AN ANALYSIS OF INCLUSIVE GROWTH: EVIDENCE FROM SOUTH ASIAN ECONOMIES

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Abstract - The main aim of this study is to compare the inclusive growth in terms of income, poverty, unemployment and inequality among the South Asian economies. This study was based on secondary data collected from World Development Indicators Databank, PovcalNet Database, and Standardized World Income Inequality Database (SWIID version 9.1) during 2010-2019. In order to analyse the collected data, a scientific methodology was developed. The analysis showed that all the South Asian economies were facing the problem of low per capita income during the study period. The maximum number of poor people at national poverty lines were found in Afghanistan, Nepal, and Bangladesh. However, all South Asian countries revealed a decline in the poverty gap ratio in 2015 from the 2010 level. The highest unemployment was noticed in Afghanistan, Maldives and India and lowest in Bhutan, Nepal and Pakistan in 2019. Based on the findings of the study, it is suggested that these economies must reduce confrontation and enhance cooperation in various areas like education, research, trading, cultural activities, and tourism. It is hoped that these efforts will bring peace and spur a sustainable development process in this region, and inclusive growth may be achieved.

Keywords - Inclusive growth, Income, Poverty, Unemployment, Inequality

I. INTRODUCTION

Inclusive growth is a guiding principle in policymaking in many countries. The World Bank goal of promoting shared prosperity also focuses on inclusive growth agenda. The UN 17 Sustainable Development Goals (SDGs) also built upon the discourse of achieving inclusiveness in different dimensions. Goal 1 aims to eradicate poverty, provide access to essential services and financial systems, and implement social protection system covering poor and vulnerable sections in the society. Goal 2 strives to wipe out hunger and secures access to healthy and adequate food for all.Goal 3 focuses on promoting well-being for all. Similarly, Goal 4 emphasises ensuring inclusive quality education. Goal 5 aims to attain gender equality by eliminating discrimination, evil social practices and providing equitable access to decision-making in political, economic, and public domains.Goal 6 resolves to ensure water and sanitation facilities for all.Goal 8 aspires for inclusive economic growth and providing productive employment opportunities for all. Goal 9 aims to provide equitable access to sustainable infrastructure and foster inclusive industrialization.Goal 10 aims at reducing inequalities. Goal 11 accentuates making human settlements inclusive. Goal 16 encourages inclusive societies free from violence and inclusive institutions with participatory decision making. Therefore, it is quite clear from the above discussion that inclusiveness is an essential element of SDG. There is no consensus on the precise definition of inclusive growth or development. Grinspun (2004) elucidates inclusive growth as economic growth along with reduction in poverty and inequality. It is a notion that encourages equitable opportunities for all sections of society during economic growth (Ranieri& Almeida Ramos, 2013). It also points out the pace and distribution of economic growth (Anand et al., 2013). Ianchovichina and Lundstrom (2012)delineate inclusive growth as escalating the pace of growth and enlarging the economy by providing productive employment opportunities. Therefore, this approach diverts focus to productive employment rather than direct income redistribution to enhance the income level of excluded groups. Jiang et al. (2021) described four main goals of inclusive growth. First, the growth should include a labour force from poor and vulnerable groups. Second, removing institutional barriers to increase social inclusion. Third, empowerment and participation of different individuals and groups in the growth process. Lastly, the mitigation of social risks by providing basic amenities.Inclusive growth revolves around economic growth, poverty, unemployment and inequality in the economy.

II. SOUTH-ASIAN ECONOMIES

This study was conducted in South Asia. The South Asian economies include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. According to the World Bank's World Development Indicators Databank, in 2020, South Asia accommodated 1.86 billion people, i.e. almost 24 per cent of the world population. India is the second-largest populated country globally, with 1.38 billion people. Similarly, the Maldives is the smallest country, followed by Bhutan and Sri Lanka. In South Asia, 65.57 per cent population reside in rural areas. Sri Lanka (81.42 per cent) has the highest rural population in the region, followed by Nepal (79.85 per cent), Afghanistan (74.25 per cent) and India (65.53 per cent). South Asia also showed 2.82 per cent annual growth in GDP per capita in 2019. The

economy of South Asia was large and covered more than 4 per cent of world GDP in 2019. India was the largest economy in the region, with a GDP of US$ 2.871 trillion at the current price in 2019 and accounted for almost 80 per cent of the total GDP of South Asian economies. Review of Literature Many studies have advocated for inclusive growth amid rising inequalities (Atkinson, 2015; Basu&Stiglitz, 2016; Kannan, 2017). The debate on inclusive growth emerges from the development theory of pro-poor growth that was popularised during the 1990s. As per the earlier literature, two key definitions of pro-poor growth have emerged. The broad definition opines that economic growth can be pro-poor if it decreases absolute income poverty (Ravallion& Chen, 2003). Therefore, pro-poor growth was viewed as an interrelationship between growth, poverty and inequality. Later on, in the mid-2000s, policymakers started focusing on inclusive growth. They realized that growth alone or growth merely in the form of redistribution would not alleviate the problem of inequality and poverty (Bakker &Messerli, 2017). Researchers and economists have evolved different definitions of inclusive growth. This notion refers to "growth coupled with equal opportunities" (Rauniyar & Kanbur, 2010). Similarly, Habito (2009) describes inclusive growth as GDP growth leading to a substantial reduction in poverty. European Commission (2010) refers to inclusive growth as empowering people through employment, skills enhancement, poverty reduction, modernisation of labour markets and social protection systems. Inclusive growth is also viewed as a process and an outcome(Klasen, 2010). The literature on inclusive growth and its quantification is extensive. The first comprehensive 'Inclusive growth index' was introduced by the World Economic Forum. It ranked many countries based on performance in three dimensions: growth and development, inclusion, and intergenerational equity and sustainability (World Economic Forum, 2017).Thus, in the above-mentioned studies, various scholars have measured inclusive growth with different dimensions and parameters. The present study analyses inclusive growth considering income, poverty, unemployment, and inequality variables in South Asian countries. This study also makes comparisons among the various South Asian economies.

III. OBJECTIVE

Thus, keeping in view the above facts, the main aim of this study is to compare the inclusive growth in terms of income, poverty, unemployment and inequality among the South Asian economies.

IV. RESEARCH METHODOLOGY

The present study is based on secondary data. The required data related to various indicators which were collected through World Development Indicators Databank, Povcal NetDatabase of World Bank, and Standardized World Income Inequality Database (SWIID version 9.1)for 2010-2019.The trend analysis technique was used. Growth rates were calculated as annual averages and represented as percentages.

V. RESULTS AND DISCUSSION

5.1 Income

National income statistics provide a complete view of the country's economy. It also highlights about income status of various groups in the population who participate as producers and income receivers. The past data of income available over a substantial period can be utilised to estimate the future trend about the progress of the economy receivers. The past data of income available over a substantial period can be utilised to estimate the future trend about the progress of the economy. Table 1 shows GDP per capita constant 2010 US $)for 2010-2019. It is evident from the table that the highest per capita GDP was found in the Maldives, followed by Sri Lanka, Bhutan, India and Pakistan. Further, the lowest per capita GDP was observed in Afghanistan, followed by Nepal and Bangladesh during the study periods. The above relationship may be seen through figure 1 which shows the trend for GDP per capita.

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Afghanistan	543	529	576	588	584	574	571	571	565	573
Bangladesh	781	822	866	907	951	1002	1062	1127	1203	1288
Bhutan	2258	2411	2505	2526	2640	2781	2971	3072	3129	3262
India	1358	1410	1469	1545	1640	1752	1876	1982	2090	2152
Maldives	7077	7385	7252	7436	7625	7502	7632	7837	8157	8477
Nepal	592	612	640	665	705	730	727	781	827	866
Pakistan	987	993	1006	1028	1054	1081	1117	1155	1198	1185
Sri Lanka	2800	3015	3286	3371	3506	3647	3769	3860	3945	4009

Table 1. GDP Per Capita (Constant 2010 US $)
Source: World Development Indicators Databank, World Bank

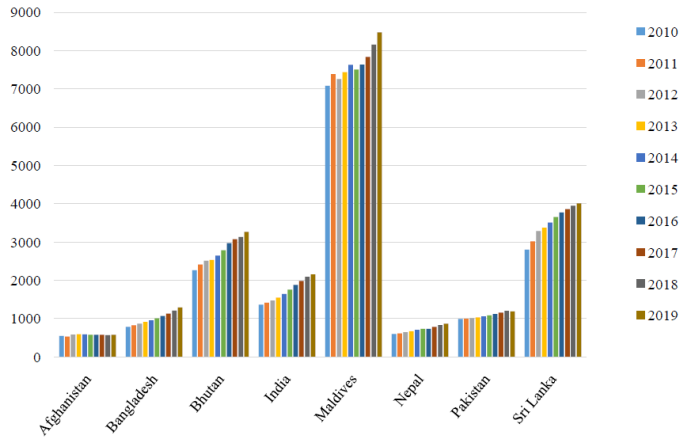


Figure 1. GDP Per Capita (Constant 2010 US $)

Table 2 depicts GDP annual growth rate percentage for 2010-2019. It may be viewed from the table that the highest growth rate in GDP for the year 2019 was noticed for Bangladesh, followed by Maldives, Nepal, Bhutan and India. The lowest GDP growth rate for 2019 was found in Pakistan, followed by Sri Lanka and Afghanistan. Further, India, Pakistan and Sri Lanka observed the lowest growth rate in 2019 among all the years. However, Bangladesh witnessed a continuous increase in the annual GDP growth rate during 2013-2019. The above relationship can also be explained through figure 2 which shows the trend for GDP growth rate percentage from the year 2010 to 2019.

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Afghanistan	14.36	0.43	12.75	5.60	2.72	1.45	2.26	2.65	1.19	3.91
Bangladesh	5.57	6.46	6.52	6.01	6.06	6.55	7.11	7.28	7.86	8.15
Bhutan	11.95	7.98	5.12	2.12	5.78	6.64	8.13	4.65	3.06	5.46
India	8.50	5.24	5.46	6.39	7.41	8.00	8.26	6.80	6.53	4.04
Maldives	7.27	8.57	2.52	7.28	7.33	2.88	6.34	7.21	8.13	6.99
Nepal	4.82	3.42	4.44	3.53	6.01	3.98	0.43	8.98	7.62	6.66
Pakistan	1.61	2.75	3.51	4.40	4.67	4.73	5.53	5.55	5.84	0.99
Sri Lanka	8.02	8.40	9.14	3.40	4.96	5.01	4.49	3.58	3.27	2.26

Table 2. GDP Growth (Annual %)
Source: World Development Indicators Databank, World Bank

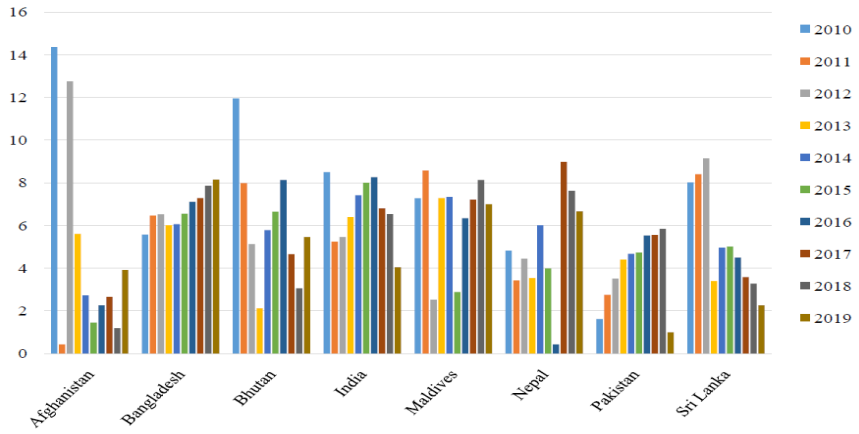


Figure 2.GDP Growth (Annual %)

5.2 Poverty

Table 3 provides the poverty headcount ratio at national poverty lines for South Asian countries. It is evident from the table that Afghanistan was the poorest country in the region, where 54.5 per cent of the population was below the national poverty line. It was followed by Nepal and Bangladesh, where 25.2 per cent and 24.3 per cent population were poor. The poverty headcount ratio of India, Pakistan and Bhutan was 21.9, 21.9 and 8.2 per cent, respectively. However, Sri Lanka had the lowest poverty headcount ratio in the South Asian region. Figure 3 displays the graphic representation of the population living below national poverty lines in South Asian economies.

Country	Year	Value
Afghanistan	2016	54.5
Bangladesh	2016	24.3
Bhutan	2017	8.2
India	2011	21.9
Maldives	2016	8.2
Nepal	2010	25.2
Pakistan	2018	21.9
Sri Lanka	2016	4.1

Table 3.Poverty Headcount Ratio at National Poverty Lines (% of Population)
Source:World Development Indicators Databank, World Bank

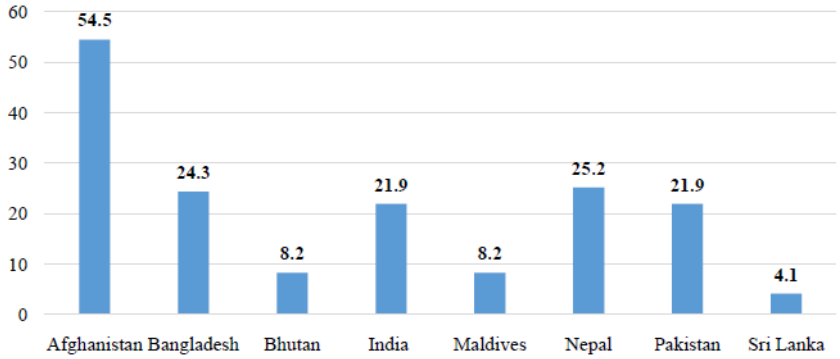


Figure 3. Poverty Headcount Ratio at National Poverty Lines

Table 4 explains the proportion of the population living below $1.25 a day (2011 PPP) for 2010 and 2015 in the South Asian region. It may be seen from the table that the poverty headcount ratio dropped in the year 2015 from the 2010 level for all South Asian countries. India showed splendid progress in reducing the poverty rate from 6.67 per cent in 2010 to 1.8 per cent in 2015. The maximum number of poor people in 2015 were found in Bangladesh, followed by India and Nepal. Further, figure 4 shows the trend for percentage of population living below $1.25 a day (2011 PPP) for 2010 and 2015 in the South Asian region.

Country	2010	2015
Afghanistan		
Bangladesh	2.38	2.06
Bhutan	0.36	0.09
India	6.67	1.8
Maldives	0.12	0
Nepal	2.89	1.06
Pakistan	0.71	0.02
Sri Lanka	0.29	0.07

Table 4.Poverty Headcount Ratio at $1.25 A Day (2011 PPP)
Source: Povcal Net Database, World Bank

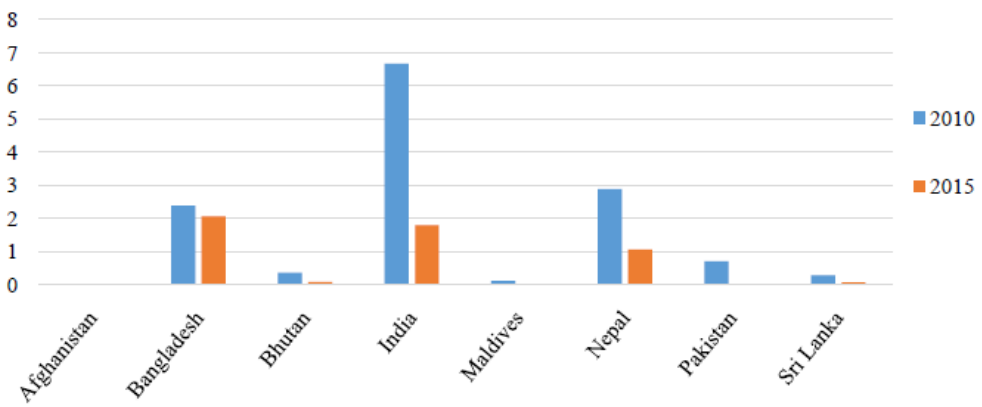


Figure 4. Poverty Headcount Ratio at $1.25 A Day (2011 PPP)

Table 5 displays the poverty gap ratio at $1.25 a day (2011 PPP) for the years 2010 and 2015, which is the gap (in percentage terms) of the average expenditure (income) from the poverty line.All South Asian countries revealed a decline in the poverty gap ratio in 2015 from 2010.Further,figure 5 shows the trend for poverty gap ratios at $1.25 a day (2011 PPP).

Country	2010	2015
Afghanistan		
Bangladesh	0.3	0.28
Bhutan	0.06	0.02
India	1.03	0.26
Maldives	0.01	0
Nepal	0.56	0.16
Pakistan	0.08	0
Sri Lanka	0.04	0.01

Table 5.Poverty Gap Ratio at $1.25 A Day (2011 PPP)
Source: Povcal Net Database, World Bank

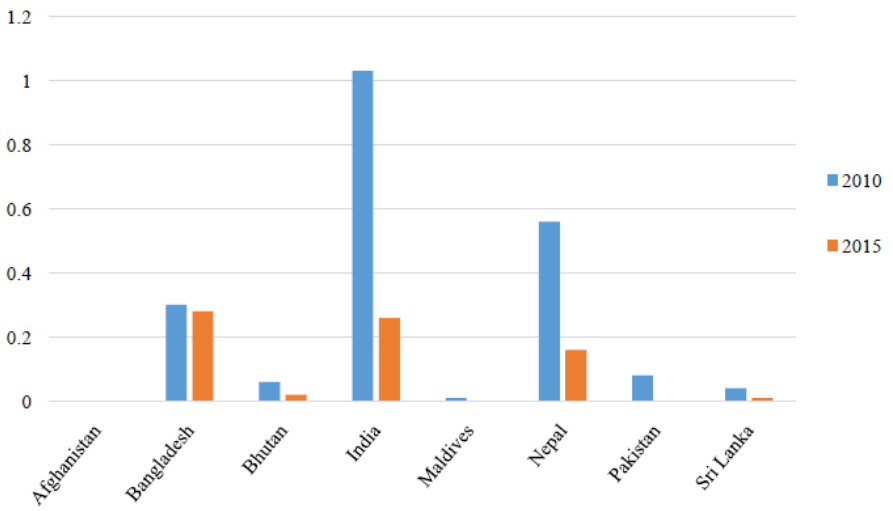


Figure 5. Poverty Gap Ratio at $1.25 A Day (2011 PPP)

5.3 Unemployment

Table 6 points out unemployment (per cent of the population) for 2019. It may be seen from the analysis that the highest total and male unemployment was noticed in Afghanistan, followed by Maldives and India. The highest female unemployment was found in Afghanistan, Sri Lanka and Bangladesh. Further, Bhutan, Nepal and Pakistan had the lowest total unemployment in the South Asian region in 2019. Figure 6 shows the graphic presentation of unemployment percentage for the year 2019.

Country	Male (% of male labor force)	Female (% of female labor force)	Total (% of total labor force)
Afghanistan	10.19	13.81	10.98
Bangladesh	3.2	6.55	4.22
Bhutan	1.75	3.02	2.27
India	5.28	5.21	5.27
Maldives	5.97	5.22	5.82
Nepal	3	2.73	2.85
Pakistan	3.89	4.32	3.98
Sri Lanka	2.95	6.87	4.27

Table 6.Unemployment % for the Year 2019 (Modeled ILO Estimate)
Source: World Development Indicators Databank, World Bank

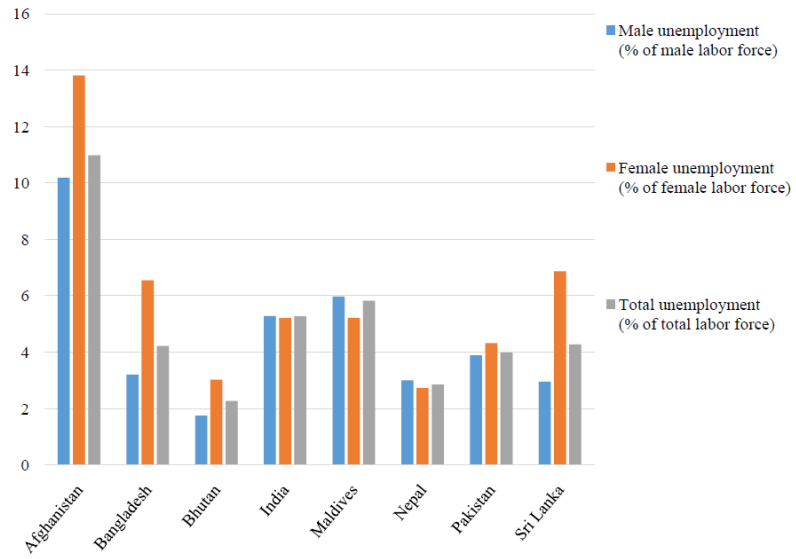


Figure 6. Unemployment % for the Year 2019 (Modeled ILO Estimate)

Table 7 depicts the youth unemployment (percentage) for the year 2019. It may be seen from the table that the maximum unemployed youth were found in India, followed by Sri Lanka, Afghanistan, Maldives and Bangladesh. Sri Lanka had maximum female unemployment among youth in the year 2019. Figure 7 also shows the trend for youth unemployment for 2019.

Country	Male (% of male labor force aged between 15 to 24 years)	Female (% of female labor force aged between 15 to 24 years)	Total (% of total labor force aged between 15 to 24 years)
Afghanistan	16	20.9	17.22
Bangladesh	10.18	16.55	12.13
Bhutan	7.88	12.28	10.03
India	22.71	24.44	23.01
Maldives	18.03	11.66	16.63
Nepal	5.26	3.97	4.57
Pakistan	8.15	6.54	7.81
Sri Lanka	16.44	29.24	20.79

Table 7.Youth Unemployment % for the Year 2019 (Modeled ILO Estimate)
Source:World Development Indicators Databank, World Bank

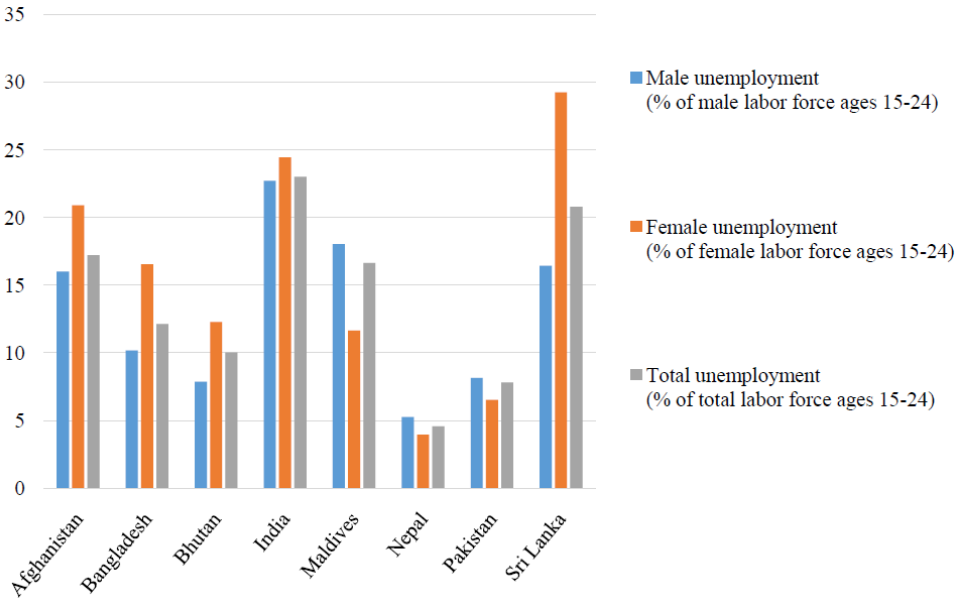


Figure 7.Youth Unemployment % for the Year 2019 (Modeled ILO Estimate)

5.4 Inequality

Table 8 shows inequality through income or consumption share (per cent) for 2015. In all the South Asian economies, the bottom 10 per cent shared the income between 3.95 per cent and 2.74 per cent. Further, the bottom 10 per cent were getting the highest share in Pakistan (3.95 per cent) and the lowest in Bhutan (2.74 per cent). Similarly, the top 10 per cent were getting the highest share in Sri Lanka (32.56 per cent) and the lowest in Nepal (26.41 per cent). Figure 8 displays the income or consumption share ratio of top 10 per cent to bottom 10 per cent population.

Country	Bottom 10%	Top 10%	Ratio of top 10% to bottom 10%
Afghanistan			
Bangladesh	3.699	26.835	7.25
Bhutan	2.7371	27.932	10.20
India (Rural)	3.9479	26.653	6.75
India (Urban)	2.9456	31.829	10.81
Maldives	3.3698	25.174	7.47
Nepal	3.5025	26.41	7.54
Pakistan	3.9486	28.012	7.09
Sri Lanka	2.9846	32.563	10.91

Table 8. Income or Consumption Share (%) for the Year 2015
Source: Povcal Net, World Bank

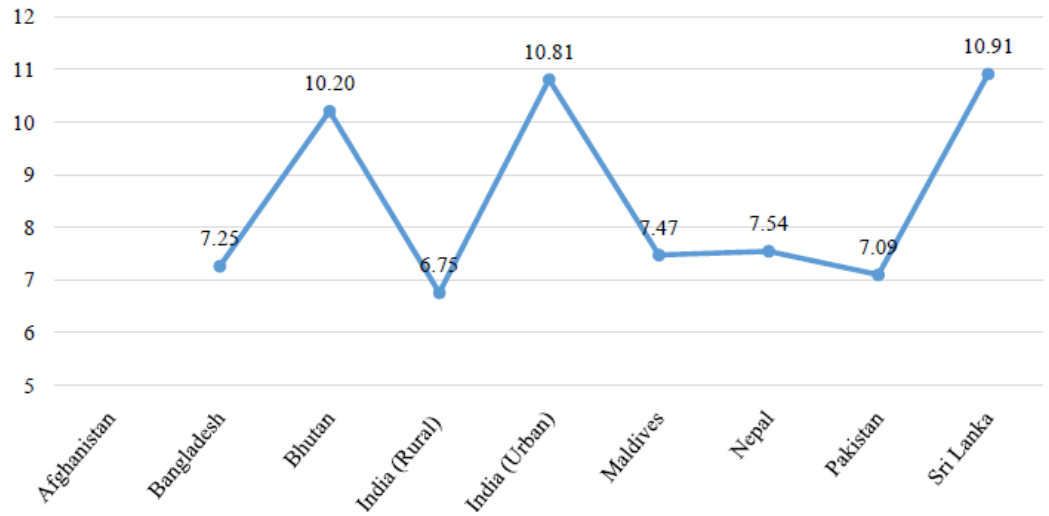


Figure 8.Ratio of Top 10% to Bottom 10% Population

It may be seen from the table 9 that among the eight South Asian countries, three countries (Afghanistan, India and Sri Lanka) observed a slight rise while the two countries (Bhutan and Maldives) experienced a decline in the GINI index between 2010 and 2015. Itis also observed that India witnessed the highest inequality, followed by Sri Lanka and Bhutan. The GINI index value of Maldives, Bangladesh, Pakistan and Afghanistan were 39, 34.8, 34.3 and 31.9, respectively, in 2015.The above relationship may also be seen from figure 9.

Country	GINI Index (2010)	GINI Index (2015)
Afghanistan	31.8	31.9
Bangladesh	34.8	34.8
Bhutan	41.1	40.8
India	49	49.8
Maldives	39.5	39
Nepal	38	
Pakistan	34.3	34.3
Sri Lanka	48.1	48.3

Table 9.GINI Index Trends
Source: Standardized World Income Inequality Database (SWIID), Version 9.1

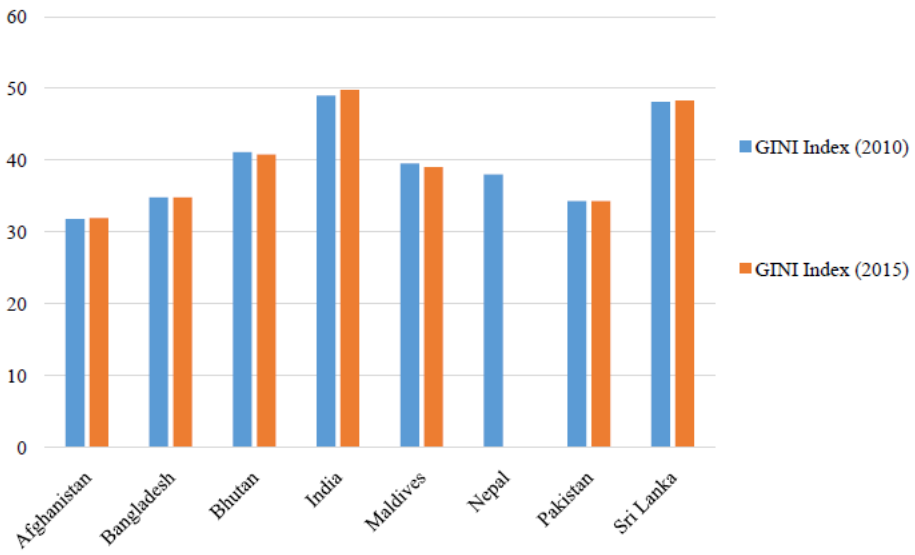


Figure 9.GINI Index Trends

VI. CONCLUSION AND SUGGESTIONS

Finally, it was noticed from the analysis that the problem of low income, poverty, unemployment and inequality were found common in all the South-Asian economies, and the purpose of inclusive growth has been defeated. It may be due to that most of the economies of this region have been suffering from the problem of cross-boundary terrorism for more than three decades. Therefore, most of the resources have been diverted from economic development towards maintaining peace internally and externally in these economies. In order to achieve the goal of inclusive growth for the South Asian economies, it has been suggested that these economies must reduce confrontation by controlling cross-boundary terrorism and enhancing co-operation in various areas like education, research, trading, cultural activities and tourism. It is hoped that these suggested measures may bring peace and spur a sustainable development process in this region, so that the purpose of inclusive growth may be achieved.

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