

УДК 504.4.062.2:336.6(100)

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WATER SCARCITY AND ITS WORLDWIDE FINANCIAL IMPLICATIONS

Abstract: as one of the most vital natural resources, water sustains life and drives economies. However, water scarcity has emerged as a critical global challenge, affecting millions and claiming resources essential for agricultural, industrial, and domestic uses. This paper explores the multifaceted dimensions of water scarcity, its causes, and consequences, particularly focusing on the financial implications on a global scale. With increasing population growth, urbanization, climate change, and water pollution, the implications of water scarcity extend beyond the environmental domain into significant economic consequences that can destabilize regions and affect global markets.

Keywords: water scarcity, financial implications

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НЕХВАТКА ВОДЫ И ЕЕ ФИНАНСОВЫЕ ПОСЛЕДСТВИЯ ВО ВСЕМ МИРЕ

Аннотация: как один из важнейших природных ресурсов, вода поддерживает жизнь и движет экономикой. Однако нехватка воды превратилась в критическую глобальную проблему, затрагивающую миллионы и требующую ресурсов, необходимых для сельскохозяйственных, промышленных и бытовых нужд. В этой статье рассматриваются многогранные аспекты нехватки воды, ее причины и последствия, особенно фокусируясь на финансовых последствиях в глобальном масштабе. С ростом численности населения, урбанизацией, изменением климата и загрязнением воды последствия нехватки воды выходят за рамки экологической сферы и приводят к значительным экономическим последствиям, которые могут дестабилизировать регионы и повлиять на мировые рынки.

Ключевые слова: нехватка воды, финансовые последствия

Water scarcity, defined as the lack of sufficient water resources to meet the demands of a population, manifests in various forms, including physical scarcity, economic scarcity, and quality-related scarcity. As per the United Nations, approximately 2 billion people currently live in countries experiencing high water stress. By 2025, it is projected that two-thirds of the global population may face water-stressed situations. Water scarcity places immense pressure on livelihoods, food production, and economic growth, mandating a comprehensive analysis of its implications on global finances [2].

The world population is projected to reach 9,7 billion by 2050. This surge places unprecedented pressure on freshwater resources. Urbanization exacerbates this issue, as cities expand and require more water supplies for domestic use, sanitation, and industrial applications. Rapid urban growth often outstrips the development of water supply and sewage infrastructure, creating critical shortages [1].

Climate change significantly impacts water availability through altered weather patterns, leading to more extreme droughts and floods. According to the Intergovernmental Panel on Climate Change, increased global temperatures will

reduce snowpack and alter precipitation patterns, further straining existing water resources [4].

Water pollution exacerbates scarcity by diminishing the quality of existing water supplies. Agricultural runoff, industrial discharges, and inadequate sanitation can contaminate freshwater bodies, making them unsuitable for consumption or irrigation. Furthermore, mismanagement of water resources due to inefficient usage, overextraction, and lack of infrastructure contributes to scarcity [3].

Agricultural practices consume over 70% of the world's freshwater. Inefficient irrigation techniques and poor water management can exacerbate water scarcity, particularly in regions dependent on agriculture for their economies. As drought conditions become more common and water resources are depleted, food security becomes a pressing concern, leading to economic instability [4].

Water scarcity directly influences agricultural productivity, resulting in decreased crop yields. Countries that rely heavily on agriculture, especially in arid and semi-arid regions, face severe economic repercussions. Lower crop yields lead to food shortages, driving prices up. The World Bank estimates that water scarcity could reduce agricultural GDP by up to 14% by 2050. Such price inflation can trigger social unrest and destabilize economies reliant on agriculture [7].

To address water scarcity, nations are compelled to invest significantly in water management systems, including the construction of dams, desalination plants, and improved irrigation practices. According to the Global Water Partnership, developing countries will need to invest at least \$1.7 trillion annually in water infrastructure to manage expected shortages. This financial burden can overwhelm economies, particularly those already strained by other challenges.

Lack of access to clean water and sanitation leads to public health crises, raising healthcare costs and reducing labor productivity. Waterborne diseases significantly hamper workforce productivity, resulting in lost earnings and increased healthcare expenditures. The World Health Organization estimates that water scarcity contributes to the deaths of around 829,000 people each year from diarrhea alone [5].

Water scarcity can disrupt global supply chains, particularly in industries reliant on water for production processes, such as food, textiles, and technology. For instance, semiconductor manufacturing, heavily reliant on water, could face severe production delays or increased costs in water-scarce regions. This disruption can lead to heightened prices for consumers and destabilize international markets.

Water scarcity can exacerbate geopolitical tensions as countries vie for shared water resources. Regions with shared water bodies, especially in arid climates, may conflict over water allocation. These tensions can lead to instability, affecting local economies and international relations, significantly compounding economic challenges [6].

Governments must embrace sustainable water management practices that prioritize the efficient use and conservation of water resources. Innovations such as rainwater harvesting, drip irrigation, and advanced wastewater treatment can enhance water availability and reduce dependency on finite sources. The implementation of integrated water resource management frameworks can help countries balance water needs across various sectors.

Technological advancements can play a pivotal role in addressing water scarcity. Desalination technology can provide additional water sources for arid regions, while efficient irrigation technologies can significantly reduce water usage in agriculture. Investment in smart water management systems leveraging IoT and AI can optimize water distribution and usage across sectors [2].

Governments around the world must prioritize water-related policy reforms that recognize water as a human right. Implementing policies that promote equitable access to water, protect water quality, and incentivize conservation will be essential in mitigating the effects of water scarcity.

Promoting awareness about water conservation is integral in encouraging responsible usage among consumers and industries alike. Educational programs can equip communities with the knowledge to use water judiciously, reducing wastage and fostering a culture of conservation [7].

Therefore, water scarcity is not merely a regional issue but a universal challenge with deep financial implications. As water resources dwindle, the ripple effects are felt across agriculture, public health, global supply chains, and geopolitical stability. Without significant investments in efficient management, technology, and sustainable practices, the consequences of water scarcity will likely escalate, leading to further economic hardship and instability. As such, it is imperative that global communities cooperate and innovate to ensure water security for future generations, addressing both the environmental and financial ramifications of this pressing challenge.

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