The Nature of Poverty and Its Prospects: Pakistan Evidence

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ABSTRACT

This paper analysis the reasons of poverty, and identifies reduction strategies developed in Pakistan and its consequences. This exploratory study uses the secondary data for the analysis. Much has been written on poverty reduction in Pakistan. So many strategies are prepared and implemented in Pakistan; we have identified and analyzed these and found that no one is successful, and in the light of these results, it needs further contribution for the reduction of poverty. Trends have remained uneven during the study period. It is found that in 1970s, poverty decreased due to increase in prices of farm output and increase in remittance. In 1980s poverty decreased due to zakat distribution, increase in remittance growth in construction and services sector. Again after 2000 it reduced and much change is seen due to introduction of Microcredit, Khushhali bank and massive spending on poverty related and social sector. In the end implication are made for the better results of strategies and planning.

JEL. Classification:D14;G21;I31;I32;I38

Keywords : Poverty Alleviation Strategies; Zakat Distribution ; Microcredit ; Remittance

1. INTRODUCTION

Poverty cannot be illustrated, it can be experienced. One knows more about it when he is starving and can not manage to pay for food. He and his children want new cloths on festivals but can not buy these, due to low income. He is sick, but he is not able to buy medicine. He wants to send his children to school, but can not bear the expenses. He wants to be appreciated in society, but is treated poorly by the institutions of the state and society. He is voice less and incapable (Phulpoto 2007). In the early fifties when development economics was coming in vague, many economists argued that the poor economies of Asia, Africa and Latin America were caught in a vicious circle: their poverty itself, since it denied the resources for improvement, constituted the chief barrier to escape from it (Alam, M. Shahid 1983).

One version of this theory first adumbrated by Leibenstein (1954) and Nelson (1956) went further, claming that even if resources become available, the consequent increase in income will be swiftly devoured by rising population. The poor, in other words, are caught in a low-level equilibrium trap. A huge body of literature has grown over the past three decades on poverty and its alleviation. The available evidence indicates that around 1.3 billion people in the world are now living below the poverty line (Marris 1999). According to ‘The world Development Report 2000-2001’ cited in Nasir and Hyder (2006:22) out of 6.2 billions of total population of the world, 2.8 billions people live on less than $2 a day, 2 billions persons on less then $1 a day, which is extreme income poverty. Out of 6.2 billion world’s population 75% (4.2 billion) person are living in developing countries. The per capita income in these countries is estimated at around $500 per year, where as, the per capita income in USA is estimated at around $37500 per year and in Germany $25,000 per year (Nasir and Hyder 2006:26).

According to ILO (2005) cited by Dahri (2007:75) it is concluded that the reality for most of the world’s poor is that they have to work often for long hours, in poor working conditions and without basic rights and presentation- at work that is not productive enough to enable them to themselves and their families out of poverty, it is “decent and productive” employment that matters, not employment alone. In developing countries so many strategies are going to be put into practice and research has been done but it is felt that it is not enough and research should remain continue in light of latest reports and research. New strategies are coming in practice

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and effect of these needs to be analyzed and further suggestions are also needed. As Pakistan is also a developing country, that is why, we need to identify reasons. To keep these things in mind attempt has been made to identify the reasons of poverty as special objective; and to identify strategies made by country for the reduction of poverty and its consequences.

This study is an exploratory research. Secondary data is taken from different sources like: theses, journals, reports, and electronic resources also were sought. Collected information from review of literature was arranged in the way to reach at the solid conclusion.

Structure of the paper is as follows: Section 2 is devoted for Literature Review in which national and international literature is given. Section 3 is dealing with Conclusions. In section 4 Implications are made for further improvement.

2. REVIEW OF LITERATURE

On poverty alleviation lot of work has been done in the world. So many NGOs are working on it. In developing countries like Pakistan, India, Bangladesh etc., much work is done on microfinance for the alleviation of poverty and livelihood diversification. In Bangladesh example of Grameen bank is worldwide famous. Mostly this microfinance is on the basis of deposition of the installment on the very small level. In Pakistan also some work is done and government of Pakistan has relaxed the rules for the outreach of microfinance (Dawn 2005).

Livelihood resources in the developed countries are on the basis of educational knowledge, technology and services sector, as the case is of the Japan, which is poor in natural recourses. Natural resources are necessary for the development but proper exploitation through improved skills is necessary. Highly skilled People living in country can transform the available resources into something usable for spending and investment purposes; it will lead to faster economic growth. Livelihood depends upon development, which directly or indirectly needs intervention of Government, NGOs and Community Organizations, etc.

View of Livelihood diversification is supported by a considerable literature and much empirical evidence, that livelihood diversification is generally a good thing for rural poverty reduction. It helps to reduce the helplessness of the poor to food uncertainty and livelihood fall down. It can provide the basis for building assets that permit individuals and households to put up their own exit routes out of poverty, and it can improve the quality and sustainability of natural resources that comprise key assets in rural livelihoods. These effects take place because diversification makes wider people’s opportunity, promotes in particular diverse transactions, increases cash in circulation in rural areas, and enhances human capital by providing those who diversify with new skills and experiences. This literature can be verified by lots of studies (Turner, Hyden and Kates 1993; Ashley 2000; Center for Economic and Social Studies 2003; D’Silva, Wani, and Naganath 2004; Sreedevi, Shiferaw and Wani 2004; Reddy and John 2001; Wani, Pathak, Tam, Ramakrishna, Singh, and Sreedevi 2002; Sudan 2007; Herani 2002; Herani, Rajar, Khaskheli 2007; Rajar, Herani and Dhakan 2007; Herani, Rajar and Dhakan 2007; Herani 2007).

2.1 Foreign Origin Literature

Related studies at the international level are as bellow: Galbraith (1977:52) focused on mass poverty in rural areas; it is here that the vast majority of the world’s poor live “at or near the minimum necessary for survival.” There was the economic development in India in 1991 in response to economic crises and to recover the economic state. The effect of these reforms were absent by different researchers for the poverty alleviation. In short run there is a miscellaneous effect on poverty, while in medium and long run it would positive. Nevertheless, the economic reforms have unfavorable effect on the poor in both short and long run. There is need that now next generation reform should take measures to speed up growth in agriculture and non-farm activities. Recommendation is that, reform should be shifted their focus to village to increase rapidly the growth and employment opportunities.

Literature review and observations also reveal that poverty alleviation programmes, be it subsidy driven or income driven, have made little progress towards the goalpost. The same is the case of provision for other basics like education and health-care. Dysfunctional state institutions have captured the poor and have pushed them towards privatization, resulting in further leaving out of this vulnerable group in the process. And to avail the bare minimum the poor are knotted in the debt catch.

At last, a approach has been repeatedly prescribed. The aim is to take care of the capability of the poor with a well-groomed support system and advantageous-environment. The approach is to build self-assurance that the
poor, given the opportunity, will not be dependent on doles. Rightly remarked the President of the World Bank, James D. Walfensohn, “Microcredit programmes have brought the vibrancy of the market economy to the poorest villages and the people of the World. This business approach to alleviation of poverty has allowed millions of individuals to work their way out of poverty with dignity” (Microcredit Summit 1997). M. Yunus, founder of Grameen Bank, remarked, “Microcredit helps to create self-employment and put the poor, particularly women in the drivers’ seat.” But has the programme succeeded everywhere? What about the people in miserable poverty?

African countries still face the serious challenge of raising the rate of GDP growth and sustaining high growth rates over an extended period, in order to speed up progress towards meeting the Millennium Development Goals (MDGs). While growth has improved over the past few years, very few countries have attained and maintained the growth rates necessary to reduce poverty. Africa still tails behind other regions in most measures of human development. The continent is overwhelmed by shocks from the vagaries of international markets and climatic changes as well as the opening out of the HIV/AIDS deadly disease. To improve the state, it is clear that African countries require to become more innovative in terms of resource mobilization and in the design of pro-growth and pro-poor policies to undertake the problems of mass unemployment, stable poverty, and pervasive inequality. Such innovative policies are dangerous for sustaining the current growth momentum on the continent.

African economies are experiencing a structural shift whereby the service sector is becoming an important driver of growth. In 2004, the service sector for example, contributed 49 per cent of GDP growth compared to 36 per cent for industry (including mining and quarrying) and 15 per cent for agriculture. In 2004, all three sectors continued to grow, even though at relatively low rates. The industrial sector had the highest growth rate at 9.05 per cent, although growth in the manufacturing sector fell by almost 3.8 per cent compared to its value in 2003 (UNECA and AU 2007 cited in Rena 2008).

People of the developning countries are poor, therefore, presently the concept of livlihood is emerging survival strategy of rural households (Ellis, 2000; Bryceson, 2000). It is observed that rural people are looking forward for the diverse opportunities to increase stabilize their income as determined by their portfolio of assets - social, human, financial, natural and physical capital (Ellis, 1999; Sudan, 2007). In different areas of the world impact of livelihood diversification1 is different and it varies from negative effects to positive effects like: -the ‘withdrawal of critical labor from the family farm’ to - the ‘alleviation of credit constraints and a reduction in the risk of innovation’. The contribution made by livelihood diversification to rural livelihoods is a significant one, which has often been ignored by policy makers who have chosen to focus their activities on agriculture (Ellis, 1998; Sudan, 2007).

Livelihood literature review suggests that though exogenous trends and shocks play a significant role in approaching rural people towards a diversified livelihood strategy. Diversification choices are also confidently rooted in the micro-economic reason of farming households (Hussein and Nelson, 1999; Ellis, 2000). The availability of key-assets (such as savings, land, labor, education and/or access to market or employment opportunities, access to Common Property Resources [CPRs] and other public goods) is an evident requisite in making rural households and individuals more or less capable to diversify (Dercon and Krishan, 1996; Abdulai and Crole Rees, 2001, Sudan, 2007). The investment of a proper mix of the above endowments is the starting move of any independent activity. Moreover, labor potential and education conclude the capacity of finding a job and savings are often needed to migrate. Yet diversification may also develop as a coping response to the loss of capital assets needed for undertaking conservative on-farm production. The decreased availability of arable land, increased producer/consummer ratio, credit law-breaking, and environmental deterioration can be indeed important drivers towards diversification (Sudan, 2007; Herani, Rajar and Khaskheli, 2007).

2.2 Pakistan Origin Literature

In Pakistan since 1990s, several studies are carried out. Several studies quite successfully discuss definition problems associated with measurement of poverty while others have attempted to unravel the puzzle of poverty growth nexus (Ahmad, Naved 2003). Interim poverty reduction strategies paper (2001) indicates that poverty in Pakistan remained fairly stable during the 1990s, from 29.3 % in 1993-1994 to 32.2% in 1998-1999. Poverty is strongly related to lack of basic needs, specially education and cultivatable land. The poor have a higher

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1 Livelihood diversification is defined as the process by which rural households construct an increasingly diverse portfolio of activities and assets in order to survive and to improve their standard of living (Ellis, 2000).
dependency ratio, single earner, less access to health care, low education ratio and is unskilled (Dahri 2007b:21). Most of the work on poverty alleviation includes for different but related strategies, like: a) institutional changes to redistribution assets; b) policies to improve human capabilities; c) provision of credit to poor; and, d) social safety nets for the poor. These strategies have, however, proved unproductive. (Naved 2003). Different policies were implied for reduction of poverty. The land reform 1960s was poorly implemented. Mostly policies do not become successful due to corruption and uneven distribution of wealth that provoked the problems. Corruption also creates loosers. For details of strategies of poverty alleviation and causes see study (Phulpoto 2007:62-64). Some other studies are also available like: Ahmad (2000); Alam (1995); Husted (1999); Dahri (2007); Phulpoto (2007) and social policy development centre, social development review Karachi, different editions etc.

As poverty alleviation is concerned with the studies of economic growth and development economics, and wellbeing of the country. Some related studies from district Tharparkar are also available Herani (2002) about agro based industry of Tharparkar. In suggestion chapter lots of recommendations for poverty alleviation are given. Herani, Rajar and Dhakan (2007) also gave suggestion for the proper distribution of wealth, aids, donations and microfinance, deposits and installments. In the accepted article Herani (2007), he also gave suggestions for the improvement of reforming farming. He has emphasized that on the formation of village organization, self-help microfinance and equal distribution of available resources. His suggestions will help in the reduction of corrupt officers’ powers, which they exercise, and hold of land lords and feudalism system. His main emphasis is on proper utilization of the NADRA’S database, which is the authentic data at present.

Pakistan is the developing country and also agricultural country. As livestock contributes 50 percent of agriculture of pakistan and 11 percent of GDP of pakistan (ES 2005-06). Livelihood diversification also needs to be analyzed. Agricultural land is decreasing due to high growth rate of population and land property is distributed in offspring, making small unit per head; it has played significant role in approaching rural people towards a diversified livelihood strategy. But in Pakistan district Tharparkar is a big desert belt of Sindh Province and it is rain dependent area. Its main source of livelihood is livestock. It contributes more than 22 percent of share of the livestock of Sindh Province, it is calculated figure from the article of Wasim (2007b). Mostly Tharis’ livelihood is agriculture related. It is observed that Tharis are fully engaged in work only in the season of monsoon otherwise work load is very low and they donot utilize their time in proper diverse livelihood. As rains are not confirm source so alternate of it should be sought (Herani, Rajar and Khaskholi 2007). These conditions has played significant role in approaching rural Tharis towards a diversified livelihood strategy.

Numerous studies are available related to this topic directly or indirectly Like: Wasim (2007a &b), about the agriculture and livestock both the studies are related with the livelihood. There are some studies on the Thar like: Hassan (1993), it has evaluated the drought effects in Thar since eighties to 1992. Thardeep, Ban-beli and some other NGOs are also working and its reports and leaflets are also available. Their work is mixture of varieties including agriculture and other alternate diversified livelihoods and searching of new other occupations applicable over there. These NGOs and other lots of NGOs are working in Thar and engaged in the awareness and motivation to Tharis for the prosperity. For details see also literature like: (Herani 2002; Herani, Rajar and Khaskholi 2007; Herani 2007; Rajar, Herani and Dhakan 2007; Herani, Rajar and Dhakan 2007; Thar 2000; Thar 2001; Dawn. Local, 19; DAWN - Local, 01; DAWN-Letters 09; TRDP, An Evaluation). For the livelihood diversification, Education, Skills and Management is impotrant, which helps in finding the alternate of livelihood. Microcredit strategies after 2000 are innovative and the result of previous failuar schemes and research at national and international level for poverty alliviation.

2.3 Approaches to Poverty Alleviation And Historical Perspectives

Two main approaches are discussed here, Physiological Approach and Social Deprival Approach. Physiological approach is focused on non fulfillment of basic material or biological needs, including inadequate nutrition, health, education, shelter etc. (Lanjouw 1997; Dahri 2007). A person is poor only if, access to economic sources is insufficient (Lipton 1996 and 1998). The social deprival approach uses the wider conception of deprivation, which may include vulnerability, lack of autonomy, powerless lake of self respect/dignity etc. The prevalence of poverty is more observed in rural areas and acceptance for new changes faced great resistance. Historical perspective on poverty indicates that in 1950s agriculture was allowed stagnant because the ruling elite believed that, at time it was essential to industrialize at all costs, and at great speed, such steps created poverty about 32 percent in rural areas. This problem made the policymaker realize the importance of agriculture sector. (Phulpoto 2007).
In 1960s 60-64-5, agriculture sector was carried out a traditional methods, and in the second phase 1965-1970 new technology was introduced i.e., Green Revolution (Saeed 2004). It created disappointment of labor, share croppers and tenants at higher end; where those with land sold it or rented it out to neighbors, and in rural urban migration (Phulpoto 2007). This technology provided more benefits to big landlords, and majority of small farmers suffered (Phulpoto 2007; Mahmood khan 1981) argued that the structure of the technology and direction of credit flow themselves reflect the influence of the large land owners and capitalist farmers on public policy. Malik (1988) using published data groups from HIES cited in Phulpoto (2007) shows that in sixties poverty is increased. In seventies incentive poverty reduced from 44-29 percent (Kruijk and Van 1985; Kruijk 1980; Malik 1988) because of increasing price of farm out puts and inflow of remittance to rural areas. In 1980s poverty decreased because of Zakat distribution, increase in remittance, growth in construction and services sector. In 1990s poverty increased as compared to 1980s by Jafari and Khatak (1995), and it is supported by Ajmal and Kamal (1999) as cited by Phulpoto (2007). In 2000 and onwards, poverty decreased due to strong growth in economy rise in per capita, a large inflow of remittance and massive spending on poverty related and social sector.

Table-1. Trends of Poverty: Head count

<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>Poverty %</th>
<th>Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1950s</td>
<td>-1950s</td>
<td>32</td>
</tr>
<tr>
<td>2</td>
<td>1963-64</td>
<td>40.24</td>
<td>Increased</td>
</tr>
<tr>
<td>3</td>
<td>1966-67</td>
<td>44.50</td>
<td>Increased</td>
</tr>
<tr>
<td>4</td>
<td>1969-70</td>
<td>46.53</td>
<td>Increased</td>
</tr>
<tr>
<td>5</td>
<td>1979-80</td>
<td>30.68</td>
<td>Decreased</td>
</tr>
<tr>
<td>6</td>
<td>1984-85</td>
<td>24.47</td>
<td>Decreased</td>
</tr>
<tr>
<td>7</td>
<td>1987-88</td>
<td>17.32</td>
<td>Decreased</td>
</tr>
<tr>
<td>8</td>
<td>1990-91</td>
<td>22.11</td>
<td>Increased</td>
</tr>
<tr>
<td>9</td>
<td>1992-93</td>
<td>22.40</td>
<td>Increased</td>
</tr>
<tr>
<td>10</td>
<td>1998-99</td>
<td>32.60</td>
<td>Increased</td>
</tr>
<tr>
<td>11</td>
<td>2001</td>
<td>34.46</td>
<td>Increased</td>
</tr>
<tr>
<td>12</td>
<td>2005</td>
<td>23.90</td>
<td>Decreased</td>
</tr>
</tbody>
</table>

3. CONCLUDING REMARKS

Poverty is strongly related to lack of basic needs, specially education and cultivatable land. The poor have a higher dependency ratio, single earner, less access to health care, low education ratio and is unskilled. Different policies were implied for reduction of poverty in Pakistan. Poverty alleviation programmes, be it subsidy driven or income driven, have made little headway towards the goalpost. Identical is the case of provision for other basics like education and health-care.

Livelihood depends upon development, which directly or indirectly needs intervention of Government, NGOs and Community Organizations, etc. Diversification widens people’s options, encourages spatially diverse transactions, increases cash in circulation in rural areas, and enhances human capital by providing those who diversify with new skills and experiences. People living in country are highly skilled can transform the available resources into something usable for consumption. Microcredit programmes have brought the vibrancy of the market economy to the poorest villages and the people of the World. This business approach to alleviation of poverty has allowed millions of individuals to work their way out of poverty with dignity. The contribution made by livelihood diversification to rural livelihoods is a significant one, which has often been ignored by policy makers.

The land reform 1960s was poorly implemented. Mostly policies do not become successful due to corruption and unequal distribution of wealth that provoked the problems. In 1960s 60-64-5, agriculture sector was carried out a traditional methods, and in the second phase 1965-1970 new technology was introduced i.e., Green Revolution. In seventies incentive poverty reduced from 44-29 percent because of increasing price of farm out puts and inflow of remittance to rural areas. In 1980s poverty decreased because of Zakat distribution, increase in remittance, growth in construction and services sector. In 1990s poverty increased. In 2000 and onwards, poverty decreased due to strong growth in economy rise in per capita, a large inflow of remittance and massive spending on poverty related and social sector. Microcredit schemes are proving better.

From the review of different studies it is concluded that what ever policies are going to be made are good, but way of implication is ineffective due to the corrupt officials, unequal distribution of wealth and resources. In Pakistan presently there is a capacity to reduce the situation of corruption and distribute wealth equally, if followed to suggestion of this study. Pakistan has a very strong data base controlled by NADRA. It has introduced NADRA KIOSKs and NADRA SWIFT Centers (NSRC) for the deposits of payments to selected companies. If this database and facilities will be utilized in the suggested way, then rate of corruption will reduce at the significant level.

4. IMPLICATIONS

All the transactions should be done through the personal account of citizen maintained by NADRA. Each village and bank should have one village organization which should be given NADRA KIOSKs and one NSRC. One time only Rs. 100 should be deposited by government in every account of all Pakistanis’. Range of companies for payment should be increased. All the banks, especially national bank, branches of it are spread in more areas comparatively, at Taluka level should be given ATM card machine, and CNIC should be allowed to work as ATM card. In this way CNIC will work as debit and credit card. With the help of village organization whatever amount will be deposited be easily transferred in banks. The amount first deposited by government should be recovered after the account is properly working. All the donations aids divinely attribution salaries should be given through this account. In addition to, public policy should be focused on issues of basis needs: education, cultivatable land, healthcare, support services, livelihood diversification strategies, access to common property resources equally and microcredit through self-help groups.

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