



An Indian perspective on poverty - cultural influences from home and overseas

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India has a larger number of people living in poverty than any other country in the world. Any serious attempt to alleviate world poverty must take into account the approximately 860 million people in India living on less than US\$2 a day.¹ In designing tools to assist India's poor population, it is vital to understand the prevailing cultural and historical factors that influence the Indian demographic. Knowing the background to inequality and discrimination in Indian society is important to understanding the roots of poverty in India, and helping those in India take effective action.

India's socio-economic setting

India, with a population of over 1.1 billion people, is the largest democracy in the world and has a strong tradition of cultural diversity, inclusion and open debate.² However, India's post-Independence record in reducing social asymmetries and offering equal economic, educational and other opportunities has been disappointing.

Since India's Independence in 1947, reducing poverty has been a stated aim of successive governments. While India has avoided famines in this period – in comparison with China for example – there has been little progress towards eliminating hunger and under-nutrition.

Rates of general under-nourishment are currently twice as high in India as in sub-Saharan Africa: almost half of India's children (between 40% and 60%)³ are undernourished. In fact, direct measures to reduce poverty have probably had much less influence on the numbers of poor people in India than overall economic growth.

Access to education is a key factor in reducing poverty in the long-term. India's record in improving education is very mixed. However, attendance at universities in India is six times the rate in China.⁴

At the same time, the primary and secondary education sectors are weak and under-funded, resulting in significant illiteracy across the population (literacy rates are 75.3% for men, and 53.7% for women).⁵

Recent years have seen an increased political focus on educational inequalities as well as the lack of basic health care, especially for poor families. This can be seen in the government's recent 2007 budget statement, which pledged to raise spending on education and health and "promote inclusive growth, equity and social justice."⁶

India is a secular country with a history of tolerance towards different religious views and diverse culture. Though four-fifths of Indian citizens are Hindus, there is an extremely diverse range of beliefs and viewpoints within this group. It is impossible to say that there is a *single* Hindu identity.

The last 10 years have seen an increase in politicisation of religion in India. Parties emphasising India's Hindu heritage and questioning the country's secular status have become stronger and more vocal. However, any trend towards separatism and resistance against Western influence was way-laid by the electoral defeat of the Hindu-Nationalist BJP in 2004. Furthermore, the moderate, pro-international trade policies of the BJP while in power, suggest that India will, for the foreseeable future, continue to be inclusive both in general cultural terms, and in its approach to reducing poverty.

Class, caste & other sources of inequality

Nobel Prize-winning economist and author Amartya Sen makes an illuminating distinction between class, caste and other inequalities.⁷ He sees class as being the dominant source of inequality in India since Independence. As in many countries, class divisions exist between the rich and poor; the privileged and under-privileged.

Furthermore, class tends to intensify the impact of other forms of discrimination. For instance, it is the combination of class and gender inequality that has trapped so many women in India in poverty.

Historically, caste is the basic social structure in Indian society. Hindus are born into one of four primary castes, which dictates their social standing and can have a significant

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impact on each individual's social and employment prospects.

Today there are widely varying views on the continued importance of caste. Respected opinion is that, while the importance of caste may

have largely disappeared day-to-day, caste inequality persists and typically rises to the surface when important issues such as marriage or employment are considered.

For example, though caste hierarchies have weakened - particularly in urban areas - caste ties remain extremely important and are often the key factor in the distribution of scarce jobs.⁸ As another illustration of the continuing influence of caste distinctions, of the 1,900 matrimonial advertisements appearing in a leading Indian newspaper on just one day in August 2004, only 225 declared caste no barrier.⁹

Inequalities are also manifest in the geographical distribution of poverty. Western and southern Indian states are characterised by high growth, increasing economic prosperity and lower levels of poverty. By contrast, eastern, central, and north-eastern regions suffer low income, low growth and

significantly higher proportions of population below the poverty line. The lack of economic opportunities in these regions - which account for 54% of India's population¹⁰ - is in large part due to a historical lack of infrastructure and an extremely weak education sector.

New barriers to reducing poverty in India have arisen in recent times. The bureaucratic structure of political institutions combined with class and caste discrimination often subverts the developmental agenda of the state. Some measures aimed at removing inequalities have actually reinforced the exclusion of the poorest and most disadvantaged people as it is often the relatively well-off members of under-privileged castes who benefit from affirmative action such as the quota system for government jobs.

The combined impact of these inequalities has been to prevent a large section of the Indian population from accessing economic opportunities and lifting themselves out of poverty. Furthermore, inequalities in access to vital resources such as basic infrastructure, health and education perpetuate poverty and the divergence between rich and poor in India.

However, there is hope that progress is being made towards more equal economic and social opportunities. The government continues to introduce and extend policies to reduce discrimination and both individuals and caste-groups can hope to move up the class/caste hierarchy through economic success.

Microfinance can provide economic opportunity to those who are currently left in poverty. Very small amounts of finance can be enough to allow poor people to establish a stable and sufficient income. Though increased income does not guarantee an end to discrimination, it is generally accompanied by an increase in esteem and social status.¹¹

Economic development, Western influence & entrepreneurialism

India has a strong technology industry built on the third largest pool of scientifically and

technically trained personnel in the world. The Indian Institutes of Technology (IITs), currently produces approximately 2.4 million graduates every year (compared with 1.2 million graduates in the US), including 73,000 IT graduates.¹²

This heavy investment in higher education in general, and technology education in particular, has been influenced by developments in economic theory that have been championed in Western countries. For example, endogenous growth theory, developed in the 1980s, emphasised the importance of public policy measures and education investment in promoting economic development. This is just one example of many that illustrates the important role the international community has played in Indian affairs.

Over the past 20 to 30 years, a large volume of Indian entrepreneurs have found employment in companies in the US, picked up high-level skills there, and returned to India with a drive to apply lessons learnt. This has played a crucial role in ensuring a first-mover advantage for players in the Indian IT industry by helping those enterprises access market opportunities sooner than competitors such as China.¹³

The initial impact of India's IT industry success and entrepreneurialism has increased prosperity among the non-poor in India. However, there is a widely held view within India that solutions to poverty and illiteracy will come from this emerging entrepreneurialism rather than from government.

Based on extensive positive experience to date and a cultural predisposition to inclusiveness and openness, India seems likely to continue to capitalise on material and ideas from overseas.

Arguably the cultural differences *within* India are as important as those between India and its Western trading partners. Broad-based growth and a significant reduction in poverty across India is dependent on recognising these differences and spreading successful ideas *across* India as much as importing ideas from abroad.

Fast facts on India¹⁴

Land area: 2,973,190 sq km

Population: 1.1 billion

Capital city: New Delhi

People: Indo-Aryan 72%, Dravidian 25%, Mongoloid and other 3%

Religion: Hindu 81%, Muslim 13%, Christian 2.3%, Sikh 1.9%, other 1.8%

Language: Hindi, English & 14 official regional languages

(Source: CIA World Factbook, 2007)

Future prospects

The poorest people in Indian society tend to suffer from illiteracy, a lack of real economic opportunities, a lack of influence in the political system and mistreatment by authority. India now accounts for about one-third of the world's non-literate population of about 900 million.¹⁵ In addition, UNAIDS reported in May 2006 that India now has the world's largest HIV/AIDS population with approximately 5.7 million HIV cases compared to any other country.¹⁶

The Indian government has slowly extended measures to tackle inequalities in opportunity. A quota system for government jobs and educational positions has been expanded in recent years. There is now pressure for the job quota system to be extended to private employers though this is likely to be resisted strongly by the private sector. The government is also considering introducing tax breaks and other incentives for low-caste employment in poor areas. However, given experience to date of similar initiatives, it is unlikely that these measures will be introduced smoothly or have a significant impact on poverty in India in the short to medium term.

Limited and uneven education and health resources will continue to be a source of inequality and an obstacle to ending poverty in years to come. However, India's fiscal budget statement for 2007 can be read as an acknowledgement that much wider participation in education, and improved healthcare, are prerequisites for broad-based public participation in economic expansion.

Economic expansion in India has been persistent and increasingly rapid in the last 10 years. Entrepreneurialism and a strong tertiary education sector have been drivers behind this growth and appear likely to continue to lead growth in India in the future. Although this has had an important trickle-down effect on poverty in the country, resultant prosperity tends to be focused on particular groups and in particular geographic areas of India.

All of this emphasises the complex nature of cultural influences on the size and distribution of poor people in India. In the current environment, neither government nor private enterprise can be expected to provide a sustainable solution to poverty in India in the short to medium term.

Microfinance & the role of Opportunity International

Pluralism within India and receptiveness to external influence have been powerful forces in India's history and are still essential parts of Indian identity. In such an environment, and in view of the limitations of public and private enterprise outlined above, there is a clear role to be played by international organisations. Opportunity International Australia will help reduce poverty through the provision of microfinance in India.

Opportunity International Australia has developed a strategy for a nationwide microfinance program in India to reach millions of clients over the coming years. This strategy includes the extension of microfinance to many areas in the north and northeast of India, where there is currently little microfinance activity and where the need for financial services grossly outweighs the resources currently available.

Opportunity Australia intends to facilitate this expansion through partnership with a number of microfinance institutions (MFIs) across India. Partnering with many locally-based MFIs will allow Opportunity to take account of cultural differences across various regions within India and effectively contribute to ending poverty in India.

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Opportunity International is a global leader and pioneer with over 35 years experience in providing microfinance and enterprise development to the working poor in developing countries. Microfinance includes the provision of collateral-free loans, savings, insurance and money transfers. Enterprise development incorporates a variety of training and support services for establishing and growing small businesses. Our desire is to see clients, their families and their communities transformed with dignity, empowerment and hope. Opportunity is inspired by Jesus Christ's call to serve the poor without regard to ethnicity, gender or religious affiliation. We are guided by four core values: respect, commitment to the poor, integrity and stewardship.

