

## Poverty, Population Growth and Economic Development in India

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### ABSTRACT

*India is the second most populous country in the world after China. Like most developing countries, India's population grew rapidly as a consequence of decline in mortality rate whereas birth rate fell much more slowly. The population pressures can lead to resource degradation and poverty. The country views population pressures as threatening prospects for future development as it adversely affects rate of economic growth. In fact rapid population growth is the greatest obstacle to economic growth. The major part of increase in national income that has accrued in India during the five year plans has been nullified by the rapid population growth. Although the Indian economy has grown at a higher rate in the last decade, yet the benefits of growth have only reached the poor to a very limited extent. Thus, there is a need to promote public awareness of the linkages between population growth and poverty. India's poverty reduction through the anti-poverty and employment generation programmes along with overall economic growth-planning efforts has helped to reduce the poverty ratio in the country. However, the extent of poverty reduction is often debated. The present paper is an attempt to highlight the linkage between population growth and poverty. The paper also throws light on the impact of population growth and India's economic development. The government policies to control population growth and poverty alleviation programmes have also been discussed in this paper.*

**Keywords:** Economic development, Mortality rate, Fertility rate, Dependency ratio,

### INTRODUCTION

Every country passes through three stages of demographic transition as per theory of demographic transition. In the first stage, population remains more or less stable as high birth rate is matched by an equally high death rate. The second stage is characterized by rapid population growth because despite substantial reduction in mortality rate there is no corresponding decline in the birth rate. In the third stage, the birth rate declines significantly and thus the rate of population growth

remains low. India has been a victim of high population growth. The population growth has eroded the growth potential. Having 18 per cent of the world's population on 2.4 per cent of its land area the country has great deal of pressure on its all natural resources. The annual average rate of population growth was 1.97 per cent in nineties and it declined to 1.64 per cent during 2001 to 2011. However, slowing of growth rate of population in the last decade raises the hope that the country might soon enter the third stage of demographic transition. Though there has been significant decline

in the death rate yet decline in birth rate has been low. In the last few decades rapid population growth in the country has been accompanied by decline in mortality rates due to increased access to vaccines, antibiotics, safe water, and sanitation.

Demographic dividend is defined as a rise in the rate of economic growth due to a rising share of working age people in a population. It refers to a period – usually 20 to 30 years – when a greater proportion of people are young and in the working age-group. This cuts spending on dependants, spurring economic growth. Saving rate is expected to increase during the age structure transition. It is well known that as incomes rise, fertility falls, due to the increased opportunity cost of women's time. With the decline in fertility, more women are likely to enter into the labour market resulting in increased economic activity. The causality between fertility and growth runs in both directions. India is doing relatively well on economic growth – an annual average of 7.9 percent – but as is often the case, poverty levels fall as incomes rise, but inequality grows. Growth in per capita income is driven by growth in labour productivity, growth in working age population, labour force participation rate and employment rate.

## OBJECTIVES

1. To identify India's population policy and its impact on controlling population growth.
2. To determine relationship between population growth and poverty.
3. To determine the impact of population growth on poverty and economic development of India.

## METHODOLOGY

The study is based on secondary data. Data for the study has been collected from various issues of

'Economic Survey' published by Ministry of Finance, Govt. of India and Report on 66<sup>th</sup> round of National Sample Survey Organisation (NSSO). Simple correlation coefficient has been calculated to find out relationship between population growth and poverty.

## POPULATION GROWTH IN INDIA

India is the second most populous country in the world after China. The population of India has crossed the one billion marks (Table 1.1). The population nearly quadrupled from 238.3 millions in 1901 to 840 millions in 1991 and thereafter increased to 1.02 billion in 2001. According to the Census 2011, India's population at present is 1.21 billion, an increase of 181.96 million since 2001. Male population has gone up by 90.97 million against a rise of 90.99 million in the population of females over the last ten years. Female growth rate (18.3 per cent) has been better than male growth rate (17.1 per cent). However, the population growth rate has fallen from 2.2 per cent per annum in late seventies to 1.4 per cent in 2010. As per Census 2011, 833.5 million people live in rural areas whereas 377.1 million people live in urban areas. Thus more than two-third of the population still lives in rural areas. The decadal growth rates of the population are uneven, as it increased from 13.31 per cent in 1951 to 24.8 per cent in 1971. It marginally declined to 24.7 percent in 1981, 23.8 per cent in 1991 and 21.5 per cent in 2001. The decadal population growth has shown a sharp decline to 17.7 per cent in 2011. The continuous decline since 1971 shows that India has been successful to control population growth. If such kind of trend were maintained in the future also, the country will enter third stage of demographic transition. However, the density of population has gone up from 117 in 1951 to 382 persons in 2011.

**Table 1.1: India's Population**

Year	1951	1961	1971	1981	1991	2001	2011
Population (in Thousands)	361088	439235	548160	683329	846421	1028737	1210726
Decadal Growth (%)	13.31	21.64	24.80	24.66	23.87	21.54	17.69

Source: Economic Survey-2011, Ministry of Finance, Govt. of India

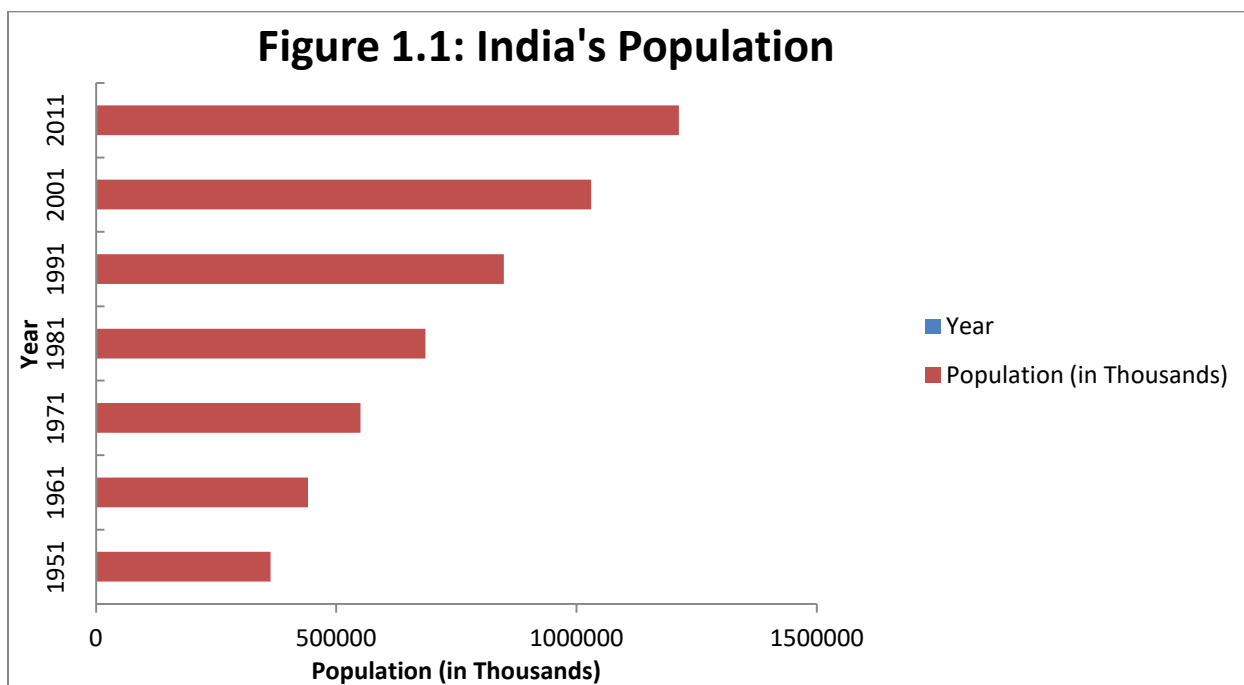


Table 1.2 reflects population and its growth rate in fifteen major states. Uttar Pradesh is the most populous state. However, Bihar has had highest decadal population growth rate followed by Rajasthan and Uttar Pradesh. Kerala experienced the

least population growth i.e. by around 5 per cent. The states where population growth rate is more than all India level are : Gujarat, Haryana, Bihar, M.P., Rajasthan and U.P.

**Table 1.2: Population Growth in 2011**

S.No.	State	Population (in millions)	Growth rate (%)	Density	% of Population below Poverty Line in 2011
1	Andhra Pradesh	84,580,777	10.98	308	9.20
2	Gujarat	60,439,692	19.28	308	16.63
3	Haryana	25,351,462	19.9	573	11.16
4	Karnataka	61,095,297	15.6	319	20.9
5	Kerala	33,406,061	4.91	860	7.05
6	Maharashtra	112,374,333	15.99	365	17.35
7	Punjab	27,743,338	13.89	551	8.26
8	Tamil Nadu	72,147,030	15.61	555	11.28
9	Assam	31,205,576	17.07	398	31.98
10	Bihar	104,099,452	25.42	1106	33.74
11	Madhya Pradesh	72,626,809	20.35	236	31.65
12	Odisha	41,974,218	14.05	270	32.59
13	Rajasthan	68,548,437	21.31	200	14.71
14	Uttar Pradesh	199,812,341	20.23	829	29.43
15	West Bengal	91,276,115	13.84	1028	19.98
	<b>All India</b>	<b>1,210,193,422</b>	<b>17.64</b>	<b>382</b>	<b>21.92</b>

## POPULATION POLICY IN INDIA

Though the need to check population was felt even before independence yet population control became one of the important items on the agenda of development with the initiation of planning. India was the first country to implement a national family-planning program in 1952. The First Five Year plan realized the need to formulate a Population policy and focused on three important components fertility, mortality and migration. The First Five Year Plan emphasized the reduction in fertility and gave it the top priority in the Family Planning Programme. The Second Five Year Plan gave a more important place to population assessment. The Third, Fourth and Fifth plans also laid emphasis on the population

policy and its implementation through family planning. These family planning programme have been successful in controlling population growth in India. A major breakthrough in this direction was made when United Nations declared the year 1974 as the World Population Year. United Nations World Population Conference which was held at Bucharest, Romania in the same year postulated that population policy and programme must be pursued in the perspective of development. This idea was reflected in India's National Population Policy, 1976. Minimum age of marriage was raised for both girls and boys, sterilization was made compulsory, monetary incentive for sterilization was increased and efforts were made to educate women. However, forced sterilizations and other coercive measures

undertaken during emergency in 1976-77 ended up giving family planning a bad reputation in many areas of the country and Congress lost the election on the same ground. The Congress promised not to reintroduce coercive birth control policies in the elections of 1980 and came to the power. During the 1980s, a goal of two children per couple by 2000 was declared. A new population policy which covered a wide spectrum of health concerns and services for mothers and children was adopted in 2000. The National Population Policy 2000 (NPP) also set goal for a two-child family by the year 2010. The National Rural Health Mission (NRHM) launched by the Prime Minister in 2005 aims to improve health conditions and to slow population growth as well. With many of the same goals NRHM supplements NPP 2000 in various ways. NRHM has set a goal of TFR of 2.1 by 2012 for eighteen states and so it does have a population component. The imbalance in sex ratio at birth is a cause for serious concern and an important aspect to India's population policy. The reason responsible for this imbalance is abortion of female fetus as preference is given to male children. It is surprising that the practice of female feticide is more prevalent in states with higher income and educational levels such as Haryana and Punjab. India's population policy and programs now involves many different aspects and places even greater emphasis on health care delivery and population services to India's villages.

## POVERTY STATUS

Following the Tendulkar Committee methodology, Planning Commission made estimates of poverty for 2009-10 and later on updated for the year 2011-12. The percentage of persons below the Poverty Line in 2011-12 has been estimated as 25.7% in rural areas, 13.7% in urban areas and 21.9% for the country as a whole. The respective ratios for the rural and urban areas were 41.8% and 25.7% and 37.2% for the country as a whole in 2004-05. It was 50.1% in rural areas, 31.8% in urban areas and 45.3% for the country as a whole in 1993-94. In 2011-12, India had 270 million persons below the Tendulkar Poverty Line as compared to 407 million in 2004-05, that is a

reduction of 137 million persons over the seven year period.

The India Labour and Employment Report 2014 produced by Institute for Human development shows that a quarter of the workforce is under the official Tendulkar poverty line of Rs. 27.20 a day in rural areas and Rs. 33.33 a day in urban areas. The proportion reaches to 58.5 per cent if poverty line of \$2 per day is considered. Low earning from employment rather than unemployment is the main source of poverty. In 2011-12, a third of the total unemployed were graduates or post-graduates. The educational and skill levels of the work force are extremely low.

## POPULATION GROWTH AND POVERTY

The population is increasing rapidly in India particularly in rural areas. Rapid population growth is the most important cause of unemployment in Rural India. It has adversely affected the unemployment condition mostly in two ways. Firstly, the growth of population directly increases unemployment by making large addition to labour force. It is due to the mismatch between employment growth and population growth. The slow growth in employment opportunities fall short of rapid population growth. Secondly, the rapid population growth indirectly affects the unemployment situation by reducing the resources for capital formation. Any increase in population leads to additional expenditure on their rearing up, maintenance, and education thereby leaving less proportion of incomes to saving and investment. The massive unemployment results in poverty. There is a two way relationship between population growth and poverty. On the one hand rapid population growth is the cause of poverty as discussed above whereas on the other hand poverty is one of the significant factors responsible for population growth. Poor people opt for more children as they support their family income. Besides, illiteracy, low level of education and financial constraints keep poor families away from family planning programmes.

The percentage of population below poverty line in 2011 for fifteen major states is given in Table 1.2. The Correlation between population growth and percentage of population below poverty line of India's fifteen major states has been found positive and the value of correlation coefficient is 0.54. The correlation coefficient is significant at 5 per cent level of significance. This shows that population growth and poverty are correlated. Therefore, to reduce poverty the country needs to control the population.

## POPULATION GROWTH AND ECONOMIC DEVELOPMENT

The neoclassical growth model postulated that population growth reduces economic growth due to capital dilution. Other things being equal, rapid population growth leads to lower levels of per capita income in the long run. However, using cross-country data various studies found the effect of population growth on economic growth insignificant. Bloom & Williamson (1998) challenged this result and showed that it is the characteristics of demography that matters for economic growth. The empirical studies conducted by Bloom & Williamson (1998), Crenshaw et al. (1997), Bloom et al. (2001), Kelley & Schmidt (1995), Kelley & Schmidt (2001) found a positive and significant effect of declining youth dependency ratios on economic growth.

The studies find that it is the characteristic of a country's demography that is relevant to economic growth and the improvement of living standards. Economists link East Asia's better economic performance since the mid-1970s to its demographics. Some of the important demographic features are being discussed here.

The age structure of a population can have a large effect on economic growth. India enjoys a demographic dividend as more than fifty per cent of its population is below the age of 25 years. There has been a drastic change in the age structure of population over the last five decades. The percentage of population in the age group 15-60 has

increased from 57.1 per cent in 1991 to 58.2 per cent in 2001. The dependency ratio which was more than 0.9 per cent in 1971 has declined to 0.59 in 2011. India's dependency ratios will come down more sharply in the coming decades. More working age people will mean more workers, particularly in the productive age groups, more incomes, more savings, more capital per worker, and more growth. As a consequence of demographic transition, many fast-growing Asian economies have accelerated in recent years. Aiyar and Mody (2011) document that the high growth states (Tamil Nadu, Karnataka, and Gujarat) in the period 1991-2001 had a dependency ratio which was 8.7 percentage points lower than that of the low growth states (Bihar, Madhya Pradesh, and Uttar Pradesh). However, the difference between high and low growth states is just 1.5 percentage points in the period 2001-11. The demographic transition seems to be correlated with growth. Lower dependency ratios increase growth and higher growth in turn reduces fertility and consequently dependency ratios. Thus the age structure of population presents an unprecedented opportunity to the country. If the country fails to take advantage of the opportunities inherent in demographic change it can lead to economic stagnation.

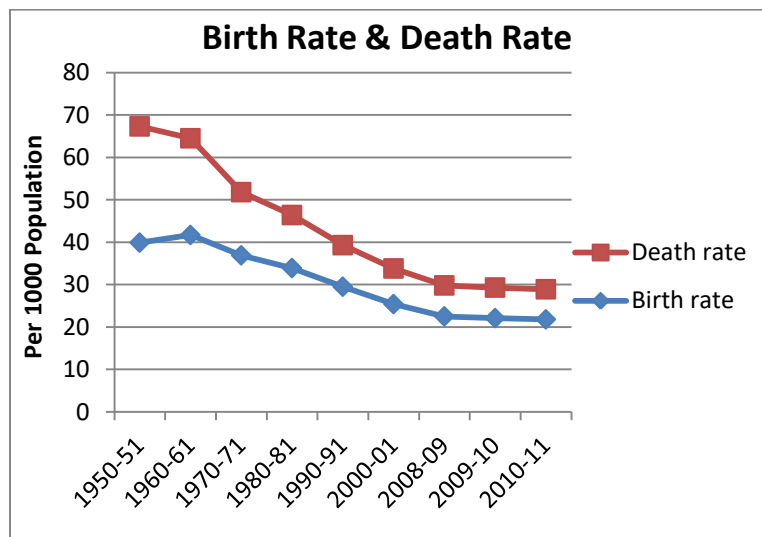
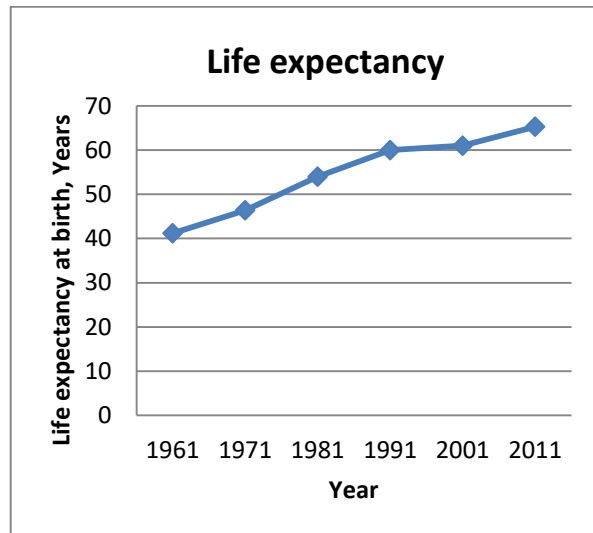
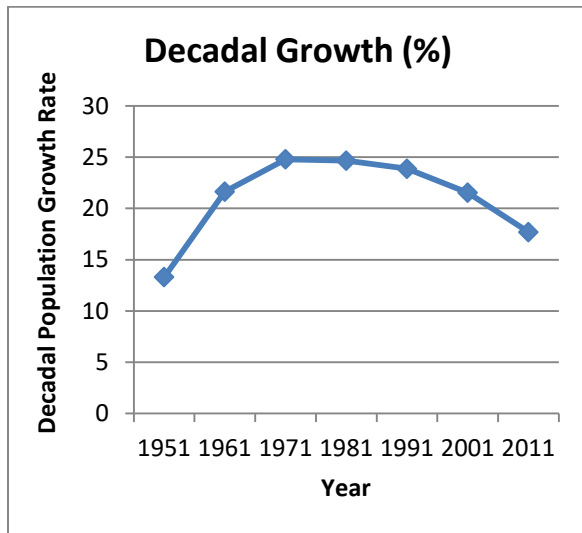
The ratio of working-age people to dependants also determines economic growth. When the working-age population does increase as a share of the total population, there is an opportunity for economic growth. However, increase in this ratio itself does not lead to an acceleration of economic growth. It requires formulation of appropriate policies otherwise it may result in large number of underemployed and employed working-age individuals. One of the causes of significant difference between growth rates of East Asia and Sub-Saharan Africa during 1975 to 2005 was differences in the ratio of working age to non-working age population.

The health and longevity of population are also considered as instruments of country's economic growth. Healthier workforce contributes more to the national economy as it is more

productive and thus health is a strong driver of economic growth. Empirical researchers have found that healthier countries experience faster growth in average income. There has been significant improvement in the country's basic health indicators like fertility rate, infant mortality rate and life expectancy. The fertility rate has declined sharply from approximately 6 children per woman in the 1950s to 2.7 children per woman today. Infant mortality rate (per 1000 live births) has declined

from over 115 in 1961 to 44 in 2011. Life expectancy has increased from 32.1 years in 1951 to 66.1 years in 2011. Birth rate for the country has improved from 39.9 (per 1000 population) in 1950-51 to 21.8 in 2011 whereas there has been significant decline in death rate (per 1000 population) from 27.4 in 1950-51 to 7.1 in 2011.

Despite rapid population growth, India's demographic profile in recent years has been changing in the way conducive to economic growth.





## CONCLUSION

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The population of a country plays an important role in the economic development of that country. It is an asset as well as liability for the country. Generally, rapid population growth erodes the growth potential of a country. Population growth is the cause as well as effect of poverty. Therefore, it is suggested to check the population growth to combat poverty and enhance economic growth. However, it is the demography of a country that matters to the pace and process of economic growth and development. The demographic variables like age structure, health and longevity of population influence economic growth. India's population policies have enabled the country to slow down population growth. This needs to be maintained in the future also so that population growth may not become as an obstacle to economic growth. India's changing demographics are creating a strong impulse for economic growth. There is need to cultivate this demographic dividend through implementing appropriate policies.

Labour productivity should be increased as it is an important source of economic growth. To enhance labour productivity more physical and human capital per worker should be employed. Despite so many continue to be dependent on Indian

Agricultural sector it shows low labour productivity, thereby the government has focused on improving it. Workers are required to shift from low productivity to high productivity jobs.

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