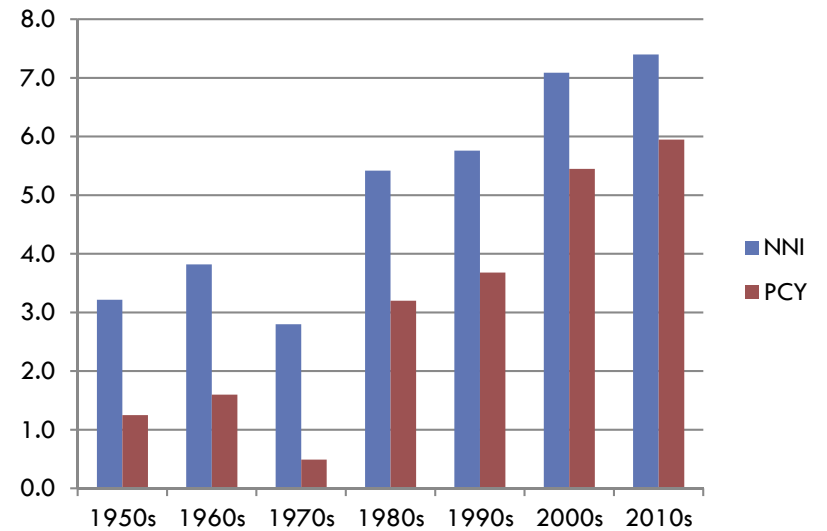
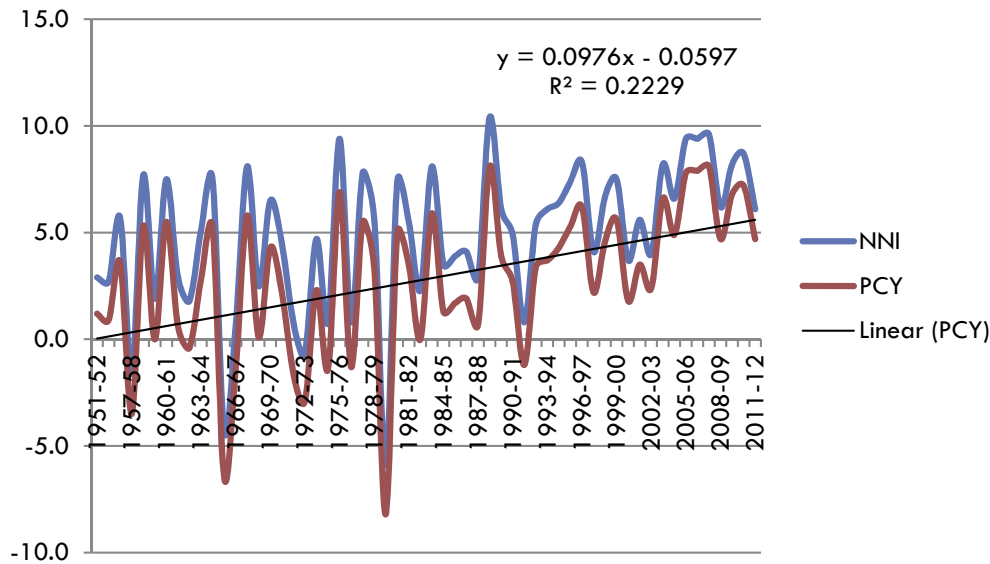
Growth and poverty: Indian experience (1)

Growth and poverty: the Indian perspective

- Growth is considered a necessary condition for pulling population out of deprivations.
 - Indian NDC in 1930s on growth as necessary condition for tackling mass poverty in India:
 - Sufficient condition: growth must be equitably distributed (NDC's concern)
- Analyses of growth process: seminal contributions on this issue
 - Harrod and Domar, Solow et al, endogenous growth models
- Growth tends to be in-equitably distributed (Kuznet's hypothesis); several studies argue that effectiveness for reducing poverty is affected by level of inequality.

Indian growth experience since 1950-51

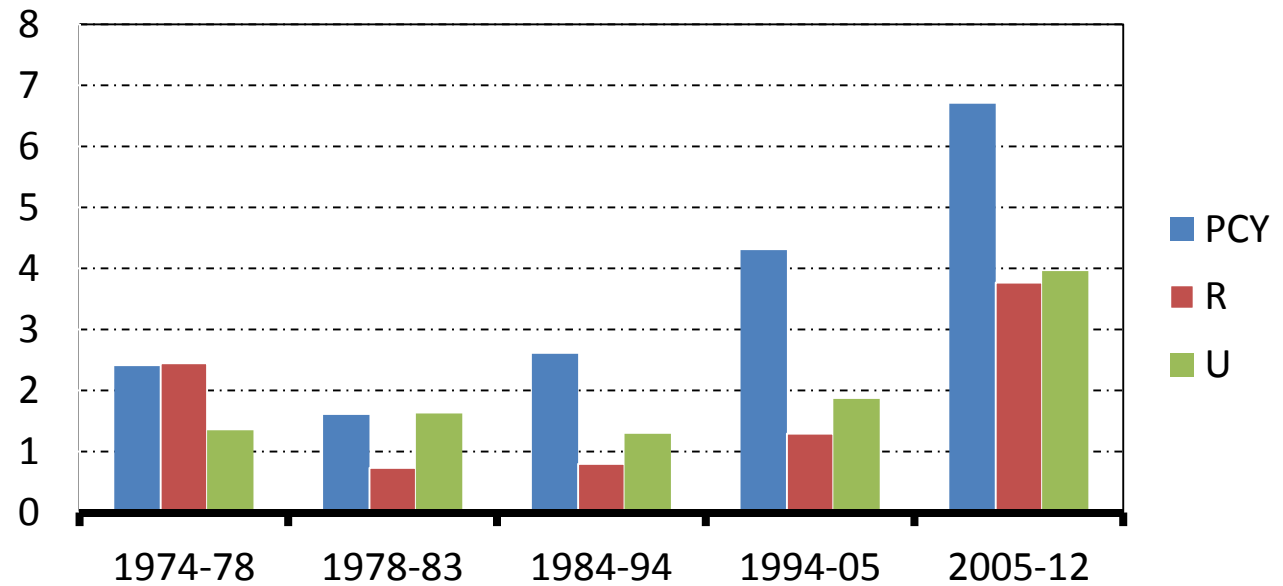
Annual growth (real, 2004/05 prices)



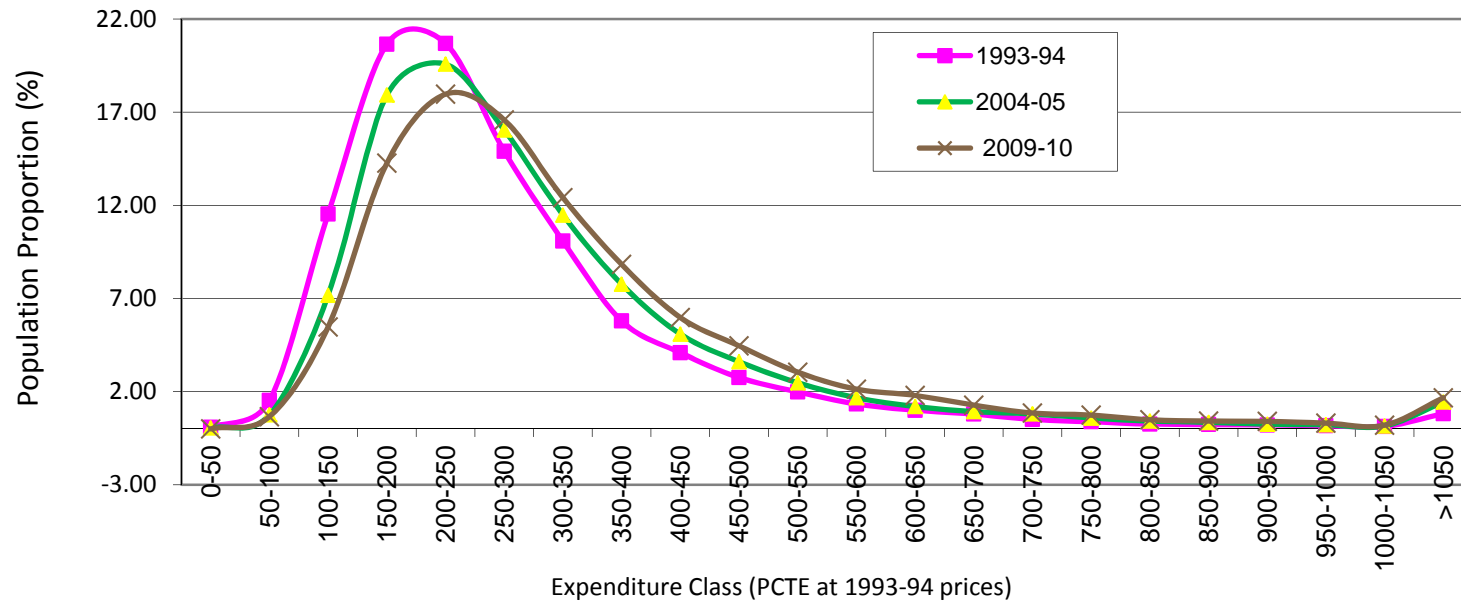
Average for the decade

From macro to micro: macro to households

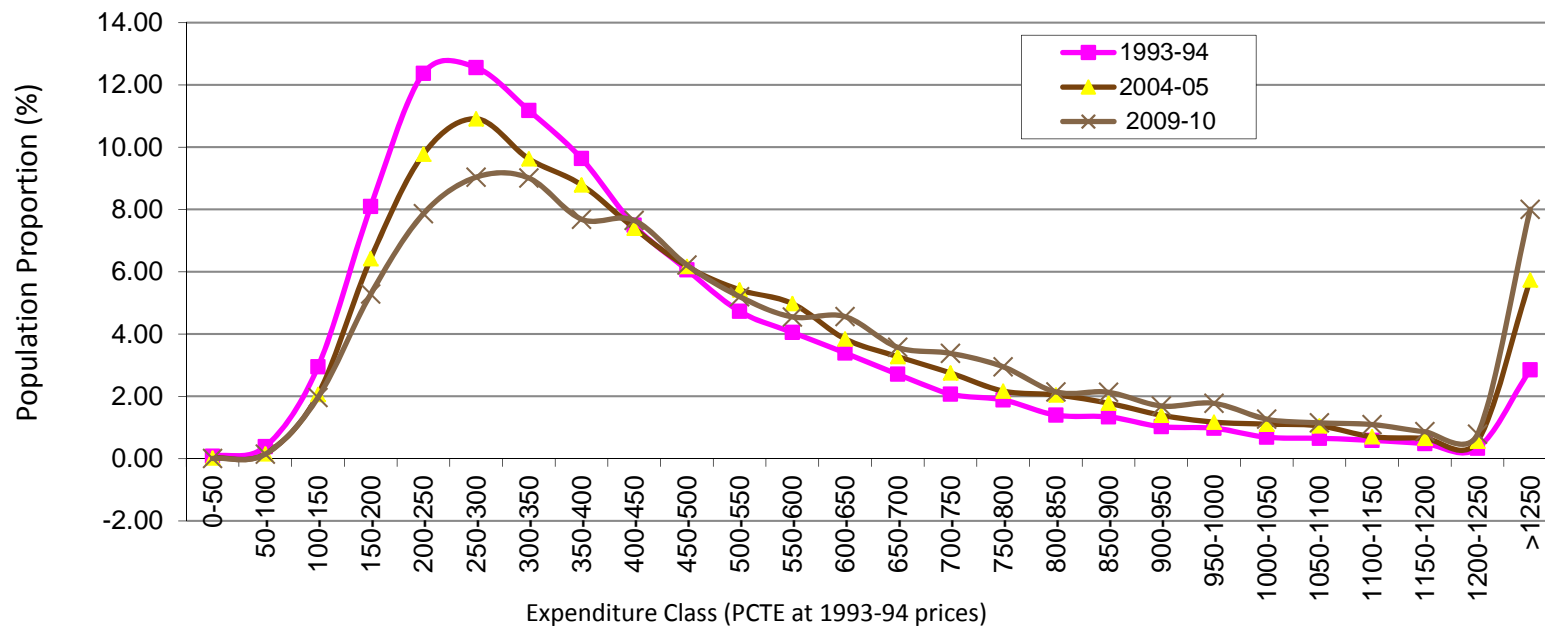
As expected, monthly per capita household expenditure (MPCE) lags per capita income but since 1980s, with rising per capita income MPCE has been rising.



Growth in rural areas

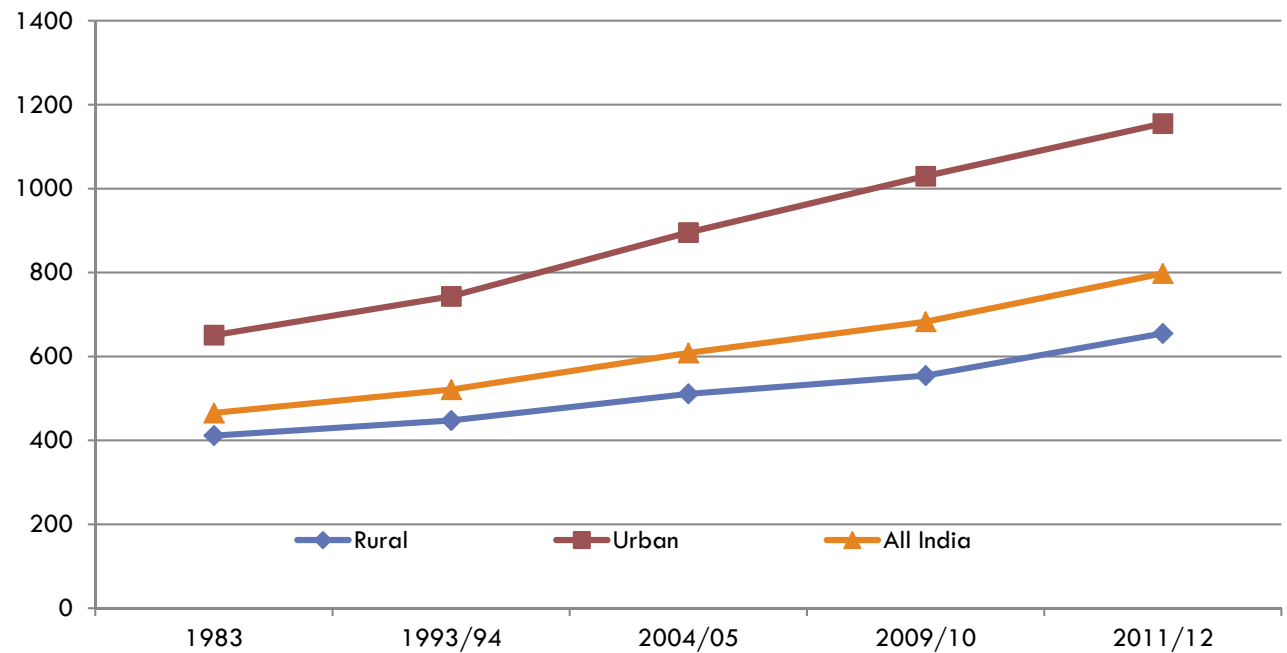


Growth in urban areas



Expenditure growth in India

- Rural-urban gap is glaring
- Gap seems to have widened



Indian economic growth: stylized facts

- Indian economy has moved on a high growth path since mid-1980s. After a blip in growth during 1990-92, the initial steps for aligning Indian economy with the world in 1991 not only put the economy on higher growth path, subsequent liberalization steps have been, generally, sustaining the growth.
- During 2000s and 2010s, the Indian economy has been the second fastest growing economy in the world.
- Despite the incrementally higher growth over the two decades, it is argued that the growth has been unequally distributed prompting the policy makers to make a case for “inclusive” growth (11th Five year Plan in 2007).
- How far this rapid and “inclusive” growth has been inclusive?

Median and Per capita incomes by place

IHDS	Rural	Urban	Total	Ratio
2004/05	25900	55480	31326	2.1
2011/12	34873	66709	42934	1.9
Avg Gr	4.9	2.9	5.3	

Place	2004/05	2011/12	Growth
Metros	15000	18366	3.2
Other Urban	9000	11222	3.5
More Developed Villages	5100	7545	6.8
Less Developed Villages	3917	5880	7.2
All India	5432	7969	6.7

Poverty levels: 2011 /12 (NSS)

- These 7 (originally 5) states account about 47% of pop, over 80% share in poor; commendable achievement in poverty reduction.
- Among the laggard states, relatively lower income growth, much lower than ORI and BIH

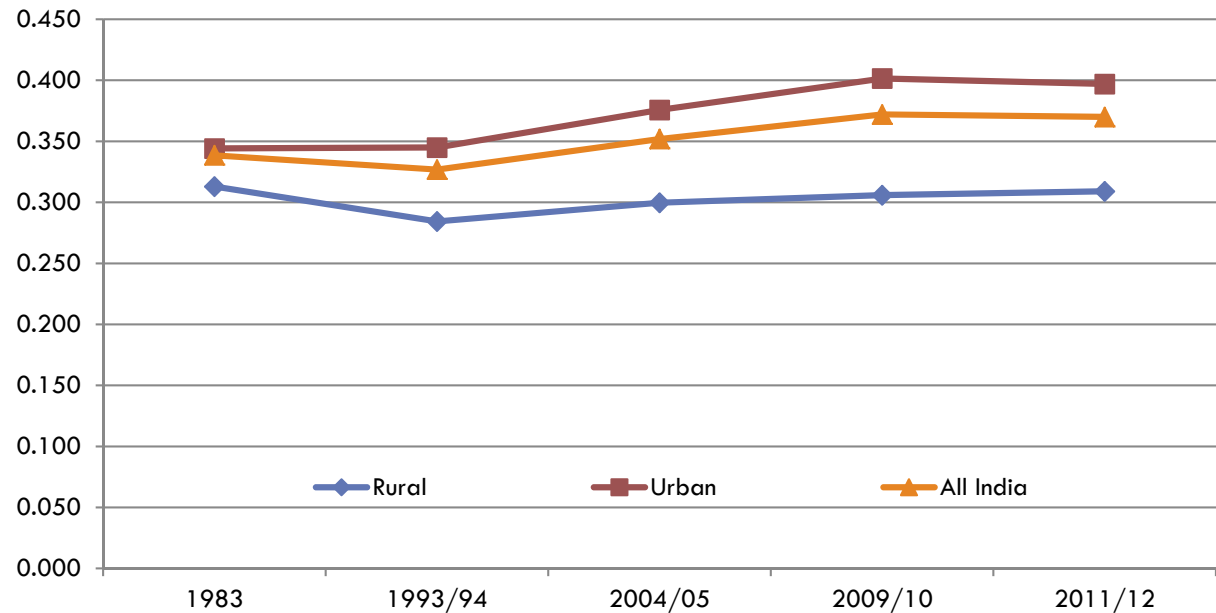
State	HCR	share in pop	Share in poor
UPR	21.4	16.54	23.68
WEB	31.5	7.68	16.19
MPR	31.6	5.92	12.50
ORI	40.2	3.35	9.03
BIH	12.8	8.47	7.28
CHH	40.2	2.18	5.85
JHA	34.2	2.49	5.69

Growth and inequality

- Intra-domain inequalities take two forms: vertical and horizontal
- Vertical or individual level inequality take the form over the individuals within a domain ranked on the basis of their income/wealth--- resulting distribution is unequal.
- Several indexes that capture this distribution.
- Vertically unequal distribution has been regarded as the main reason for various types of deprivations.

Inequality level

- Decline during 1983 – 1993/94 in rural inequality
- Substantial rise in urban inequality
- R-U gap in inequality appear to be rising



How unequally gains from growth distributed? vertical inequalities

- Expenditure based Gini relatively stable until 1980s, marginal increase since 1990s.
- But income based Gini quite high, increasing perhaps.

Sector	Expenditure based			Income based*	
	1993-94	2004-05	2011-12	2004-05	2011-12
Rural	0.30	0.32	0.31	0.49	---
Urban	0.36	0.35	0.39	0.48	---
Total	0.35	0.35	0.37	0.52	0.55
*from IHDS data					

Vertical inequalities magnified (household income, IHDS)

- Rural vs urban
- Intra-rural and intra-urban: Ratio of 99th to 5th percentile
- Very high Rural vs moderate urban

%tile	Rural	Urban	Total	U/R
5th	3300	11500	4400	3.5
25th	12845	28873	15034	2.3
Median	22400	51200	27857	2.3
75th	41027	94800	56400	2.3
90th	76581	152000	103775	2.0
99th	235144	396000	300000	1.7
Mean	36755	75266	47804	2.1
99th/5th	71.3	34.4	68.2	



Growth and poverty: Indian experience (2)
Regional or spatial dimension

Horizontal inequalities

- inequalities may take two forms
 - Spatial, across states: large body of literature, convergence hypothesis --- not discussed here
 - Socioreligious group dimensions
- Horizontal inequalities (1): spatial dimension

Indian Regional Map

- Divided into 35 states and Union territories, later are centrally administered regions.
- Distinctive agro-climatic, demographic and linguistic differences.
- Large variations in growth, poverty and inequality indicators

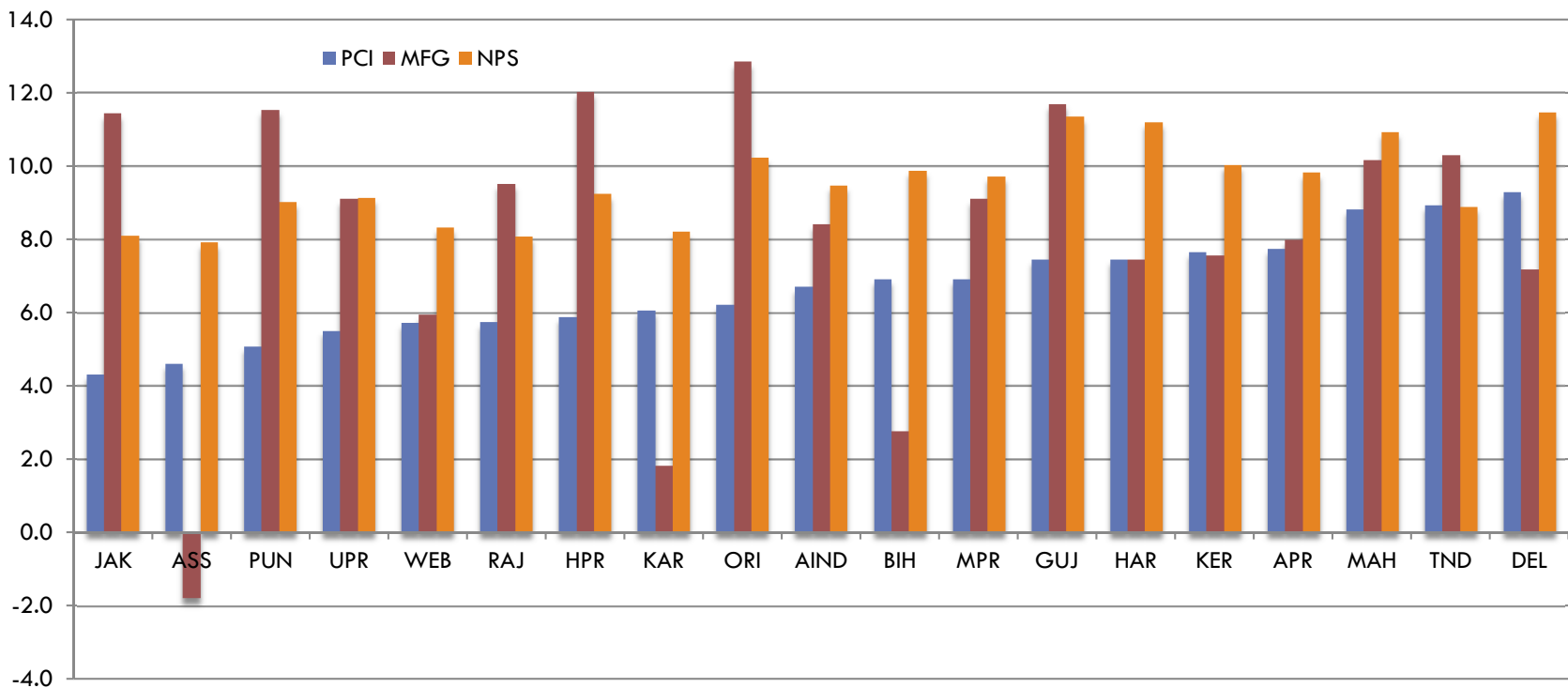


Per capita income 2011/12 (IHDS) (selected states)

- The lowest PC, about 56% of the national average
- Among the laggard states, relatively higher income growth

Selected States	Per capita income (2011/12)			Annualised growth		
	Rural	Urban	Total	Rural	Urban	Total
BIH	13157	26375	14767	8.0	3.0	7.0
JHA	12879	33407	16252	1.7	-1.2	0.6
UPR	13872	29373	17138	6.1	1.3	4.1
ORI	12514	39935	17321	7.1	6.0	7.8
IND	19990	40463	26493	5.9	3.9	5.4
TND	31811	39064	35301	19.9	9.9	14.5
HAR	30143	64900	40812	5.1	7.6	7.1
PUN	40993	48851	43922	10.7	10.3	10.7
KER	48494	41012	45033	6.4	9.0	6.2

Average growth across states: per capita income, manufacturing and non-primary sector (2004/05 to 2011/12)



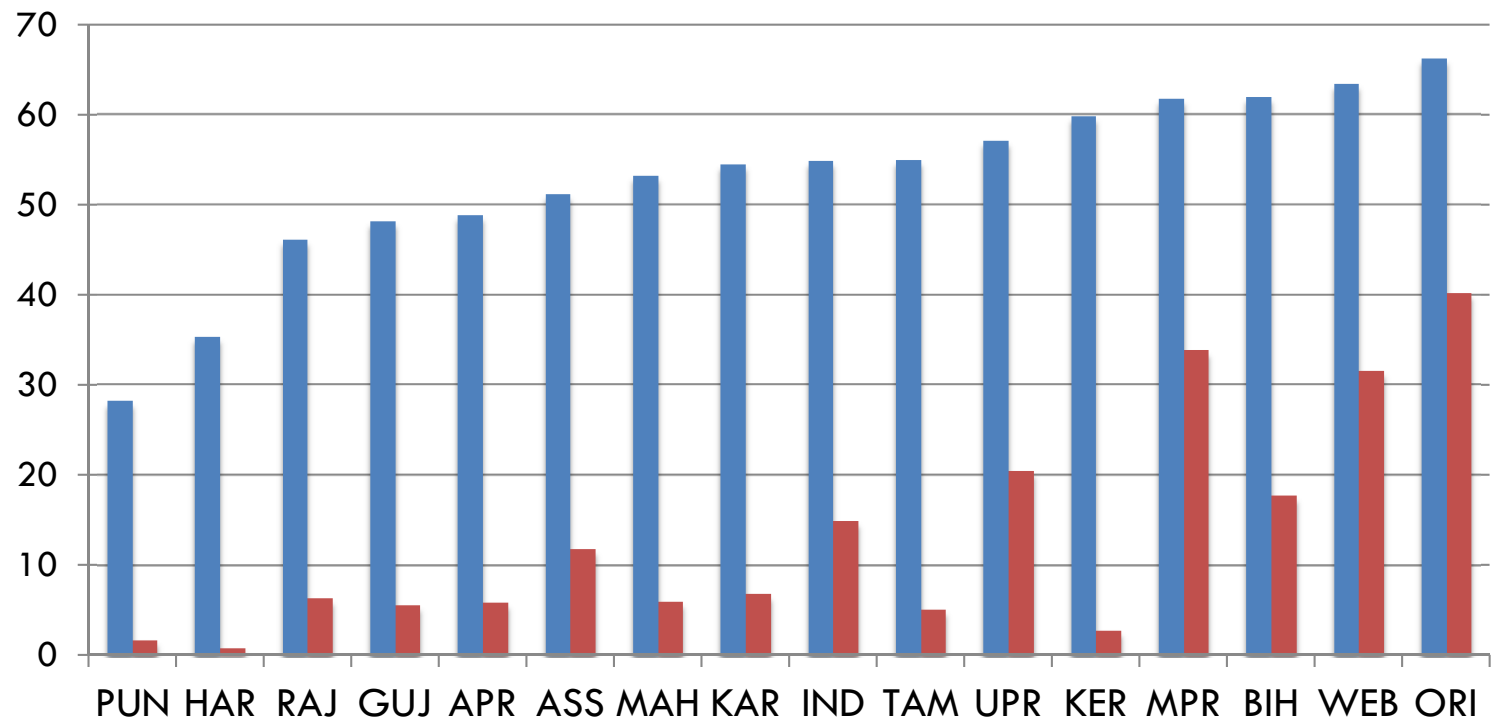
Poverty Levels and change: 1973/74 to 2011/12, selected states

- Who did better?
- Why some states have not performed as well as some other states starting at similar level 40 years ago?

States	1973	1983	1993	2004	2011	Change
IND	54.9	44.5	36.0	27.5	14.9	-40.0
TND	54.9	51.7	35.0	22.8	5.2	-49.7
UPR	57.1	47.1	40.9	33.0	20.4	-36.7
KER	59.8	40.4	25.4	14.8	2.8	-57.0
MPR	61.8	49.8	42.6	38.9	33.9	-27.9
BIH	61.9	62.2	55.0	42.0	17.7	-44.2
WEB	63.4	54.9	35.7	24.6	31.5	-31.9
ORI	66.2	65.3	48.6	46.6	40.2	-26.0

Poverty Levels in Major States: 1973/74 and 2011/12

- NSS CES data
- Lakadawala PLs, adjust for price rise to 2011/12
- 1973/74 poverty levels from GOI (1993)



Consequences on development outcomes: poverty etc

- Disparities in income growth and consequences on development
- Is it due to higher level of inequality
- Per capita income and inequality: vertical
- Poverty levels: vis-à-vis other states
- Horizontal: SRGs and spatial

Selected States	levels of Inequality	
	2004/05	2011/12
BIH	0.48	0.51
JHA	0.55	0.51
UPR	0.53	0.52
ORI	0.54	0.52
IND	0.52	0.55
TND	0.48	0.46
HAR	0.49	0.57
PUN	0.47	0.53
KER	0.56	0.45

Horizontal inequalities (2)

Socioreligious dimension

- **Social dimension: emerged from traditional Indian society, hierarchical in nature**
 - **Adivasis** or Scheduled Tribes (STs), varying concentration, geographically
 - isolated Scheduled Castes (SCs),
 - Other Backward Classes (OBCs) and Others (non-ST/SC/OBC).
- **Religion dimension: overlapping effect over time**

Structure of Indian Population (estimated 2011-12)

	Hindu	Muslims	Christians	Sikhs	ORMs	All
ST	7.8	0.1	0.8	0.0	0.2	8.9
SC	17.6	0.2	0.2	0.6	0.5	19.0
OBC	36.2	6.9	0.6	0.2	0.1	44.1
OTH	19.9	6.4	0.6	0.8	0.3	28.0
All	81.5	13.6	2.2	1.6	1.0	100.0

Expenditure growth during 2004/05 to 2011/12

- Horizontal inequality across SRGs, ORMs have highest PCTE in both and rural areas in 2011/12
- ORM growth highest in rural, ST, SC and OBC H highest in urban.

SRGs	2011/12		Avg Annual Growth from 2004/05		Index of MPCE in 2011/12	
	Rural	Urban	Rural	Urban	Rural	Urban
ST H	508	1083	3.5	5.4	57.1	59.9
ST O	708	1130	3.7	-0.1	79.5	62.6
SC H	621	1022	4.6	5.3	69.7	56.6
SC O	781	1082	6.0	3.6	87.7	59.9
OBC H	702	1245	4.0	5.4	78.8	68.9
OBC M	744	918	4.5	4.8	83.6	50.8
OBC O	1138	1483	4.7	4.1	127.8	82.0
OTH H	891	1807	3.7	4.1	100.0	100.0
OTH M	676	1056	3.9	3.8	75.9	58.4
OTH O	1705	2276	7.8	3.7	191.4	126.0
ALL	717	1362	4.0	4.2	80.5	75.4

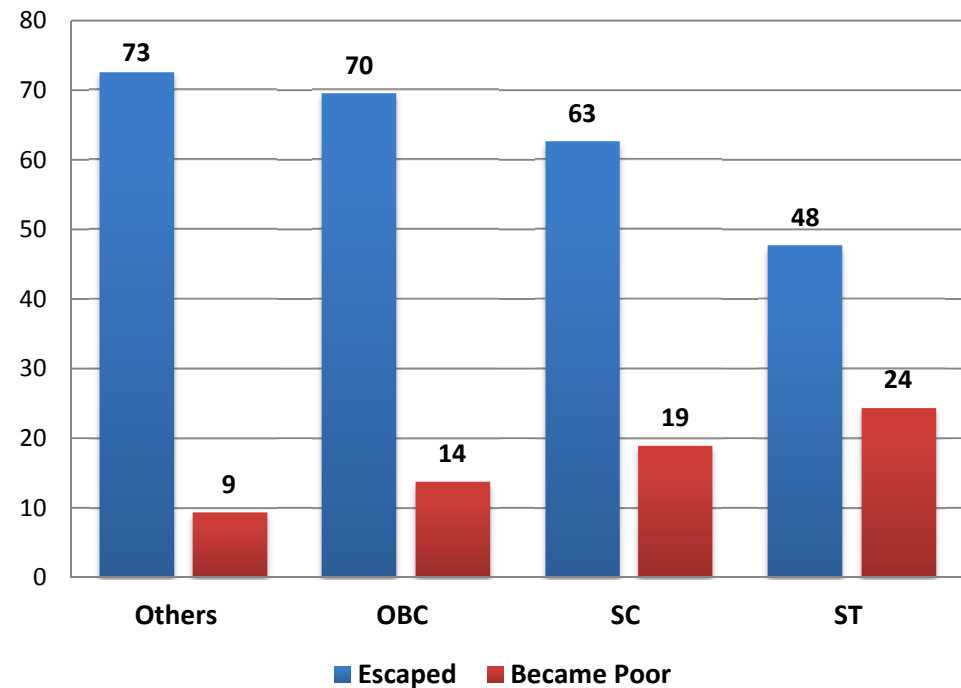
Horizontal inequalities on group specific deprivations: 2004/05 and 2011/12

- In rural areas STs still lag behind all population groups where as in urban areas its Muslims
- One in every three STs is poor, in case of SCs, it is one in five in rural areas.
- In urban sector Muslims lag behind, one in four Muslims are likely to be poor.

SRGs	Rural		Urban	
	2011-12	2004-05	2011-12	2004-05
ST H	34.4	47.1	26.2	39.7
ST O	18.0	26.9	6.8	12.4
SC H	21.6	37.7	21.5	41.5
SC O	6.8	28.7	11.2	35.3
OBC H	11.1	25.0	14.4	29.0
OBC M	12.9	34.8	31.6	43.9
OBC O	4.0	14.1	7.3	11.0
OTH H	7.1	13.1	4.6	10.3
OTH M	22.1	31.7	17.8	38.6
OTH O	1.5	4.4	2.2	4.8
ALL	15.4	28.0	13.9	25.8

Poverty transition across SGs: escaping and falling into poverty

- STs have not only the lower probability of escaping poverty but very high probability of falling into it.



Source: IHDS data, 2004/05 and 2011/12



Mongolian growth experience:
Some salient features

Mongolian economy and society

- Low population base: about 3 million, high urbanisation level, relatively homogeneous population, better human development indicators?
- Relatively high per capita income
- High poverty level, about 22% of population, higher levels of inequality?
- Low share of primary sector income, around 14%
- Regional dimension of growth and distribution?
- Governance structure: institutions, statistical data base.

Implications for Mongolian regional development policy

- Growth tends to diverge spatially as apparent from Indian experience?
- Spatial growth divergence in India is explained by:
 - Level of basic infrastructure: connectivity both surface and areal, power, human development indicators, financial infrastructure etc.
- India has a robust infrastructure for creating data bases at various level of disaggregation for these comparisons.
- What are lessons for Mongolia?

Thank you

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