

## **Pandemic of Poverty in COVID-19 Stricken South Asia**

Muhammad Bin Khalid and Diego Maiorano

### **Summary**

*While the whole world grapples with COVID-19 and its effects, the South Asian region is at a particularly high risk of pandemic-induced poverty. The World Bank and the International Monetary Fund predict that South Asia will be the worst hit region, with India being the most-affected country globally for COVID-19 induced poverty. This paper discusses the progress in poverty elimination made by the three major countries in the subcontinent – India, Pakistan and Bangladesh – over the past three decades and how COVID-19 is likely to affect the poverty situation in the region.*

### **Poverty in South Asia before COVID-19**

The South Asian region made considerable efforts in reducing extreme poverty over the last three decades. According to the World Bank data,<sup>1</sup> the number of extremely poor people (who earn less than US\$1.90 purchasing power parity [PPP]<sup>2</sup>/day) decreased by 48.7 per cent from 1990 to 2013 in the region as a whole, which amounts to 261.72 million people no longer extremely poor. Among the three largest countries, Pakistan was the most successful: extreme poverty declined by 87.4 per cent. In 2016, around eight million people lived in extreme poverty in Pakistan, lower than Bangladesh (23.3 million) and India (268.7 million). Having said that, Bangladesh and India also had considerable success in reducing extreme poverty by 38.8 per cent and 34.4 per cent respectively. While extreme poverty is still a problem in South Asia, it is decreasing steadily.

However, the picture is not the same if we consider poverty below US\$3.20 PPP/day, which is a more reasonable poverty line, according to World Bank, for low middle income countries.<sup>3</sup> The number of people earning less than US\$3.20 PPP/day has remained about the same over the past three decades. The situation in countries within the region, however, varies. In the last 30 years, Pakistan was able to pull out 23.2 million people out of poverty, whereas in Bangladesh and India additional 5.5 million and 71.2 million people fell into poverty. India's situation was relatively worst: while its population share in South Asia in 2013 was 74.2 per cent, its share in total number of poor within the region was 83.2 per cent. This is one of the reasons why Arvind Subramaiam and Rohit Lamba discuss India's economic trajectory as one of "incommensurate development",

---

<sup>1</sup> 'PovcalNet', World Bank, <http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>. Accessed on 11 July 2020.

<sup>2</sup> Purchasing Power Parity is equivalent in local currency of what US\$1.90 would buy in the United States.

<sup>3</sup> Philip Alston, 'The parlous state of poverty eradication, Report of the Special Rapporteur on extreme poverty and human rights', Human Rights Council, 2 July 2020, <https://chrgi.org/wp-content/uploads/2020/07/Alston-Poverty-Report-FINAL.pdf>. Accessed on 27 July 2020.

whereby high rates of economic growth have not translated into a comparable betterment of human development.<sup>4</sup>

The poverty situation is even more worrisome if we consider the moderate poverty line of US\$5.50 PPP/day. More than 86.81 per cent of the total population of South Asia earned less than US\$5.50 PPP/day in 2013. The levels among the individual countries were similar. Moreover, the number of poor below this line has been rapidly increasing in all three countries since 1990 until now: in Pakistan, they increased by 47.2 per cent, in India by 34.3 per cent and in Bangladesh by 42 per cent.

All this meant that while extreme poverty was slowly disappearing, poverty was still a major problem for South Asia even before the COVID-19 pandemic hit the region. Also, income poverty is only one dimension of the problem: other types of deprivations (like malnutrition, lack of sanitation, illiteracy, etc.,) were also widespread and severe.<sup>5</sup>

## COVID-19 Outbreak in South Asia

The virus hit South Asia during the second wave of the outbreak. While the initial cases had surfaced in March 2020, the virus became a real threat in April 2020 when the new daily cases in major countries, including India, Pakistan and Bangladesh, entered double digits. The month of June 2020 was the worst hit, during which the daily toll was between 4,000 and 6,000 in Bangladesh and Pakistan and around 10,000 in India. At the beginning of July 2020, the curve started to flatten in Bangladesh and Pakistan but not in India. The number of total confirmed cases as at 27 July 2020 was 1.39 million in India, 273,000 in Pakistan and 223,000 in Bangladesh.<sup>6</sup>

However, these numbers of cases should be taken with a pinch of salt because a significant amount of cases go unreported due to low testing.

## Curtailing Efforts

The curtailing efforts across the region were similar. Between late March and early April, nationwide lockdowns were imposed in India, Pakistan, and Bangladesh. The lockdowns couldn't stop spread of the virus but created an environment of panic especially among the urban poor whose livelihoods were lost due to closing of factories. Millions of migrant workers in India and daily wagers in Pakistan were forced to go back to their villages due to loss of income. Soon, the authorities realised that complete lockdowns are neither economically sustainable nor enforceable. Nationwide lockdowns were withdrawn in all

---

<sup>4</sup> Rohit Lamba and Arvind Subramanian, 'Dynamism with Incommensurate Development: The Distinctive Indian Model', *Journal of Economic Perspectives*, Vol.34, no.1 (2020). <https://www.aeaweb.org/articles?id=10.1257/jep.34.1.3>. Accessed on 15 July 2020.

<sup>5</sup> N R Ravindra Deyshappriya, 'Examining poverty trends in South Asian countries: where is Sri Lanka among its South Asian counterparts?', South Asia@LSE blog, 31 July 2018. <https://blogs.lse.ac.uk/southasia/2018/07/31/examining-poverty-trends-in-south-asian-countries-where-is-sri-lanka-among-its-south-asian-counterparts/>. Accessed on 10 July 2020.

<sup>6</sup> 'New Cases of COVID-19 in World Countries', Johns Hopkins Coronavirus Resource Center, <https://coronavirus.jhu.edu/data/new-cases>. Accessed on 27 July 2020.

three countries in May. Now, major industries have been allowed to resume with guidelines and only particular areas with higher rates of COVID-19 transmission are being regularly identified to impose movement restrictions.

## **From Poverty to COVID-19**

The widespread deprivations related to shelter and food had already placed South Asia at a much greater COVID-19 infection risk. Social distancing which is critical for stopping the virus spread is not possible in populous slums, especially during summer when temperatures inside the huts become unbearable. According to data provided by the United Nations (UN), as of 2014, the slum population as a percentage of total urban population in Bangladesh, India, and Pakistan was 55.1 per cent, 24.0 per cent and 45.5 per cent respectively.<sup>7</sup> These slums became a hotbed for the COVID-19 spread. On the other hand, poor people living in the slums and elsewhere are at increased risk of COVID-19 because of their weak immune system. A report by Oxford Poverty and Human development Institute classifies a person deprived of safe drinking water, proper nutrition and cooking fuel at an increased risk of COVID-19. The report finds that out of the whole world, South Asia has the second largest number (90.7 million) and proportion (5.1 per cent) of population which is at high risk of infection, with India being the most vulnerable country in the world. In this way, poverty in South Asia made the region vulnerable to COVID-19 in the first place.<sup>8</sup>

## **Poverty due to COVID-19**

Since lockdowns affect industrial production, both a country's economic output and livelihoods of people are likely to be affected. According to a recent forecast by the World Bank, the overall world growth is expected to contract by five per cent whereas growth in South Asia is projected to be -2.7 per cent. The Indian economy will contract by 3.2 per cent, Pakistan by 2.6 per cent and Bangladesh will experience a marginal growth of 1.8 per cent.<sup>9</sup> A forecast by the International Monetary Fund released at the end of June 2020 makes similar predictions.<sup>10</sup>

The contraction in economic growth will cause an increase in poverty due to unemployment and income shocks. Assuming that growth will contract by five per cent, a study by the World Bank finds that South Asia will be worst hit by COVID-19 induced poverty. It will have an additional 32 to 42 million people earning less than US\$1.90

---

<sup>7</sup> Millennium Development Goals Indicators', United Nations, <http://mdgs.un.org/unsd/mdg/Data.aspx>. Accessed on 13 June 2020.

<sup>8</sup> Sabina Alkire, Jakob Dirksen, Ricardo Nogales and Christian Oldiges, 'Multidimensional poverty and COVID-19 risk factors: A rapid overview of interlinked deprivations across 5.7 Billion People', OPHI Briefing 53, OPHI, University of Oxford, 2020, p. 2. <https://ophi.org.uk/b53/>. Accessed on 18 July 2020.

<sup>9</sup> 'Pandemic, Recession: The Global Economy in Crisis', *World Bank Global Economic Prospects*, June 2020. <https://www.worldbank.org/en/publication/global-economic-prospects>. Accessed on 11 July 2020.

<sup>10</sup> 'A Crisis Like No Other, An Uncertain Recovery', *IMF World Economic Outlook*, June 2020, <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEUpdateJune2020>. Accessed on 11 July 2020.

PPP/day, 115 million people earning less than US\$3.20 PPP/day, and 85 million people earning less than US\$5.50 PPP/day.<sup>11</sup>

Another study by the UN goes a step further to highlight inter-country variations for COVID-19 induced poverty.<sup>12</sup> India will be the worst hit globally for additional poor below US\$1.90 PPP/day (additional 35.4 million people) and US\$3.20 PPP/day (additional 49.7 million people). Bangladesh will be the fourth worst-hit country globally for poverty below US\$1.90 PPP/day (additional 3.1 million people) and fifth worst hit for poverty below US\$3.20 PPP/day (additional seven million people). Pakistan, according to UN estimates, will also be among top countries hurt by COVID-19 induced poverty, especially for poverty under US\$3.20 PPP/day (additional 8.3 million people).

In South Asia, a greater amount of people are likely to fall below the poverty lines of US\$1.90 PPP/day and US\$3.20 PPP/day than US\$5.50 PPP/day. The reason for this could be that people at risk of falling into poverty are those who rose just above the poverty levels over the past three decades. And then COVID-19 arrived. Since South Asia neither experienced improvements for the poverty level of US\$5.50 PPP/day over the past three decades nor did it have many people earning more than US\$5.50 PPP/day in the status quo (only around 15 per cent), COVID-19 induced poverty is likely to bring more people down from other poverty levels than US\$5.50 PPP/day.

However, some caveats are in order regarding these projections. Firstly, the situation is still volatile and these predictions are conservative, especially for India. If the number of cases continues to surge and India goes into nationwide lockdown again, the poverty situation could be much worse. Moreover, the poverty data available for India is of 2011-12 which has been used for the estimates. The Indian government refused to publish the data in 2017-18, which scholars argue showed deteriorations in the poverty situation of India.<sup>13</sup> If the poverty situation has actually worsened over the past few years in India, then the poverty rates in India after COVID-19 would be higher than the ones predicted by the studies. Finally, the poverty estimates have been made assuming a flat five per cent contraction in economic growth for all countries. However, since the World Bank estimates predict a slightly lesser contraction for Pakistan (-2.6 per cent) and a positive growth for Bangladesh (1.8 per cent), these estimates should be taken with a pinch of salt.

COVID-19 induced poverty is especially a major threat for informal workers who comprise the majority of workforce in South Asia. The informal economy employs 90 per cent of

---

<sup>11</sup> D G Mahler, Christoph Lakner, R A C Aguilar and Haoyu Wu, 'Updated estimates of the impact of COVID-19 on global poverty', *World Bank Blogs*, 8 June 2020. <https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty>. Accessed on 11 July 2020.

<sup>12</sup> Andy Sumner, Eduardo Ortiz-Juarez, and Chris Hoy, 'Precarity and the pandemic COVID-19 and poverty incidence, intensity, and severity in developing countries', *United Nations University UNU-Wider*, June 2020. <https://www.wider.unu.edu/publication/precarity-and-pandemic>. Accessed on 13 July 2020.

<sup>13</sup> S Subramanian, 'What is happening to Rural Welfare, Poverty, and Inequality in India?', *The India Forum*, 6 December 2019. <https://www.theindiaforum.in/article/what-happened-rural-welfare-poverty-and-inequality-india-between-2011-12-and-2017-18>. Accessed on 14 July 2020.

the workforce in India, 85 per cent in Bangladesh and 72 per cent in Pakistan.<sup>14</sup> While many jobs in the formal sector could be done from home, jobs in the informal sector cannot. Hence, these informal workers are more vulnerable to unemployment and poverty.

The COVID-19 outbreak will not only make more people poor, but other kinds of deprivations will also be on the rise, especially those related to health. In most South Asian countries, the government's provision of health services leaves much to be desired. Furthermore, health is a major out-of-pocket expenditure, especially for poor. According to the World Bank, in Bangladesh, 73.9 per cent of health expenditure is out of pocket whereas in Pakistan and India, it stands at 60.2 and 62.4 per cent respectively.<sup>15</sup> While on one hand, people will be unable to pay for health expenses due to income loss, on the other hand, hospitals will be not be able to accommodate the overwhelming number of patients. The "disruption to health services could cause significant rise and deaths from HIV, TB, and malaria."<sup>16</sup>

## Combating Poverty

Despite cash-strapped economies, the South Asian countries have ramped up efforts to protect the poor amidst the pandemic. The most ubiquitous strategy has been direct cash transfers to the poor. The Indian government has used existing cash transfer programmes like National Social Assistance Program and PM Kisan scheme to increase its assistance to vulnerable groups like senior citizens, widowed women, disabled people and farmers. The Pakistan government has introduced an Ehsaas programme through which it is also providing cash transfers of US\$75 (\$103.74) to around 12 million families. Bangladesh has come up with a similar plan to provide cash support to people who lost their jobs due to the pandemic. The governments are also supporting poor through the provision of essential goods, including food items and gas cylinders. Moreover, governments are incentivising labour intensive sectors like construction to create more employment.

However, it is clear that these efforts are too little to combat the pandemic of poverty. The governments face enormous challenges to construct or expand the social safety net to prevent millions of people falling into poverty. The shrinking fiscal space, due to increased government spending and fall in taxes, limits the ability of the government to generate resources to support the poor. Moreover, countries like Pakistan are facing the problem of a burgeoning public debt. The pandemic has led to some debt restructuring which might allow governments to increase their health expenditure. However, poverty elimination is a long-term goal which requires more than short-term relief from debtors.

---

<sup>14</sup> Hina Shaikh, 'Responding to the impacts of COVID-19 on informal workers in South Asia', *International Growth Center Blog*, 13 May 2020. <https://www.theigc.org/blog/responding-to-the-impacts-of-covid-19-on-informal-workers-in-south-asia/>. Accessed on 16 July 2020.

<sup>15</sup> Data by World Bank. <https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.ZS?locations=IN-PK-BD>. Accessed on 20 July 2020.

<sup>16</sup> Hayley Dunning, Sabine L van Elsland, 'COVID-19 pandemic could significantly increase HIV, TB and malaria cases', Imperial College London, 13 July 2020. <https://www.imperial.ac.uk/news/197257/covid-19-pandemic-could-significantly-increase-hiv/>. Accessed on 19 July 2020.

## Conclusion

The COVID-19 pandemic has created problems wherever it has spread. However, South Asian is particularly vulnerable to the spread of the virus and its long-term implications. The populous slums, with existing deprivations of various kinds, place South Asia at a greater risk of COVID-19 spread. Also, lockdowns, necessary to curb the spread of virus, produce income shocks which risk millions falling into poverty. The efforts made in the past three decades to eliminate poverty are at stake and it is likely that after COVID-19, we will witness the pandemic of poverty.

. . . . .

Mr Muhammad Bin Khalid is a Research Intern at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS), and an undergraduate student at Yale-NUS College. He can be contacted at [Muhammad.k@u.yale-nus.edu.sg](mailto:Muhammad.k@u.yale-nus.edu.sg). Dr Diego Maiorano is a Visiting Research Fellow at ISAS. He can be contacted at [dmaiorano@nus.edu.sg](mailto:dmaiorano@nus.edu.sg). The authors bear full responsibility for the facts cited and opinions expressed in this paper.