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

Laishram Ladusingh
International Institute for Population Sciences, Mumbai
M.R. Narayana
Institute for Social and Economic Change, Bangalore

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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 4th 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., EVALUENCESERVE
Growth in Global Working Age Population (15-64)

<table>
<thead>
<tr>
<th>Region</th>
<th>Stock in 2005</th>
<th>Addition to Working Population by 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>4,168</td>
<td>314</td>
</tr>
<tr>
<td>India</td>
<td>691</td>
<td>71</td>
</tr>
<tr>
<td>Africa</td>
<td>500</td>
<td>64</td>
</tr>
<tr>
<td>China</td>
<td>934</td>
<td>44</td>
</tr>
<tr>
<td>SE Asia</td>
<td>362</td>
<td>33</td>
</tr>
<tr>
<td>Latin A</td>
<td>359</td>
<td>31</td>
</tr>
<tr>
<td>S. Asia</td>
<td>132</td>
<td>17</td>
</tr>
<tr>
<td>USA</td>
<td>200</td>
<td>10</td>
</tr>
<tr>
<td>Europe</td>
<td>497</td>
<td>0</td>
</tr>
<tr>
<td>Japan</td>
<td>85</td>
<td>-3</td>
</tr>
</tbody>
</table>

Source: India Brand Equity Foundation (“IBEF”) and Evalueserve.com Pvt. Ltd., EVALUESERVE
Increasing per capita income coupled with an emerging middle class has provided the necessary impetus to consumerism in India.
- **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**

- **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**

- **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)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Expenditure on Social Services of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.49</td>
<td>5.57</td>
<td>5.91</td>
<td>6.81</td>
<td>7.27</td>
<td>6.63</td>
</tr>
<tr>
<td>i) Education</td>
<td>2.61</td>
<td>2.67</td>
<td>2.59</td>
<td>2.89</td>
<td>3.13</td>
<td>2.98</td>
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<tr>
<td>ii) Health</td>
<td>1.23</td>
<td>1.21</td>
<td>1.27</td>
<td>1.32</td>
<td>1.38</td>
<td>1.27</td>
</tr>
<tr>
<td>iii) Others</td>
<td>1.65</td>
<td>1.69</td>
<td>2.05</td>
<td>2.60</td>
<td>2.76</td>
<td>2.38</td>
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<tr>
<td>Sl. No.</td>
<td>Particulars</td>
<td>Inflows (in crores)</td>
<td>Outflows (in crores)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>--------------------------------------------------------</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Social transfer in kind (health, education and others)</td>
<td>319098</td>
<td>-</td>
<td></td>
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</tr>
<tr>
<td>2.</td>
<td>Social contributions/benefits not in kind</td>
<td>134665</td>
<td>-</td>
<td></td>
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</tr>
<tr>
<td>3.</td>
<td>Other current/ cash transfers</td>
<td>105190</td>
<td>-</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>4.</td>
<td>Direct taxes or taxes on income and wealth</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>i) Personal income tax</td>
<td>-</td>
<td>55322</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>ii) Corporation tax</td>
<td>-</td>
<td>84061</td>
<td></td>
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<tr>
<td>5.</td>
<td>Indirect taxes less subsidies</td>
<td>-</td>
<td>273271</td>
<td></td>
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<tr>
<td>6.</td>
<td>Other current transfers</td>
<td>-</td>
<td>20903</td>
<td></td>
<td></td>
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<tr>
<td>7.</td>
<td>Public surplus/ deficit transfer</td>
<td>-</td>
<td>124936</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td></td>
<td>558953</td>
<td>558953</td>
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</table>
Age pattern of per capita consumption by sector in India, 2004-05
### Percentage share of consumption by sector in 1993-1994, 1999-2004 and 2004-05, India

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Public</td>
<td>13.8</td>
<td>15.9</td>
<td>16.2</td>
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<tr>
<td>Health</td>
<td>0.9</td>
<td>1.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Education</td>
<td>2.1</td>
<td>2.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Others</td>
<td>10.9</td>
<td>12.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Private</td>
<td>86.2</td>
<td>84.1</td>
<td>83.8</td>
</tr>
<tr>
<td>Health</td>
<td>3.0</td>
<td>5.6</td>
<td>4.1</td>
</tr>
<tr>
<td>Education</td>
<td>1.5</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Others</td>
<td>81.7</td>
<td>76.7</td>
<td>77.8</td>
</tr>
</tbody>
</table>

Per capita lifecycle deficit relative to mean income of 30-49 years

- LCD_1993-1994
- LCD_1999-2000
- LCD_2004-2005
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

<table>
<thead>
<tr>
<th>C(%)</th>
<th>YL(%)</th>
<th>Pub-C(%)</th>
<th>Priv-C(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.5%</td>
<td>2.2%</td>
<td>5.9%</td>
<td>6.7%</td>
</tr>
<tr>
<td>13.0%</td>
<td>19.2%</td>
<td>10.1%</td>
<td>13.6%</td>
</tr>
<tr>
<td>29.0%</td>
<td>54.3%</td>
<td>21.0%</td>
<td>30.5%</td>
</tr>
<tr>
<td>32.4%</td>
<td>20.6%</td>
<td>50.0%</td>
<td>29.0%</td>
</tr>
<tr>
<td>19.1%</td>
<td>3.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- 65+ is blue
- 50-64 is purple
- 30-49 is green
- 20-29 is red
- 0-19 is blue
Changing share of LCD by broad age groups

**LCD_2004-05**
- 22.1
- 10.7
- 18.2
- 62.2
- 135.7

**LCD_1999-00**
- 10.7
- 82.4
- 174.7
- 21.1

**LCD_1993-94**
- 19.5
- 25.9
- 157.6
- 26.7

Legend:
- 65+
- 50-64
- 30-49
- 20-29
- 0-19
Lifecycle Deficit and Intergenerational Support System

Deficit

Surplus

Deficit

Public, Private Transfers & Asset Based Reallocations

Public, Private Transfers & Asset Based Reallocations

LCD_2004-2005
Private transfers beneficiaries & contributors by broad age groups

Private Inflows:
- 0-19: 41.1%
- 20-29: 20.4%
- 30-49: 21.8%
- 50-64: 10.1%
- 65+: 6.7%

Private Outflows:
- 0-19: 1.4%
- 20-29: 11.5%
- 30-49: 53.3%
- 50-64: 24.8%
- 65+: 9.0%
Private transfers beneficiaries & contributors by broad age groups

Private Inflows:
- 0-19: 41.1
- 20-29: 20.4
- 30-49: 21.8
- 50-64: 10.1
- 65+: 6.7

Private Outflows:
- 0-19: 53.3
- 20-29: 11.5
- 30-49: 24.8
- 50-64: 9.0
- 65+: 1.4
Components of public, private transfers and asset based reallocations supporting lifecycle deficit by broad age groups

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Private Transfers</th>
<th>Public Transfers</th>
<th>Private asset-based reallocations</th>
<th>Public asset-based reallocations</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>13.3</td>
<td>4.0</td>
<td>80.5</td>
<td>0</td>
</tr>
<tr>
<td>15-29</td>
<td>14.6</td>
<td>14.6</td>
<td>115.8</td>
<td>-9.2</td>
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<tr>
<td>30-44</td>
<td>20.2</td>
<td>20.2</td>
<td>125.3</td>
<td>-28.2</td>
</tr>
<tr>
<td>45-59</td>
<td>7.7</td>
<td>7.7</td>
<td>186.1</td>
<td>-74.6</td>
</tr>
<tr>
<td>60-74</td>
<td>13.9</td>
<td>13.9</td>
<td>145.3</td>
<td>-63.5</td>
</tr>
<tr>
<td>75+</td>
<td>9.9</td>
<td>9.9</td>
<td>81.9</td>
<td>2.4</td>
</tr>
</tbody>
</table>
Age patterns of public and private intergenerational support system

- Private Transfers
- Private asset-based reallocations
- Total Reallocation
- Public Transfers
- Public asset-based reallocations

Allocations in INR

NTA
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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