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A Look at Poverty in the Developing Countries of Asia

Asia-Pacific Population & Policy summarizes research on population and reproductive health for policymakers and others concerned with the Asia-Pacific region.

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The financial crisis of 1997 caused widespread unemployment and loss of income in the developing economies of East and Southeast Asia, increasing financial hardship for the poor. Although South Asia did not suffer to the same extent from the crisis, large increases in population in that region have resulted in steadily growing numbers of people living in poverty. In absolute terms, there are more people with incomes below the poverty line in Asia today than there were in 1995. Among developing countries in the region, the percentage of the total population living in poverty is also higher today than it was five years ago.

Poverty can be measured in terms of income and also in terms of social indicators such as literacy, life expectancy, and nutritional status. At the 12th Workshop on Asian Economic Outlook, held in Manila in November 1999, James C. Knowles, a consultant economist, presented an assessment of poverty in the developing countries of Asia based both on income and social indicators. This issue of *Asia-Pacific Population & Policy* summarizes a few of Dr. Knowles's observations.

POVERTY, INEQUALITY, AND ECONOMIC GROWTH

Table 1 shows the proportion of the population in Asia's developing countries that is considered "income poor," both in terms of nationally defined poverty lines and an international definition based on an income of less than $1 per day. The table also shows gross domestic product (GDP) per capita as an indicator of economic development and provides a measure of income disparity between population groups with the lowest and highest incomes.

The proportion considered below nationally defined poverty lines varies from 9 percent in China to 46 percent in Lao PDR. The proportion below the dollar-per-day poverty line varies from less than 2 percent in Thailand to more than 50 percent in Nepal. Differences between the two measures largely reflect variations in how poverty is defined at the national level.

Not surprisingly, the table reveals a link between poverty reduction and economic development. Countries that have achieved a relatively high GDP per capita, such as Malaysia and Thailand, tend to have relatively small proportions below the poverty line. By contrast, in countries with low GDP per capita, such as Nepal, Lao PRD, Vietnam, and Bangladesh, the prevalence of poverty is much greater.

A comparison of incomes earned by the poorest and wealthiest population groups reveals substantial variation in income inequality across the region. The relatively high level of economic development in Malaysia and Thailand is accompanied by relatively large disparities between rich and poor. By contrast, income inequality is comparatively low in the poor countries of South Asia.

Table 1 Indicators of poverty, economic development, and income inequality in the developing countries of Asia, various years

	Proportion with income below national poverty line and year (%)		Proportion with income below $1 per day and year (%)		GDP per capita (1997)	Income disparity ratio[a] and year	
East Asia							
China	9	(1997/98)	22	(1995)	3,070	9	(1995)
Mongolia	29	(1997/98)	NA		1,490	6	(1995)
Southeast Asia							
Cambodia	36	(1997)	NA		1,290	NA	
Indonesia	17	(1998)	8	(1996)	3,390	6	(1996)
Lao PDR	46	(1993)	NA		1,300	4	(1992)
Malaysia	10	(1998)	4	(1995)	7,730	12	(1989)
Myanmar	NA		NA		NA	NA	
Philippines	38	(1997)	27	(1994)	3,670	8	(1994)
Thailand	13	(1998)	<2	(1992)	6,490	9	(1992)
Vietnam	37	(1997/98)	NA		1,590	6	(1993)
South Asia							
Bangladesh	44	(1998)	NA		1,090	4	(1992)
India	36	(1997/98)	47	(1994)	1,660	4	(1994)
Nepal	42	(1997/98)	50	(1995)	1,090	6	(1995/96)
Pakistan	22	(1998)	12	(1991)	1,580	4	(1991)
Sri Lanka	35	(1998)	4	(1990)	2,460	4	(1990)
Pacific							
Papua New Guinea	22	(NA)	NA		NA	13	(1996)

Source: World Bank and Asian Development Bank, quoted in Knowles (1999) Table 2.1; and World Bank, *World Development Indicators 1999*.

[a]Ratio of the total income (or consumption) of the richest 20% of the population to the total income (or consumption) of the poorest 20%.

NA: Data not available.

Countries in the middle ranks in terms of GDP per capita—China, Indonesia, and the Philippines—show wide variation in levels of income inequality.

Trends since 1970 in Thailand and Sri Lanka show that high growth rates can help the poor despite increasing inequality. In 1970, per-capita incomes were roughly equal in the two countries. Income inequality was greater in Thailand and became greater still over the next 20 years. By 1990, the poorest 20 percent of the population in Thailand earned only 4 percent of the total income, compared with 9 percent for the equivalent group in Sri Lanka. Because of Thailand's much faster economic growth, however, by 1990 the poorest 20 percent of the population earned, on average, about 45 percent more ($61 per annum) than the corresponding group in Sri Lanka ($42).

SOCIAL INDICATORS OF POVERTY

Table 2 gives data on three social indicators of poverty in the developing countries of Asia—adult literacy, life expectancy at birth, and child malnutrition. In general, the most favorable social indicators are found in East Asia, followed by Southeast Asia (except Cambodia, Lao PDR, and Myanmar). The worst social indicators are found in South Asia (except Sri Lanka) and Papua New Guinea. Countries with high income poverty (Table 1) generally rank low in terms of social indicators. The exceptions are Sri Lanka, the Philippines, and Vietnam, which have relatively high social indicators despite high levels of poverty.

As with measures of income, national-level information on social indicators may conceal large inequalities within countries. Education, health, and nutritional status often vary widely with respect to gender, age, household income, ethnicity, religion, caste, rural/urban residence, and geographic region. Gender inequalities in social indicators are a striking feature in South Asia (except Sri Lanka) and in Papua New Guinea. In India and Indonesia, there are sharp differences in social indicators among regions. In all the developing countries of Asia, social indicators tend to be much lower in rural areas than in the cities.

Literacy. Literacy is typically achieved by completing four or five years of primary school. Adult literacy is nearly universal in the Philippines, Thailand, and Vietnam, and is also quite high in Sri Lanka and Mongolia. These high literacy rates reflect notable achievements in countries that, with the exception of Thailand, have relatively low levels of income. At the other end of the spectrum, the adult literacy rate is below 60 percent in the other countries of South Asia and in Lao PDR.

Life expectancy. Average life expectancy at birth is lower (less than 65 years) in most South Asian countries (except Sri Lanka) and in Papua New Guinea than in East and Southeast Asian countries (except Cambodia, Lao PDR, and Myanmar). Sri Lanka's, China's, and Vietnam's relatively high life expectancy rates are impressive achievements given these countries' modest levels of economic development.

Although most Asian countries have made substantial progress in raising average life expectancy over time, many serious diseases and unhealthy behavior patterns are still widespread. The developing countries of East Asia have some of the highest rates of tuberculosis and male smoking in the world. HIV/AIDS is a growing health threat in many Asian countries, more so than indicated by current prevalence estimates. Malaria prevalence is high in Sri Lanka and Cambodia, and resistant strains of malaria are found in parts of Thailand, Cambodia, Myanmar, and India.

Childhood malnutrition. Malnutrition among children and pregnant women is very common in the developing countries of Asia. Table 2 shows that more than 40 percent of children under five show signs of chronic malnutrition in all South Asian countries except Sri Lanka as well as in Cambodia, Indonesia, Lao PDR, Myanmar, Vietnam, and Papua New Guinea. The prevalence of childhood malnutrition in Indonesia—at 42 percent—seems high for a country with a relatively high level of economic development. It contrasts with the much lower prevalence (18 percent) in Sri Lanka, despite that country's much lower GDP per capita.

Table 2 Selected social indicators, total fertility rates, and dependency ratios in the developing countries of Asia, various years

	Social indicators				
	Adult literacy,[a] 1995 (%)	Life expectancy at birth, 1997 (years)	Childhood malnutrition,[b] 1990–97 (%)	Total fertility rate,[c] 1997	Dependency ratio,[d] 1997
East Asia					
China	82	70	34	1.9	0.5
Mongolia	83	66	22	2.6	0.7
Southeast Asia					
Cambodia	65	54	56	4.6	0.8
Indonesia	84	65	42	2.8	0.6
Lao PDR	57	53	47	5.6	0.9
Malaysia	84	72	NA	3.2	0.6
Myanmar	83	60	45	2.4	0.5
Philippines	95	68	30	3.6	0.7
Thailand	94	69	16	1.7	0.5
Vietnam	94	68	44	2.4	0.7
South Asia					
Bangladesh	38	58	55	3.2	0.8
India	52	63	52	3.3	0.7
Nepal	28	57	48	4.5	0.8
Pakistan	38	62	NA	5.0	0.8
Sri Lanka	90	73	18	2.2	0.5
Pacific					
Papua New Guinea	72	58	43	4.3	0.7

Source: World Bank and UNICEF, quoted in Knowles (1999), Tables 2.2 and 3.6.

[a]Percentage of the population age 15 and above that is literate.

[b]Percentage of children under age 5 with moderate or severe stunting, i.e., more than two standard deviations below the normal height for age according to an international reference population recommended by the World Health Organization (WHO).

[c]The average number of children a woman will bear, at current fertility rates, throughout her reproductive life.

[d]Ratio of the population age 14 and younger and 65 and older to the working-age population age 15–64.

NA: Data not available.

POVERTY AND FERTILITY

Among the developing countries of Asia, only China, Thailand, and Sri Lanka have reduced average fertility to replacement level (a total fertility rate of 2.1 or fewer children per woman). As shown in Table 2, high fertility implies a high "dependency ratio," the number of dependents (mostly children) in the population as a whole relative to the number of adults in the workforce.

In countries such as Pakistan, Nepal, and the Philippines, where fertility has remained high despite long-standing family planning programs, available evidence suggests that the main problem limiting fertility reduction is not lack of knowledge or access to contraceptives, but rather the poor quality of family planning services (and particularly of services available to the poor) as well as fear of medical side effects and social, cultural, and religious obstacles to contraceptive use. In Cambodia, Lao PDR, and Myanmar, lack of progress in reducing fertility also reflects inadequate knowledge and poor access to contraceptives.

Table 3 Total fertility rates for women in the poorest and wealthiest one-fifth of households in selected developing countries of Asia, various years

	Poorest 20% of households	Wealthiest 20% of households	All households
Bangladesh (1996/97)	3.8	2.2	3.2
Indonesia (1997)	3.3	2.0	2.8
Nepal (1996)	6.2	2.9	4.4
Pakistan (1990/91)	5.1	4.0	5.0
Philippines (1998)	6.5	2.1	3.6
Vietnam (1997)	3.1	1.6	2.4

Source: Macro International (unpublished DHS data), quoted in Knowles (1999), Table 3.7.

Note: The wealth index used to create this table is based on consumer durables owned and housing characteristics.

Throughout the region, fertility tends to be highest among the poor (Table 3). This results, other factors being equal, in an increasing proportion of the population living in poverty.

To some extent higher fertility among the poor reflects differences in knowledge and access to contraceptives. For example, contraceptive prevalence does not vary as widely among income groups in countries such as Indonesia and Bangladesh that have strong and effective family planning programs as it does in countries such as Pakistan and Nepal, where programs are weak. However, higher fertility levels among the poor may also reflect a greater demand for children.

In countries that have been successful in reducing fertility, the dependency ratio is already relatively low (Table 2). Most recent evidence suggests that such a decline in dependency may actually raise labor productivity by increasing savings and capital-labor ratios. This boost in economic growth associated with the fertility transition is now commonly referred to as the "demographic bonus."

China, Thailand, Malaysia, and Indonesia have already benefited from a rise in household savings rates associated with a declining dependency burden. They have also benefited from public-sector savings due to smaller numbers of children who need schooling and health services.

POLICY IMPLICATIONS

Investing in human resources. Public-sector investments in education, health, nutrition, and family planning contribute directly to the well-being of the poor. Such investments also foster higher incomes and economic growth.

An important feature of investments in human resources is the degree of synergy that can be achieved. Investments in women's education, for example, promote improvements in health and nutrition and tend to lower fertility as girls enter the reproductive ages. Similarly, investments in family planning leading to fertility reduction and wider birth spacing are associated with improvements in maternal and child health, nutrition, and education.

In many Asian countries, however, there is increasing concern about the inefficiency of health, education, and family planning services provided by government agencies. One approach to improving efficiency is to decentralize government services. Some countries are also moving toward a greater role for nongovernmental organizations (NGOs) and the private sector in providing social services to the poor.

Another concern is to ensure that investments in human resources truly benefit the poor as well as specific population groups that tend to be disadvantaged. These include women, children, rural residents, members of disadvantaged castes, and minority ethnic and religious groups.

Fostering economic growth. The experience of Asia's newly industrialized economies, such as South Korea and Taiwan, demonstrates that an overall policy framework based on market incentives and an outward orientation can lead to rapid economic growth. Economic growth is key to poverty alleviation because growth increases the demand for labor, the one asset available to the poor.

Between 1965 and 1990, the East Asian economies that allowed market forces to operate relatively freely and that remained consistently open to trade grew about 2 percentage points faster per year, on average, than the South Asian economies that imposed more rigid market regulations and remained relatively closed to trade.

The most successful approach to poverty reduction appears to be based on an overall policy framework that fosters economic growth, with an emphasis on sectors that provide jobs for the poor. To help ensure that economic growth benefits a society's most disadvantaged population groups, policies must also encompass appropriate investments in human resources such as education, health, and family planning services.

FURTHER READING

Knowles, James C. 1999. *The social crisis in Asia*. Paper presented at the 12th Workshop on Asian Economic Outlook, November 1999, Asian Development Bank, Manila.