

# **ERA OF ECONOMIC REFORMS, POPULATION AGEING AND SUPPORT SYSTEM IN INDIA**

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## India's Economic Reforms

- **India has disappointing history of economic growth for more than a quarter century**
- **During the 1950s, GDP growth at nearly 4 percent per annum**
- **The years 1965-75 saw the average GDP growth rate dipped to just 2.6 percent from 4.1 percent during 1951-65**
- **With population growing at 2.3 percent per annum, this meant a per capita income growth rate of just 0.3 percent**

## India's Economic Reforms

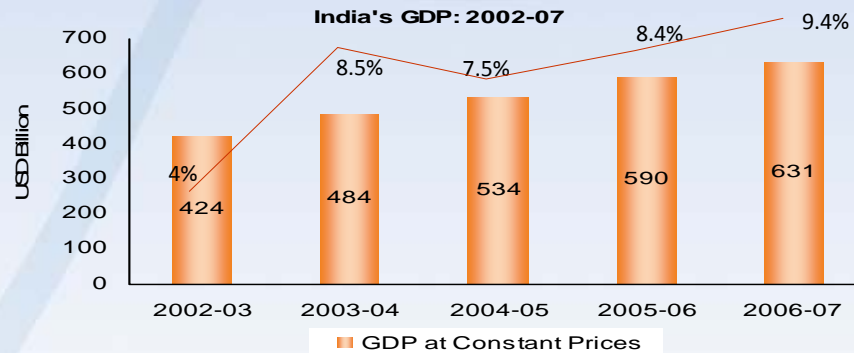
- In the 1990s the Indian Economy was plagued by severe crisis of balance of payment, deceleration in agricultural growth output and uneven performance in manufacturing
- To ride over the economic crisis of the 1990s, the government undertook major economic reforms in 1991
- Opening to the private sector's role as a leading engine of growth

## India's Economic Reforms

- **Placing greater reliance on market forces and opening the economy to international trade, foreign investment and foreign technology**
- **As the reforms were implemented during the crisis period, the economy had to resort to IMF financing and a structural adjustment loan from the World Bank**
- **It was the systematic reforms that helped accelerate the GDP Growth rate to 7.1 percent during 1993-97 and then sustain it at the 6 percent level over a longer time**

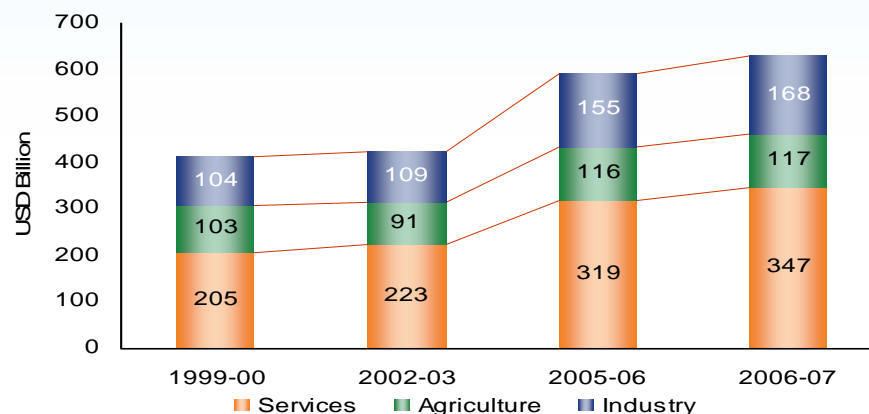
# India: Among the Top-15 Countries in terms of GDP at constant prices

India's GDP witnessed high growth and was the second fastest growing GDP after China



Fastest GDP growth of 9.4 percent in 2006-07, since last 18 years

Indian economy is the 4<sup>th</sup> largest in terms of PPP – USD 4.1 trillion in 2006



Growth in sectors (2006-07):  
**Industry: 10.9%**  
**Services: 11%**  
**Agriculture: 2.7%**

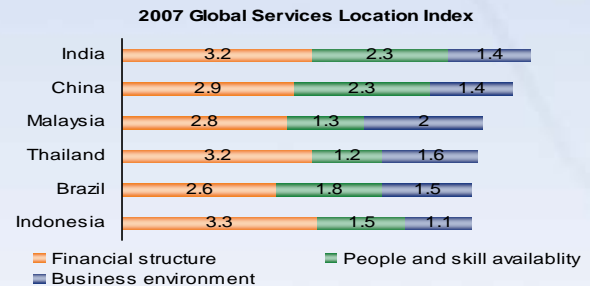
Source: India Brand Equity Foundation ("IBEF") and Evalueserve.com  
 Pvt. Ltd., EVALUESERVE



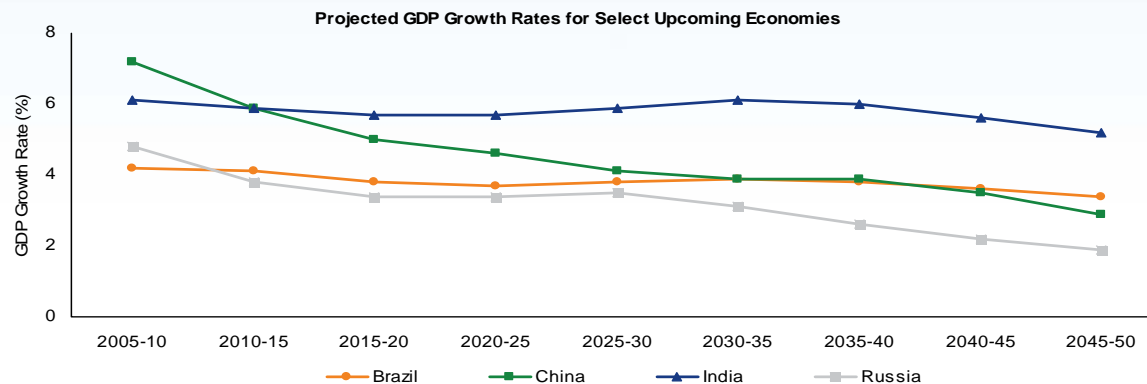
# India: An Emerging Economy in the World

## 2007 Global Retail Development Index (GRDI)

... the retail market along with the services sector has been attracting the interest of major players



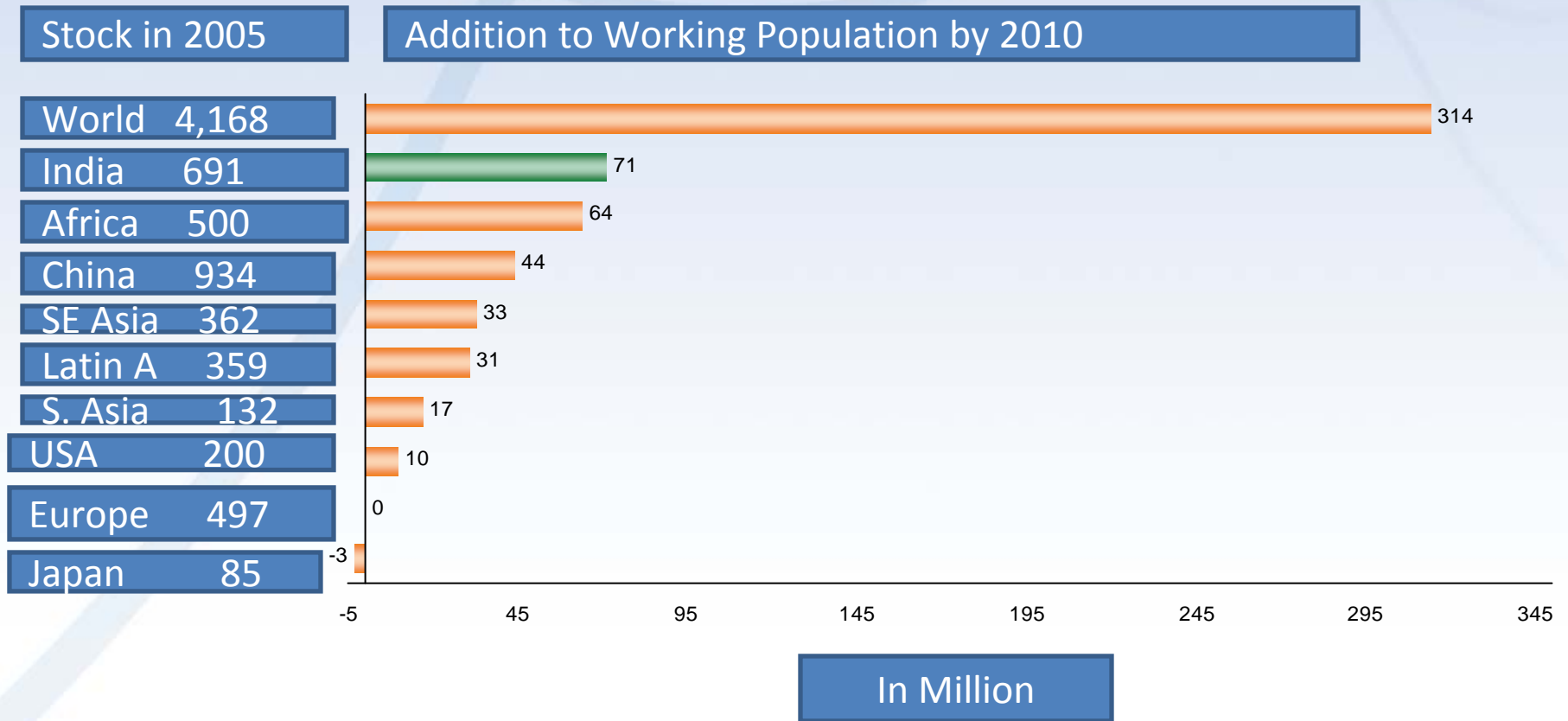
India is expected to outperform others in the BRIC, in terms of GDP growth rates, from 2015 onwards



Source: India Brand Equity Foundation (“IBEF”) and Evalueserve.com Pvt. Ltd., EVALUESERVE



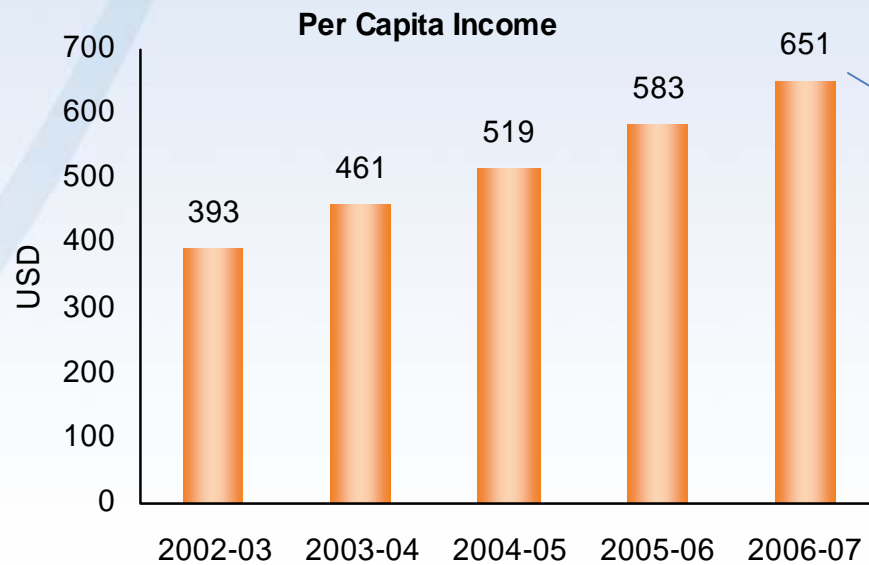
# Growth in Global Working Age Population (15-64)



Source: India Brand Equity Foundation (“IBEF”) and Evalueserve.com Pvt. Ltd., EVALUESERVE



# Rise in per capita income



Increasing per capita income coupled with an emerging middle class has provided the necessary impetus to consumerism in India



2006

- ❑ GDP – USD 590 billion
- ❑ GDP growth rate – 9 %
- ❑ Services contribution – 54 %
- ❑ FDI limit not 100 percent in major industry sectors such as Telecom, Semiconductors, Automobiles, etc.
- ❑ Balance of Trade – USD (-)46.2 billion
- ❑ Investment goal – USD 250 billion

2008

- ❑ GDP – USD 750 billion
- ❑ GDP growth rate – 9.5%
- ❑ Services contribution – 60 %
- ❑ FDI limit is expected to be close to 100 percent in major industry sectors such as Telecom, Semiconductors, Automobiles, etc.
- ❑ Balance of Trade – Should increase with surging exports as compared with imports
- ❑ Investment goal – USD 305 billion

2010

- ❑ GDP – USD 900 billion
- ❑ GDP growth rate – 9%
- ❑ Services contribution – 60-65 %
- ❑ FDI limit is expected to be 100 percent in major industry sectors such as Telecom, Semiconductors, Automobiles, etc.
- ❑ Balance of Trade – Should be positive with increased level of exports as compared with imports
- ❑ Investment goal – USD 370 billion

## India at the crossroad

- **One road leads India to economic prosperity and glory**
- **The other road leads it to inequality**
- **The real benefits of the economic reforms have rarely percolated to the lowest strata of society**
- **The widening gap is a matter of concerned as it can jeopardize political system and sustainability of economic reforms**

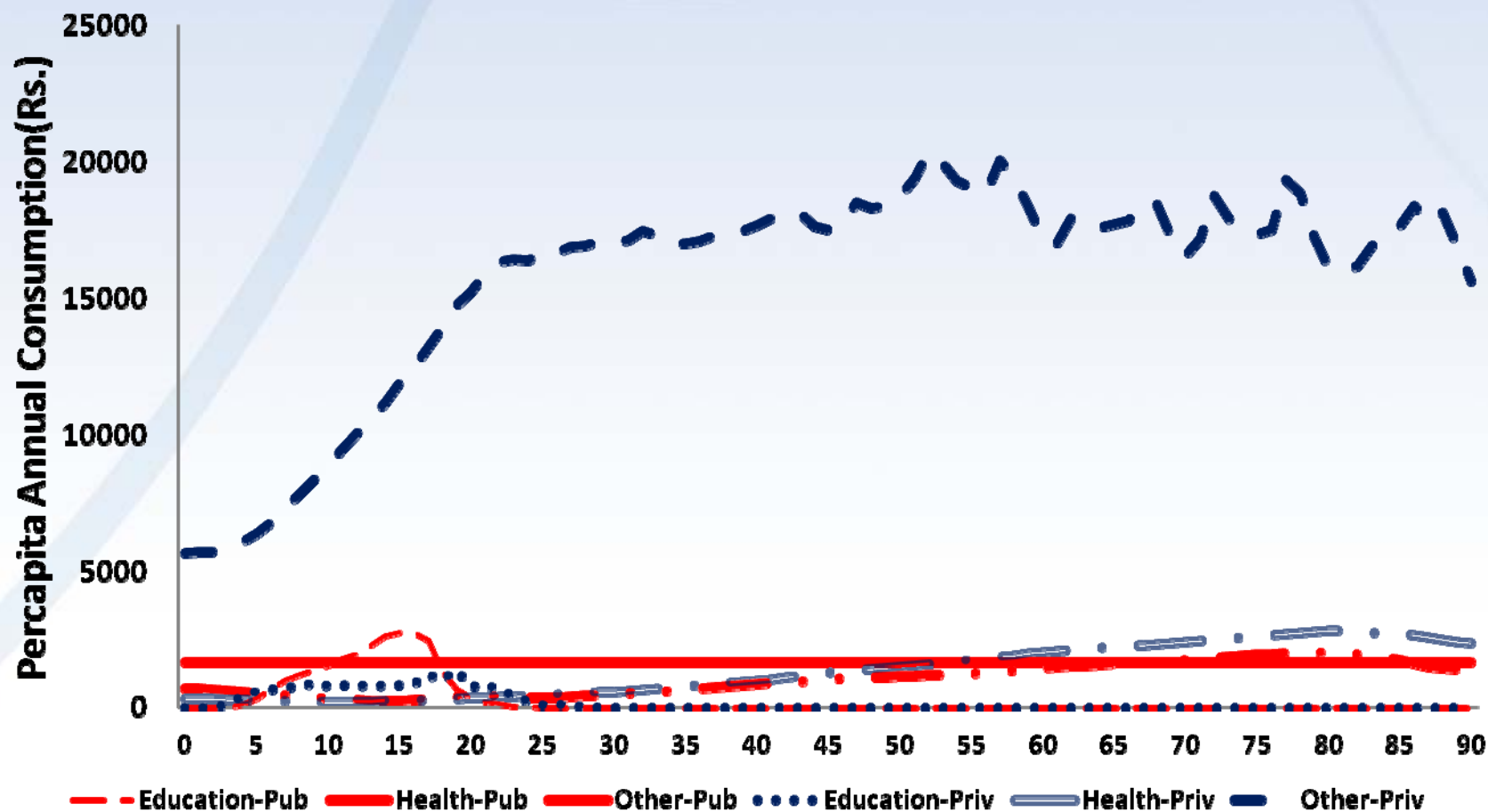
## Trends in Social Services Expenditure by General Government (Central and State Governments Combined) (in crores)

	2005-06	2006-07	2007-08	2008-09	20 09-10	2010-11
<b>Expenditure on Social Services of which:</b>	<b>5.49</b>	<b>5.57</b>	<b>5.91</b>	<b>6.81</b>	<b>7.27</b>	<b>6.63</b>
<b>i) Education</b>	<b>2.61</b>	<b>2.67</b>	<b>2.59</b>	<b>2.89</b>	<b>3.13</b>	<b>2.98</b>
<b>ii) Health</b>	<b>1.23</b>	<b>1.21</b>	<b>1.27</b>	<b>1.32</b>	<b>1.38</b>	<b>1.27</b>
<b>iii) Others</b>	<b>1.65</b>	<b>1.69</b>	<b>2.05</b>	<b>2.60</b>	<b>2.76</b>	<b>2.38</b>

# Public sector inflows and outflows(in crores), 2004-05, India

Sl. No.	Particulars	Inflows (in crores)	Outflows (in crores)
1.	Social transfer in kind (health, education and others)	319098	-
2.	Social contributions/benefits not in kind	134665	-
3.	Other current/ cash transfers	105190	-
4.	Direct taxes or taxes on income and wealth	-	-
	i) Personal income tax	-	55322
	ii) Corporation tax	-	84061
5.	Indirect taxes less subsidies	-	273271
6.	Other current transfers	-	20903
7.	Public surplus/ deficit transfer	-	124936
	<b>Total</b>	<b>558953</b>	<b>558953</b>

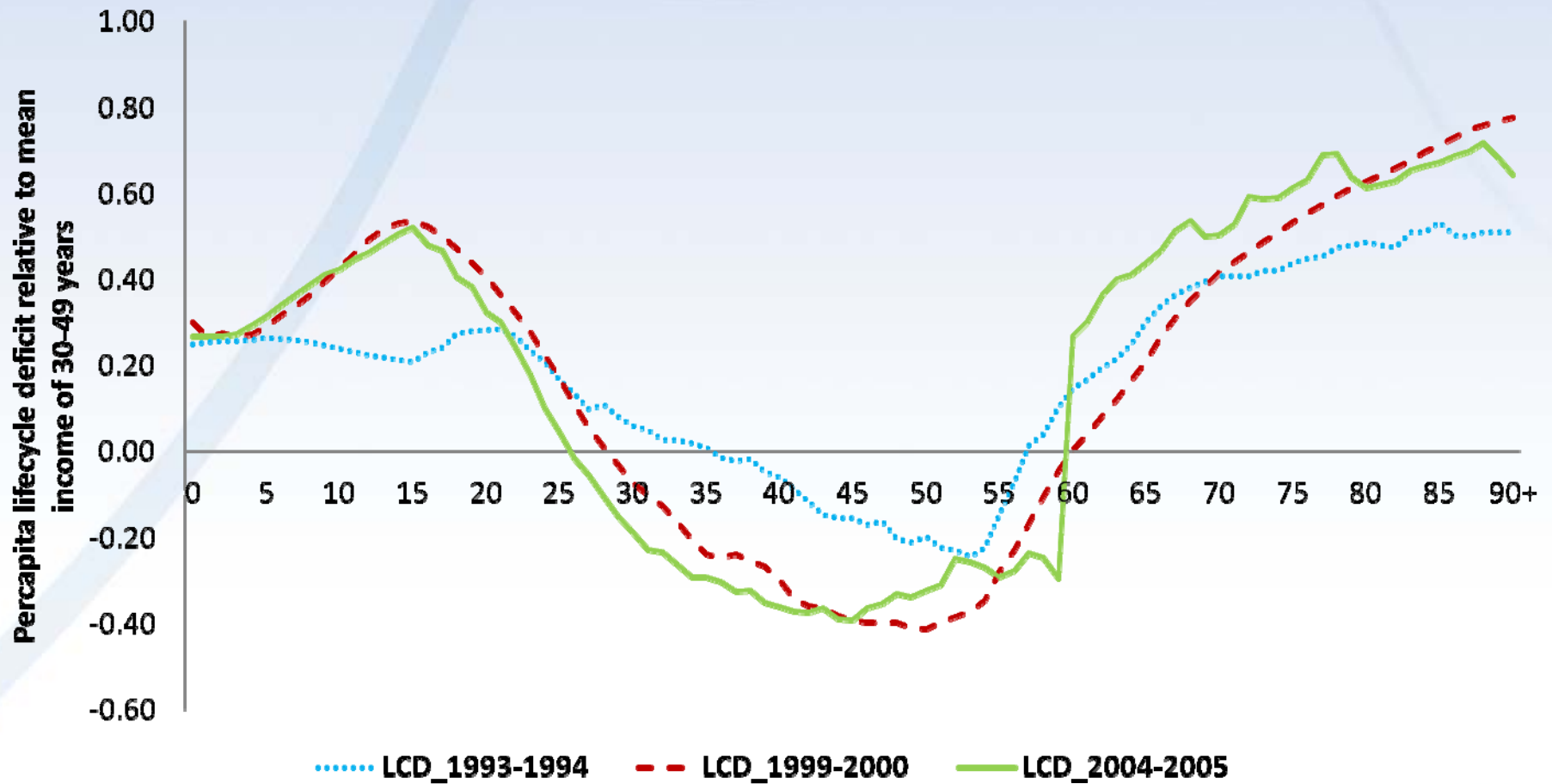
# Age pattern of per capita consumption by sector in India, 2004-05



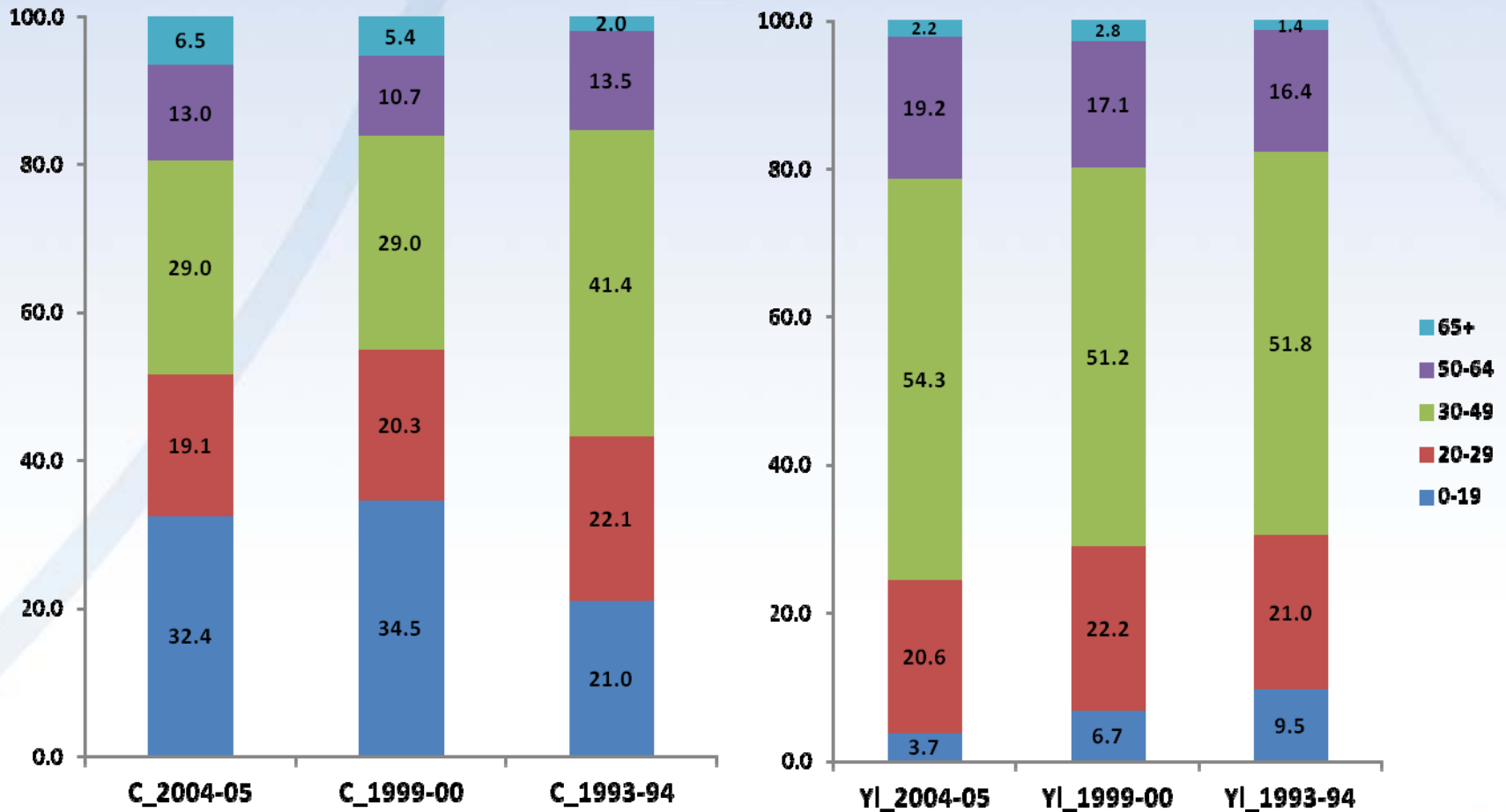
## Percentage share of consumption by sector in 1993-1994, 1999-2000 and 2004-05, India

	1993-1994	1999-2000	2004-2005
<b>Public</b>	<b>13.8</b>	<b>15.9</b>	<b>16.2</b>
<b>Health</b>	<b>0.9</b>	<b>1.0</b>	<b>3.8</b>
<b>Education</b>	<b>2.1</b>	<b>2.6</b>	<b>3.1</b>
<b>Others</b>	<b>10.9</b>	<b>12.3</b>	<b>9.3</b>
<b>Private</b>	<b>86.2</b>	<b>84.1</b>	<b>83.8</b>
<b>Health</b>	<b>3.0</b>	<b>5.6</b>	<b>4.1</b>
<b>Education</b>	<b>1.5</b>	<b>1.8</b>	<b>1.9</b>
<b>Others</b>	<b>81.7</b>	<b>76.7</b>	<b>77.8</b>

# Normalized age patterns of lifecycle deficit in 1993-94, 1999-2000 & 2004-05

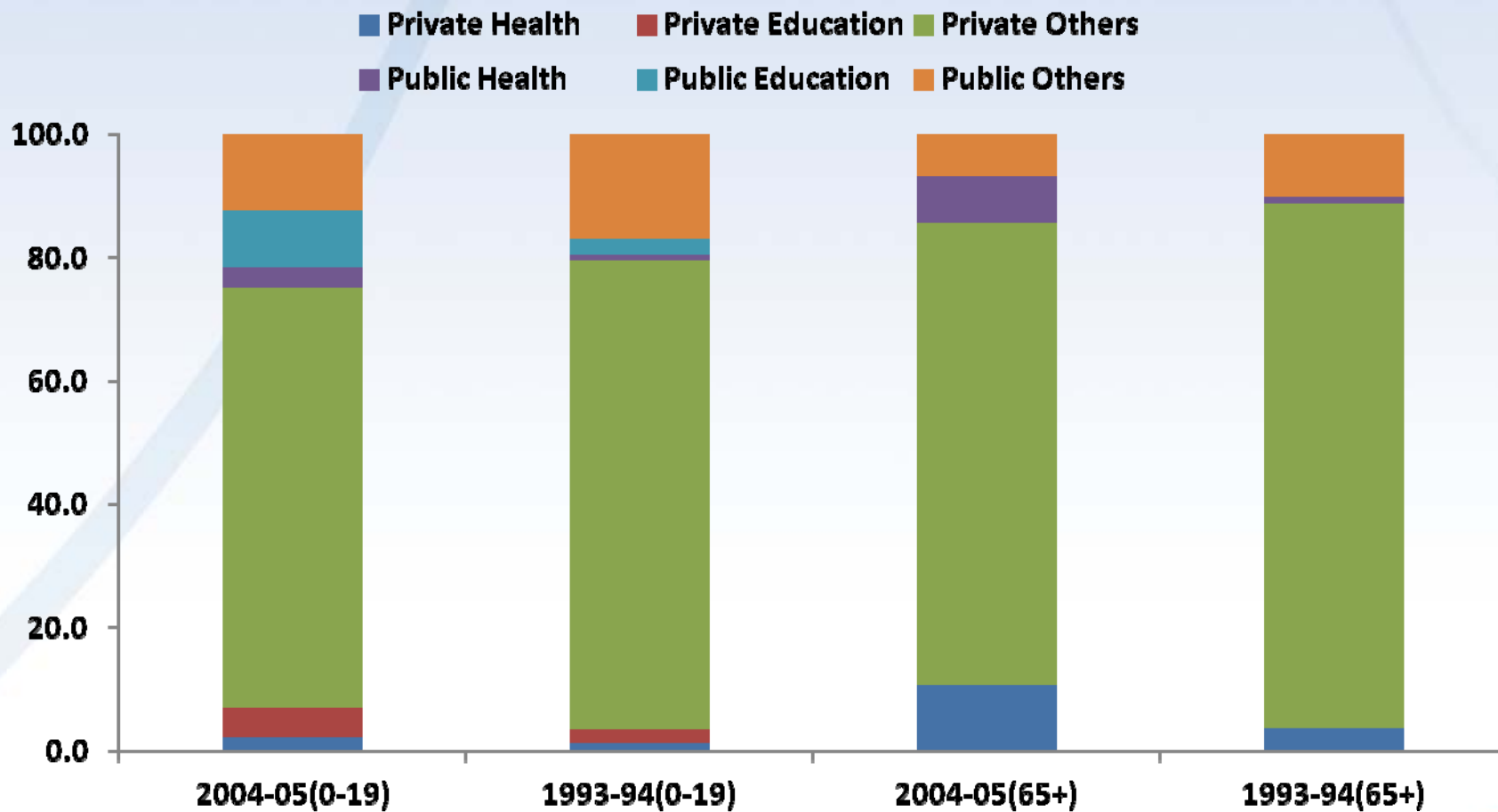


# Changing share of consumption and labor income by broad age groups

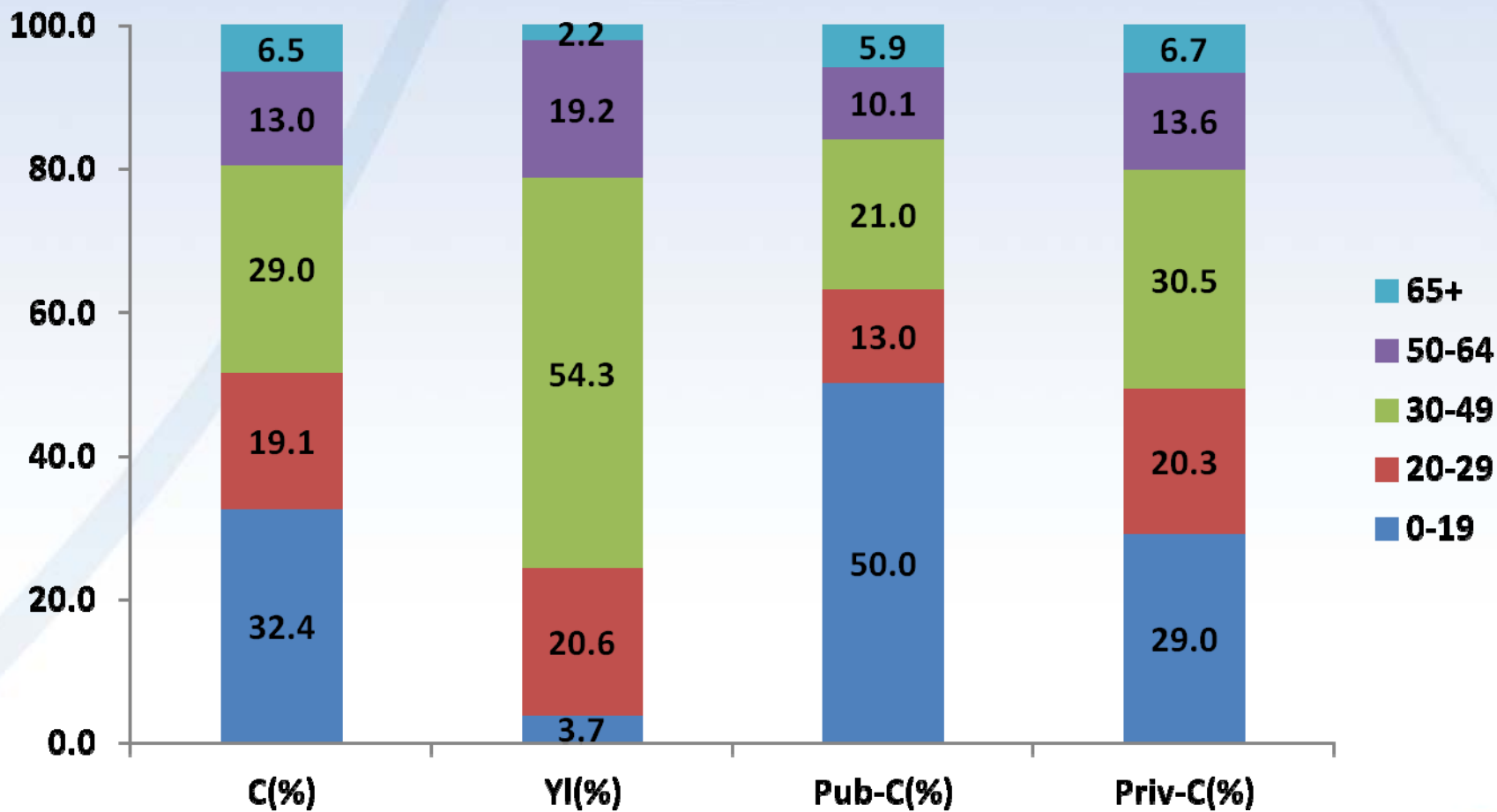




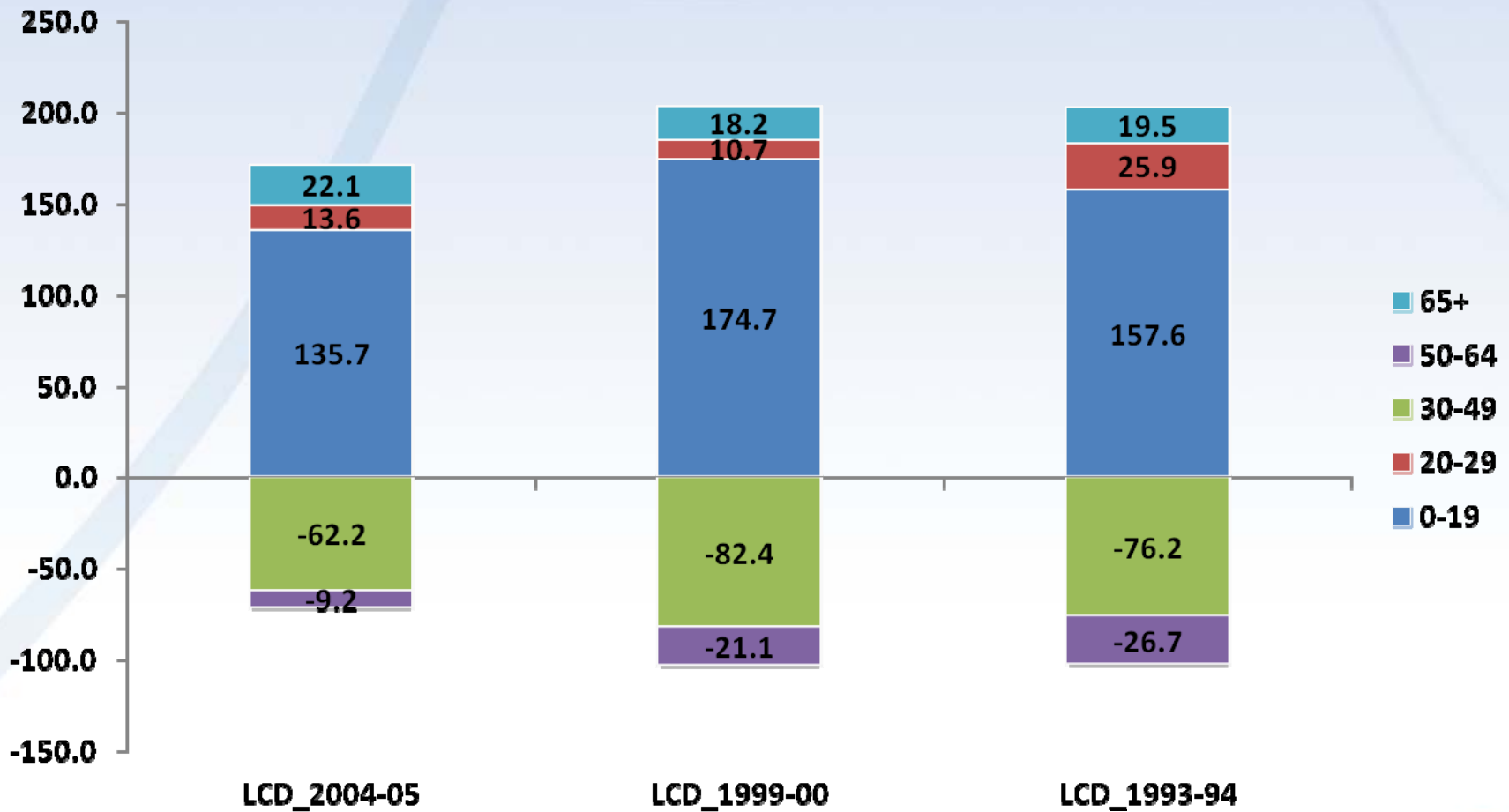
# Changing share of old age and young dependent consumptions



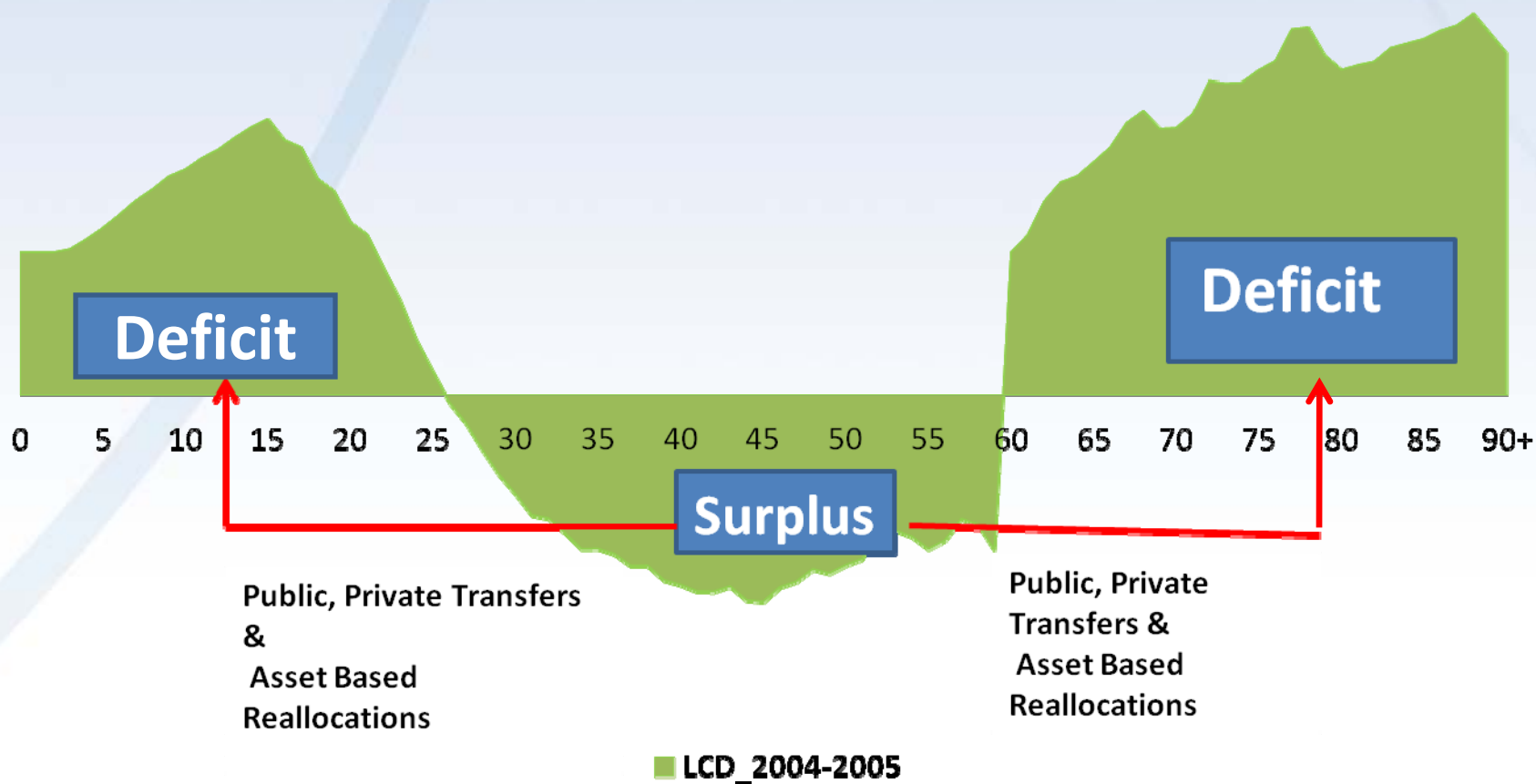
# Public and private consumption share by broad age groups, 2004-05



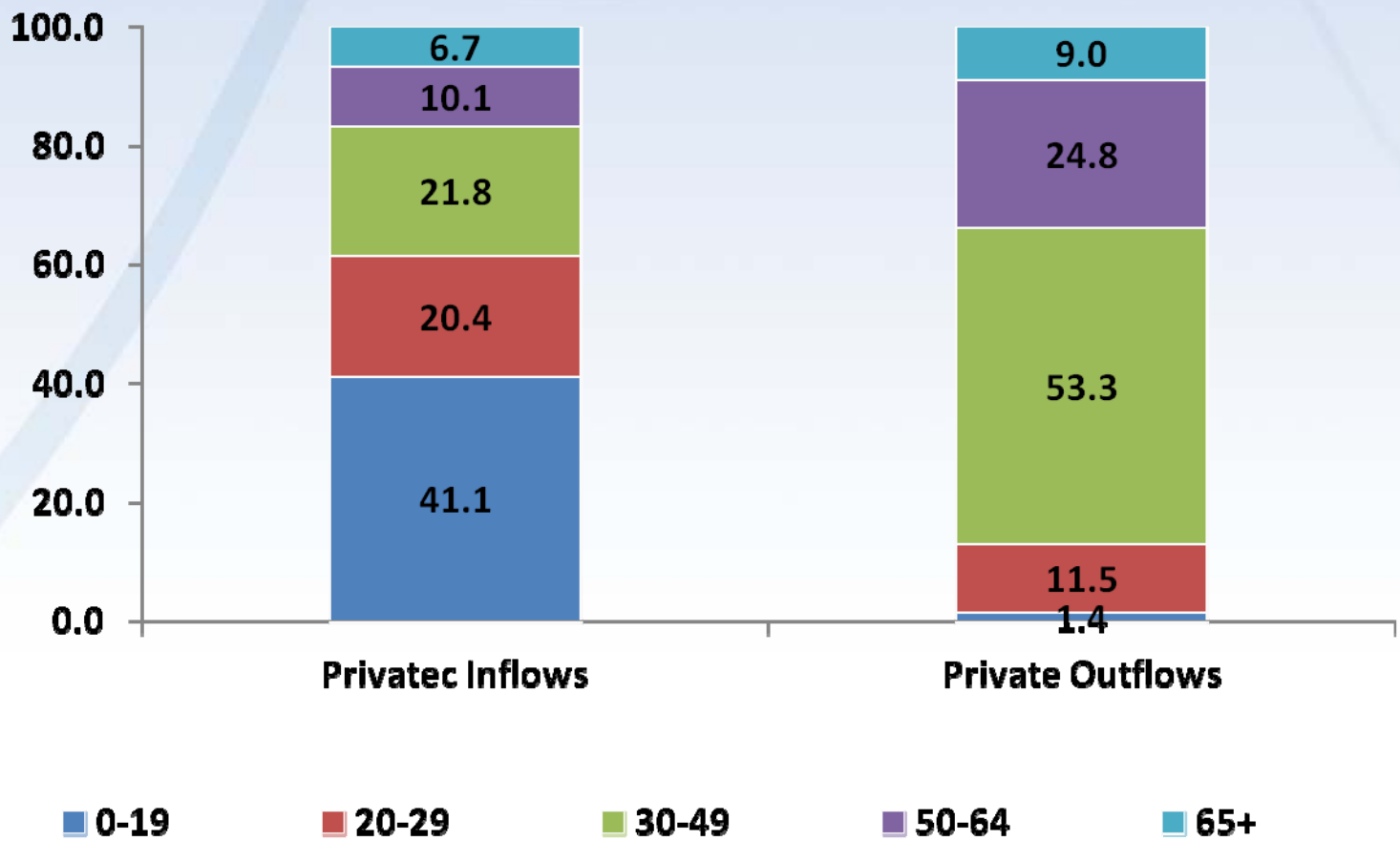
# Changing share of LCD by broad age groups



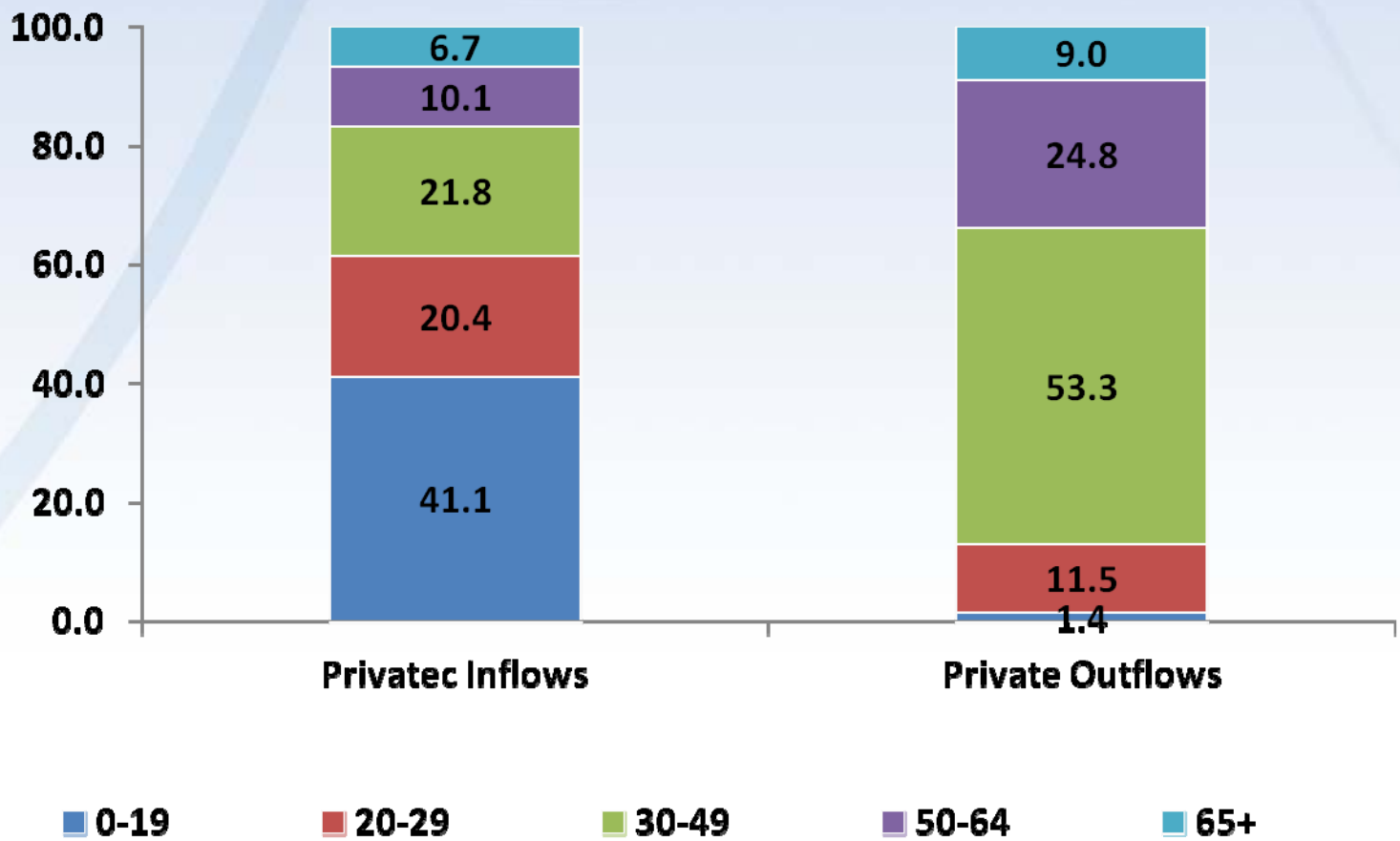
# Lifecycle Deficit and Intergenerational Support System



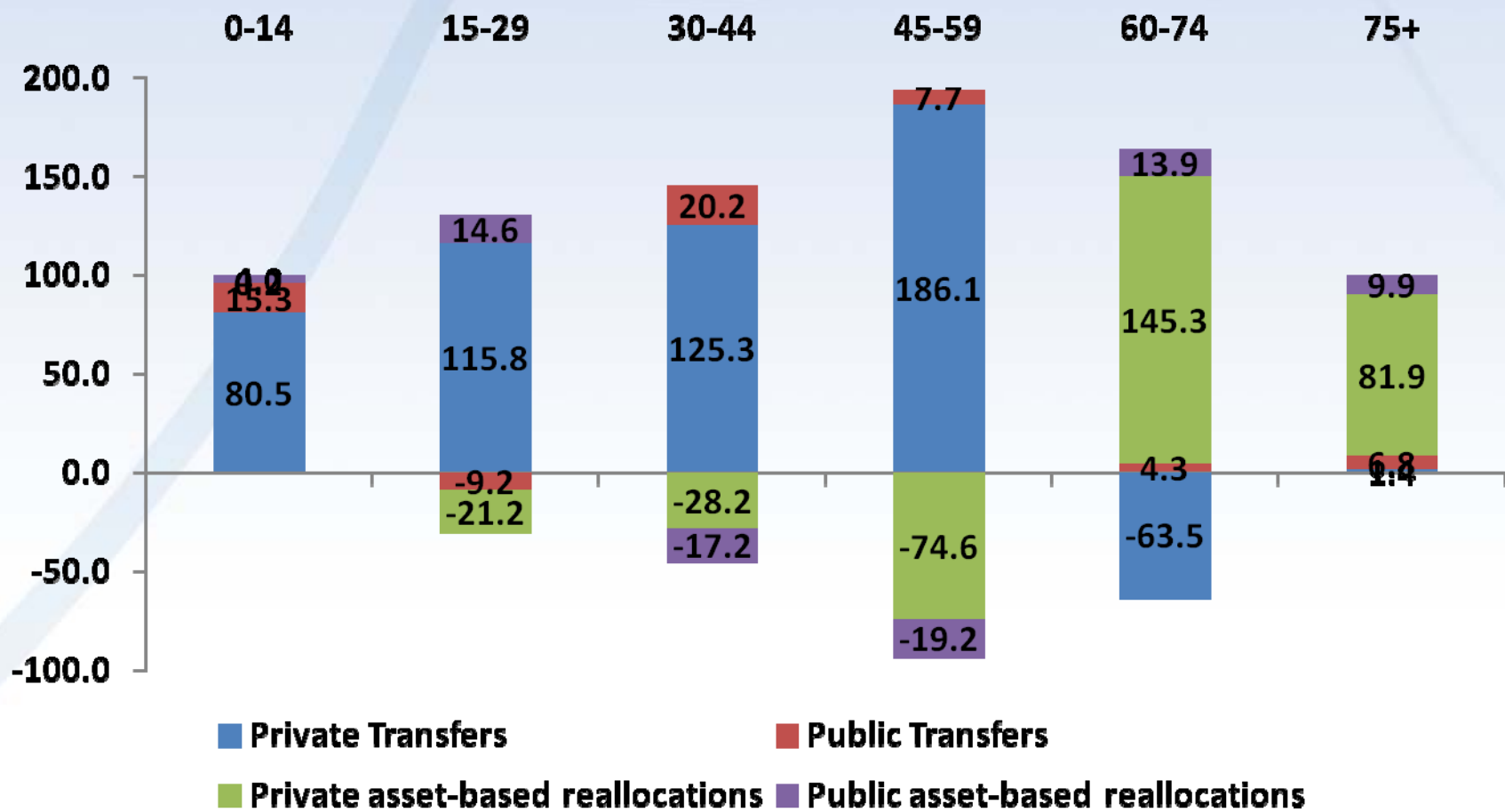
# Private transfers beneficiaries & contributors by broad age groups



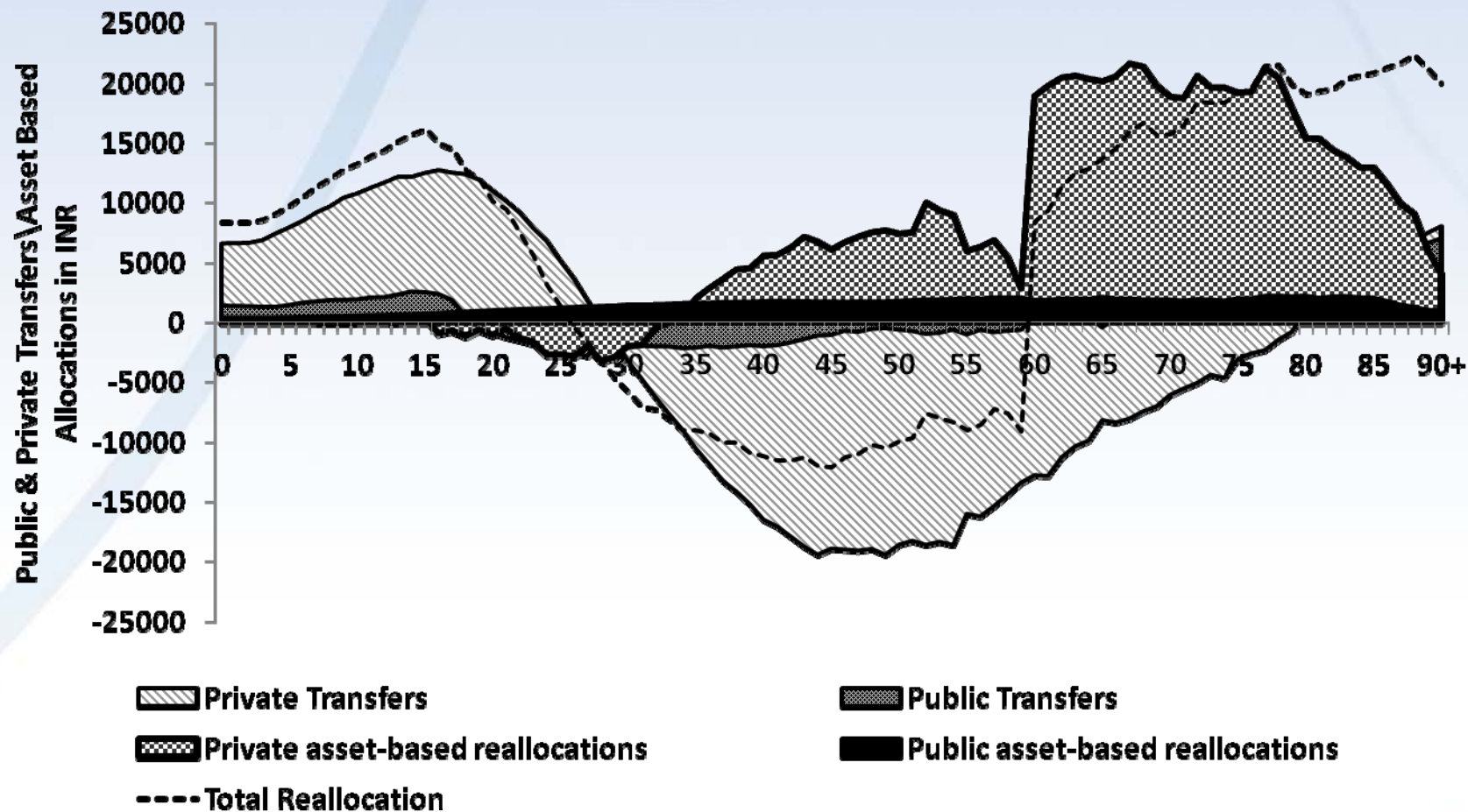
# Private transfers beneficiaries & contributors by broad age groups



# Components of public, private transfers and asset based reallocations supporting lifecycle deficit by broad age groups



# Age patterns of public and private intergenerational support system





## Summary

- **Public in kind transfers constitutes 16 % of total consumption in the accounting year 2004-05 and 50% of this goes to under 20 population and 6% to population 65+ years**
- **The corresponding share of private consumption of these two age groups are 6.7% and 29% respectively**
- **Elderly 65+ are not benefited from intra-household transfers as they themselves contributes especially for education of grandchildren more than what benefit from familial transfers**

## Summary

- **Elderly 65+ contrary to the common belief that are supported by family members, are self supported by own asset based-reallocation**
- **Public funding support too less for the LCD of elderly**

# **ACKNOWLEDGEMENT**

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