

## Some Pertinent and Emerging Development Issues in South Asia

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### Abstract

*This study aims to highlight some issues in development that are pertinent and emerging in the economies of the South Asian region using secondary data collected from various international organisations. The South Asian region consisting of eight economies, maintains varying and somewhat robust economic growth, and stable and consistent progress in human development, although there are some concerns on quality and inclusive growth and development. This region is holding increasing foreign reserves through remittances, which contribute to the creation of domestic demand and reduction of poverty. The economies in this region continue to face improvement challenges of development for all, doing business environment, climate and environmental change, gender equality, global competitiveness and current account balance. We found that South Asian economies have shown persistent and resilient attempts and policies towards facing and improving development challenges. There is room for adopting policies and strategies which would help face the challenges of development through extracting the benefits of regional and global cooperation and coordination.*

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### 1. Introduction

South Asia consisting of eight countries, possesses emerging economies in the modern global economy. This South Asian region has experienced remarkable economic growth during the last decade, with a GDP growth rate of 8.77 per cent

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in 2005 and 9.10 per cent in 2010. Although this economic growth was likely to be accelerated by utilising favourable demographic dividends and strategic position, the overall growth rate in this region exhibits declining trends with a growth rate of 7.61 per cent in 2015 and 6.53 per cent in 2017. However, increasing trends of growth rates of Bangladesh, Maldives, Nepal and Pakistan are observed. Among these countries, Bangladesh maintains consistently uphill growth rates with 6.55 per cent and 7.28 per cent in 2015 and 2017, respectively (The World Bank, 2018).

On average, this region maintains strong economic growth, showing South Asia as one of the fastest-growing regions in the world. Overall, the economy of India has become the driving force in the region, encompassing all the economies. The South Asian region has achieved the fastest growth in the human development index (HDI) among developing nations, increasing 45.3 per cent since 1990. Life expectancy and years of schooling also rise 10.8 years and 21 per cent respectively during that period. However, there is a loss in HDI by 26 per cent because of inequalities and a gap of 16.3 per cent in HDI between men and women. Inflation in this region remains to be low because of lower prices of commodities. However, the economies in this region contain a higher public debt burden and large current account deficit than other emerging countries. Despite increasing international flows as remittances, this region maintains a low trade penetration in the world market with exports and imports of about 39 per cent of regional GDP in 2017. Despite currency depreciation and import demand, the export performance of these countries is not remarkably increasing.

Maintaining acceleration and quality of economic growth and sustaining growth and development requires successfully handling the growth and development challenges this region shares. This paper is designed to highlight some of the non-traditional pertinent and emerging issues and challenges in development in South Asian developing countries that should be carefully tackled to sustain inclusive growth and development and reach higher levels of development.

The rest of the paper is structured as follows. Section 2 highlights data and methodology; Section 3 discusses some pertinent and emerging issues in development in South Asian countries, and Section 4 concludes.

## **2. Data and Methodology**

Secondary data published by various international organisations and institutions are used in this study. We collect data from different publications of The World Bank and World Bank Group, among others. The study applies tabular methods to evaluate data and information.

### 3. Some Relevant and Emerging Issues in Development

#### 3.1 Quality and Equality Growth

Although growth rates vary across the South Asian countries, most of the countries maintain relatively fluctuating but higher growth rates as shown in Table 1, although the per capita GDP of most countries is low but rising. However, there are concerns about inclusive and quality growth, as this region accommodates one-fourth of the extremely poor in the world and has inequality on the rise. The Gini coefficient of Pakistan was 0.34 in 2015, and that of Bhutan was 0.37 in 2017. The Gini coefficients of Bangladesh, Sri Lanka and India, was 0.33, 0.40 and 0.51, respectively, in 2016. The top 10 per cent of earners of national income accumulated around 55 per cent of national income in India, 41 per cent of national income in China, 37 per cent in Europe and 46 per cent in Russia in 2016 (Wealth Inequality Index 2017).

Moreover, most of the countries in this region fail to enhance employment generation, which lags behind the pace of economic growth. The labour force participation rate was about 57 per cent in 2017 in South Asia, with a higher rate of Maldives and the lowest rate of Afghanistan. For this reason, this economic growth is sometimes called 'jobless growth'. The region is not in a unique position in terms of per capita GDP except the Maldives. Sri Lanka has some improvement over other South Asian countries in terms of per capita income. Therefore, it is one of the significant challenges to South Asian countries to bring per capita GDP up to climb the upper-income level groups, reduce wealth inequality, and generate decent job opportunities; otherwise, it may take a long time to achieve most development goals.

Table 1: GDP Growth Rate (Annual %) and GDP per capita (current US\$)

Country Name	Growth					GDP per capita 2017
	2000	2005	2010	2015	2017	
Afghanistan	-	11.23	14.36	1.45	2.67	550.0685
Bhutan	6.93	7.12	11.73	6.64	4.63	3130.234
Bangladesh	5.29	6.54	5.57	6.55	7.28	1516.513
India	3.84	9.28	10.26	8.15	6.68	1942.097
Maldives	3.85	-13.13	7.27	2.88	6.91	11151.07
Nepal	6.20	3.48	4.82	3.32	7.91	849.011
Pakistan	4.26	7.67	1.61	4.73	5.70	1547.853
Sri Lanka	6.00	6.24	8.02	5.01	3.31	4073.737

Source: The World Bank, World Development Indicators, 2019.

Note: The thresholds to distinguish between the income groups have been adjusted for prices over time. As of 1 July 2018, GNI per capita ranges: low income economies - \$995 or less; lower-middle-income economies - \$996 - \$3,895; upper-middle-income economies - \$3,896 - \$12,055; high-income economies - \$12,055 or more.

### 3.2 Quality Human Development Status

Progress in human development is measured and evaluated, on average, by the human development index (HDI). South Asian countries achieve various degrees of progress in enhancing the quality of human resources as compared by HDI. Table 2 shows consistent and stable progress in improving HDIs of these countries from 1990 to 2017, although most of the countries except Sri Lanka lie above 100 in ranking among 190 countries ranked. Despite the consistent improvement in HDI, quality improvement requires to be intervened. Table 3 reports the inequality-adjusted HDI (IHDI).

Table 2: Human Development Index

HDI Rank (2017)	Country	1990	1995	2000	2005	2010	2015	2017
76	Sri Lanka	0.625	0.65	0.685	0.718	0.745	0.766	0.77
101	Maldives		0.539	0.606	0.631	0.671	0.71	0.717
130	India	0.427	0.46	0.493	0.535	0.581	0.627	0.64
134	Bhutan				0.51	0.566	0.603	0.612
136	Bangladesh	0.387	0.425	0.468	0.505	0.545	0.592	0.608
149	Nepal	0.378	0.41	0.446	0.475	0.529	0.566	0.574
150	Pakistan	0.404	0.428	0.45	0.5	0.526	0.551	0.562
168	Afghanistan				0.408	0.463	0.493	0.498

Source: United Nations Development Programme, Human Development Report, 2018.

Table 3 shows that although the HDI of India in 2017 is 0.640, it becomes 0.468 when discounted for inequality in indices of HDI dimensions exhibiting 26.8 per cent loss. In the same fashion, the HDIs of Bangladesh and Pakistan fell to 0.462 and 0.387, respectively, in 2017, showing 24.1 per cent and 31.0 per cent loss in HDI because of inequality in HDI components. It shows that there is a considerable amount of inequality in HDI constituents. Therefore, reducing the inequality in the HDI component of income, life expectancy, and education requires decisive government policy intervention in South Asia.

### 3.3 Development for All-Inclusive Development

Gross domestic product (GDP) growth, a top-line measure of national economic performance, shows broad-based progress in living standards. Evidence reveals that growth is a necessary but not sufficient condition for enhancing median

Table 3: Inequality-adjusted HDI, 2017

Country	IHDI	Overall loss (%)	Human inequality coefficient (%)	Inequality in life expectancy at birth (%)	Inequality in education (%)	Inequality in income (%)
India	0.468	26.8	26.3	21.4	38.7	18.8
Bangladesh	0.462	24.1	23.4	17.3	37.3	15.7
Pakistan	0.387	31	29.6	31	46.2	11.6
South Asia Medium HDI	0.471	26.1	25.6	21.4	37.7	17.6
HDI	0.483	25.1	24.9	20.3	33.1	21.2

Source: United Nations Development Programme, Human Development Report, 2018.

standards of living. Therefore, the inclusive development index (IDI), a bottom-line measure, reflects shared socio-economic growth and development and inclusive living standards for all. Inequality status and standard of living conditions can be evaluated and calculated.

Inclusive Development Index (IDI), an annual economic index, ranks the economic performance of an economy based on three pillars: growth and development, inclusion, and intergenerational equity and sustainability. Although GDP stands as the standard measure of economic success, a country's socio-

Table 4: Inclusive Development Index 2018

Country	Rank	Score	Five Year Trend IDI Overall Percentage
Nepal	22	4.15	8.53
Bangladesh	34	3.98	4.55
Sri Lanka	40	3.79	-0.74
Pakistan	47	3.55	7.56
India	62	3.09	2.29

Source: World Economic Forum, The Inclusive Growth and Development Report, 2018. Note: IDI scores are based on a 1-7 scale: 1=worst and 7=best.

economic progress would be evaluated with GDP and employment opportunity, quality of life, and economic security. Thus, GDP itself cannot ensure inclusive socio-economic progress and the standard of living of the people.

Table 4 highlights the rankings, scores and progress in achieving inclusive development in some South Asian countries. Nepal shows the top performance in involving most in the development process, while the performance of India is not mentionable in making development inclusive. Among the 74 countries, India

ranks 62th with a score of 3.09, which is below the median score. India is the worst performer in South Asia. Bangladesh in South Asia secures the second position with 34th rank and a score of 3.98, just above the median value. More policies need to be adopted to bring the growth and development mechanisms in equitable and inclusive paths in all the South Asian countries.

### 3.4 Challenges in Business Climate

A suitable, favourable and sustainable business environment is required to grow and improve domestic private and foreign direct investment (FDI). Elements of the business environment also influence small and medium enterprises (SMEs).

Doing business score shows the position of a country's business environment. The score ranges from 0 to 100, 0 being the worst while 100 is the best. The score is prepared considering 11 aspects that affect a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulation. Performance of the South Asian countries in reducing the extent and severity of business constraints and hence making favourable business climate is shown in Table 5.

Table 5: Ease of Doing Business (EODB) Ranking

Country	Rank	EODB Score	EODB Score change between 2016-17 to 2017-2018
India	77	67.23	+6.83
Bhutan	81	66.08	+0.20
Sri Lanka	100	61.22	+1.80
Nepal	110	59.63	-0.32
Pakistan	136	55.31	+2.53
Maldives	139	54.43	+0.10
Afghanistan	167	47.77	+10.64
Bangladesh	176	41.97	+0.91

Source: World Bank Group, Doing Business, 2019.

Among the 190 countries ranked and scored, the position of Bangladesh is worst in South Asia, and India remains on the top. Afghanistan and India have made remarkable improvements in doing business environment. These two countries are not only on the top of the list of South Asia in making progress in the business climate, but they are also on the top of the list of ten top improvers. New Zealand ranks first among 190 countries with an EODB score of 86.59. Therefore, we can conclude that there is room for improving the business climate

in this South Asian region that could further help attract domestic private and foreign direct investment (FDI), which are likely to contribute to economic growth and development. Thus, enabling a business environment for extracting the benefits of FDI is a critical challenge ahead.

### 3.5 Climatic and Environmental Challenges

Climate and environmental change are critical and challenging developing issues faced by global communities in general and South Asian economies in particular. Possessing diverse climatic zones and physical landscapes, South Asia is experiencing sets of climate change impacts like coastal and mountain soil erosion, rising sea levels, glacial melt and saline water intrusion. Several storms and abnormal monsoons sometimes aggravate some of these impacts. Greenhouse gas (GHG) emissions and consequent global warming add to the concerns of environmental challenges. All of these are tied with living standards, growth and development of the South Asian countries.

Table 6: Environmental Performance Index 2018

Country	Rank	Score	Country	Rank	Score
Sri Lanka	70	60.61	Switzerland	1	87.42
Maldives	111	52.14	France	2	83.95
Bhutan	131	47.22	Denmark	3	81.6
Afghanistan	168	37.74	Malta	4	80.9
Pakistan	169	37.50	Sweden	5	80.51
Nepal	176	31.44	United Kingdom	6	79.89
India	177	30.57	Luxembourg	7	79.12
Bangladesh	179	29.56	Austria	8	78.97

Source: Wendling et al., 2018, *2018 Environmental Performance Index*.

South Asian countries individually and through the South Asian Association of Regional Cooperation (SAARC) have adopted various strategies to address climate and environmental change impacts, improve economies' resilience, and mobilise technical and financial resources to reduce the adverse impacts of climate and environmental changes. Table 5 shows the environmental performance of the South Asian countries and some of the top environmental performers.

The 2018 Environmental Performance Index (EPI) is prepared, considering 24 performance indicators of ten issues, including environmental health and ecosystem vitality. This EPI ranks 180 countries. This index reflects the sustainability efforts of the nations on climatic and environmental factors like reducing GHG emissions, cleaning up air quality and protecting biodiversity. Of

the 180 countries, Switzerland ranks first with a score of 87.42. In the South Asian region, Sri Lanka secures the top position with a score of 60.61, although its position is 70 among 180 countries. Bangladesh is one of the worst performers securing 179th position in the global ranking and eighth position in South Asia, having a score of 29.56. India lies just above Bangladesh in the South Asian region and one more step up in the global ranking with 30.57. Possessing one of the emerging economies in the world and the top economy in South Asia, India's performance on natural resources management and pollution control challenges and environmental sustainability is not satisfactory and neither are other countries in South Asia. Keeping consistent with the 2015 Sustainable Development Goals of the United Nations, the South Asian countries would adopt steps in highlighting environmental challenges and policies leading to maximising gains from domestic and international investment in managing and protecting environmental challenges.

*Table 7: Global Competitiveness Ranking 2018*

Country	Rank	Score	Difference from 2017	
			Rank	Score
India	58	62	5	1.2
Sri Lanka	85	56	-4	-0.4
Bangladesh	103	52.1	-1	0.7
Pakistan	107	51.1	-1	1.3
Nepal	109	50.8	-1	1.3

Source: World Economic Forum, Global Competitiveness Ranking, 2018.

### **3.6 Global Competitiveness**

Competitiveness improves productivity and creates resources required for gaining broader and inclusive social and economic goals, and hence it is likely to contribute to uphill standards of living and higher socio-economic outcomes beyond income. Determinants of productivity are assessed in the Global Competitiveness Index (GCI). It shows the status of pillars and ecosystem of productivity. Ninety-eight productivity indicators grouped in twelve drivers further grouped in four categories are included in GCI.

The twelve pillars or drivers of competitiveness-productivity are institutions, infrastructure, ICT adoption, macroeconomic stability, health, skills, product market, labour market, financial system, market size, business dynamism, and innovation capability. These are grouped into four categories-enabling environments, human capital, markets and innovation ecosystem. Table 7 provides rankings and scores of global competitiveness in some South Asian countries.

In the global competitiveness context, India earns the 58th rank among the 140 countries and the first rank in the South Asian region, and this country has also obtained significant progress in increasing the rank and score, and hence India occupies the leading position. The performance of Nepal in competitiveness climate is the weakest, with the last position in the region. Bangladesh is the average performer obtaining 103rd rank with a 52.1 score in 2017. The South Asian economies have to explore and adopt more actions to improve the pillars or drivers or indicators or factors associated with the long-run determinants of productivity.

Table 8: Gender Inequality Index<sup>1</sup> and Labour Force Participation Rate

HDI rank	Country	Gender Inequality Index		Maternal mortality (deaths per 100,000 births)	ratio Adolescent birth per rate (births per live 1,000 women ages 15–19)	Labour force participation rate (% ages 15 and older)		
		Value 2017	Rank 2017	2015	2015-2020	Female 2017	Male 2017	Total 2017
101	Maldives	0.343	76	68	5.8	42.9	82.1	68.84
76	Sri Lanka	0.354	80	30	14.1	35.1	74.1	58.24
134	Bhutan	0.476	117	148	20.3	58.0	74.3	68.79
149	Nepal	0.480	118	258	60.5	82.7	85.9	86.24
130	India	0.524	127	174	23.1	27.2	78.8	56.26
150	Pakistan	0.541	133	178	36.9	24.9	82.7	55.28
136	Bangladesh	0.542	134	176	83.5	33.0	79.8	58.42
168	Afghanistan	0.653	153	396	64.5	19.5	86.7	55.38
	South Asia	0.515				27.9	79.1	56.85
	World	0.441				48.7	75.3	67.37

Source: Human development report, Gender Inequality Index, 2018.

### 3.7 Gender Inequality Challenges

Gender equality in education and employment is likely to have a considerable positive impact on growth and development by improving the average quality of human capital. Besides, higher gender equality can improve development goals, lower fertility and lower child mortality which are significant elements of well-

<sup>1</sup> The gender inequality index is a composite index which is prepared for measurement of gender inequality in achievement. The dimensions - reproductive health, empowerment and the labour market participation are used to prepare the GII index which value lies between 0 and 1. The higher the value of GII, the higher is the gender inequality and thus higher loss in achievement between women and men. There is no country with perfect gender equality. The GII ranking is prepared taking 160 countries into consideration.

being (Sen, 1999). Gender inequality and labour force participation rates in South Asia are given in Table 7. Gender inequality in South Asia is higher than the world average, although South Asia lies above the low human development group. Among South Asian countries, Maldives is the best performer in reducing gender inequality, and Afghanistan is the worst performer. The performance of Bangladesh in bringing equality in gender is better than Afghanistan. India's gender inequality index is 0.526 having the rank of 127 in the globe. The performance of Maldives is the best among South Asia in reducing maternal mortality ratio and adolescent birth rate. Most countries contain a substantial amount of gender disparity between men and women in labour force participation. The difference between male and female labour force participation rates is lower in Nepal, followed by Bhutan. India's performance is not remarkable, with a total labour force participation rate of 56.26 per cent. The labour force participation rate of Pakistan is the worst, 55.28 per cent in the South Asian region.

### 3.8 Comfortable International Reserves but Rising Current Account<sup>2</sup> Deficits

The current account balance shows the status of the net foreign assets of an economy. A surplus in the current account indicates a rise in the net foreign asset, while a deficit in the current account exhibits the foreign burden. Therefore,

Table 9: Current Account Balance (% of GDP)

Country Name	1990	1995	2000	2005	2010	2015	2017
Afghanistan	-	-	-	-	-9.4897	-23.556	-23.962
Bhutan	-	-	-	-	-20.379	-26.62	-21.377
Bangladesh	-1.2593	-2.1716	-0.573	0.73112	1.82904	1.32235	-2.5487
India	-2.2216	-1.565	-0.9956	-1.2713	-3.2908	-1.0682	-1.4675
Maldives	4.58132	-4.5521	-8.2454	-23.467	-7.5761	-7.3416	-18.013
Nepal	-7.9722	-8.0977	-2.3779	1.88302	-0.7975	11.4271	-3.277
Pakistan	-4.1524	-5.5227	-0.1149	-3.2933	-0.7632	-1.026	-5.1871
Sri Lanka	-3.7137	-5.9091	-6.3903	-2.6638	-1.8951	-2.3358	-2.6436

Source: The World Bank, World Development Indicators, 2019.

maintaining a stable current account balance highlights the ability of an economy to earn foreign assets. International oil prices pressure current and fiscal accounts directly, as all these countries are oil importers. Table 9 provides an account of the

<sup>2</sup> The current account records a nation's transactions with the rest of the world – specifically its net trade in goods and services, its net earnings on cross-border investments, and its net transfer payments – over a defined period of time, such as a year or a quarter.

current account of countries in the South Asian region. All countries showed a negative current account in 2017. India's current account deficit is the lowest among all South Asian countries in 2017, while it is highest in Afghanistan. From the last decade, the deficit in the current account remains negative and reached the top at -18.01 in 2017 in the Maldives. It is one of the challenges of the governments of the South Asian countries to offset the current deficit from negative to positive, and there is room for taking policies to improve current accounts.

#### **4. Conclusion**

The South Asian economies continue to show the strength of having stable and consistent economic growth, human resources development, and macroeconomic stability, although there are some scopes for inclusion of quality in growth and development. Based on secondary data gathered from various international institutions, this study analyses some emerging and relevant development issues in the South Asian region to gain some intuition. We evaluate the quality of growth and development, business climate challenges, climate and environmental change issues, competitiveness in the global market, inclusive growth and development, gender inequality status, and current account situation. Most of the indicators or indices of South Asian countries remain below the average. Therefore, the governments of South Asian countries would require to take and implement appropriate policies to improve the indicators that could help promote inclusive social and socio-economic growth and development. Regional cooperation and coordination and solid political commitment would have a definite possibility for help bring benefit from factors like global competitiveness and climate and environmental impacts.

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