

Rural urban divide and profile in pakistan economics essay

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1. Rural Urban divide and profile in Pakistan. Pakistan, a nation, is in its developing phase even after 64 years of Independence has been making countless efforts to reach the stage of sustainable development in urban and rural areas of Pakistan. The challenges of implementation of resources and the scarcity of public funds available for allocation between urban and rural backfires against Pakistan development process, as development is naturally a risky business and the structure of Pakistan's development expenditure is not stable enough to lead to sustainability. Most of the poor people of Pakistan currently live in rural areas. There are approximately 50, 000 villages (Pak) According to the economic survey, 63. 6% (Nizami, 2009) of the total population lives in villages. The rural population lacks tools and facilities to adequately cope with the risks and difficulties that they are often faced with. Therefore they are more vulnerable. Further on, the recent incidents like flood and earthquake in 2008 has dampened the situation in the rural areas and have made them worse off than before by destroying the agriculture sector completely. On the other hand, the economic survey of Pakistan reports that in currently 36. 3% of the total population lives in the urban areas which has expanded sevenfold since 1950 (Nizami, 2009). Urban areas are more advanced and developed in telecommunication, media awareness, educational and health facilities when compared to the rural areas but issues like air pollution from industrial effluents, vehicle emissions, traffic congestion and low literacy rate pose a very strong threat to development. Overall, infrastructure and facilities in both rural and urban areas are lacking and substantial improvements are required and careful consideration needs to be provided by the government on resource

allocation as it will lead towards sustainable economic growth in future. 1. 2. An overview of the livelihood and provision of social services in rural settings of Pakistan; Inter-regional and Infra-regional disparities. The rural economy of Pakistan mainly consist of high population growth, with very low literacy rate, unhygienic living facilities, poor water and sanitation facilities, lack of health and infrastructural facilities. Moreover social sector of the rural economy is deprived and lacks basic facilities with household size on average greater than that of urban areas. Inter- regional disparity basically is the disparity that exists between the provinces of Pakistan whereas intra-regional disparities are the disparities that exist between within the province. The inter-regional imbalances have economic, social and political implications; in case of Pakistan the economic activities are concentrated to specific provinces. The insufficient provision of public infrastructure obstructs the private capital formation and economies in relatively lagging regions cause underdevelopment. Pakistan consists of four regions, Punjab, Sindh, NWFP and Balochistan which are highly diverse in terms of size, population and level of economic activity, sizable interregional disparity exists in per capita income, the extent of disparities in employment ratio and labor productivity is also high and have growing trend since 1982. The two regions Punjab and Sindh are more advanced when compared with Balochistan and NWFP. There are technological differences also leading to difference in productivity On the other intra-regional disparity also exists in Pakistan. There is significant difference within the provinces itself due to varied economic structure and dynamism. Large gaps in the living standards have been seen due to the differences in the economic development between

cities. The quality of physical infrastructure and expenditure spent by the government also contributes to disparity in Pakistan as cities with more facilities will have more exposure to opportunities and thereby leading to more income, 1. 3 Transformation of Agriculture, mobility of capital from Agriculture and sustainability of rural development. In spite of the structural shift towards industrialization, the Agriculture sector still is one of the significant growth areas of the Pakistan economy, It is known to be the second largest sector in terms of labor employment and as well as GDP composition which accounts to 21% of GDP (Farooq, 2009). It's a source of livelihood for most of the rural population and is also the prime contributor in Pakistan's exports. The efforts by the policy makers have been to encourage the growth in the industrial sector for a vision of sustainable rural development which is being funded at the expense of the agriculture sector is not an efficient approach. Even though both the sectors have a positive impact on the GDP but since most of the rural population is employed in agriculture and illiterate thus agriculture growth will lead to rural development and ultimately industrial growth. Despite the agriculture importance, a fluctuating trend has been followed by this sector over the past six years but has still shown a rise of average rate of 3. 7 percent per annum. The overall performance in the year 2009 was weaker than expectations. The previous year's performance showed a 4% growth so the expected growth in year 2009 was 3. 8% whereas only 2% growth was seen. (Farooq, 2009)In order for Agriculture sector to advance, critical investments need to be made in new seeds, employing advance technologies and procedures and irrigational facilities which currently are not being provided.

Globalization and transferability of technology in free market economy has necessitated employment of advance, cost effective and efficient technological agricultural equipment to be used by the farming community. The efficient use of scarce agriculture resources with employment of advance technology will assist in meeting the future challenges and industrial growth. Sustainable development has been defined " intersection of social, environmental and economic goals" (Levett, 1998). Without sustainable development in agriculture no tactic of economic reforms can be appreciated, as it is the key to raise the living standards, giving food security by reducing poverty, expanding market of industry and services and ultimately leading to sustainable development. However, the recent economic situation of Pakistan does not provide any support to industrial growth, the electricity shortage and instability in the economy has lead to low investments and shut down of many of the industries, as no positive returns were being realized. 1. 4. Agriculture transformation, skilled labor migration and rural livelihood. The government has been making efforts to promote industrial growth in Pakistan and provisions of human capital facilities have not only leaded to increase in output and income but also indirectly affected labor allocation. Education leads to a shift of rural household resources from farm activities to off-farm activities. Further on, the rapid economic growth in urban areas and the rural income inequality lead to an increase in rural urban labor migration, which caused reduction of the size of rural workforce therefore further reduction in the productivity of agriculture. From 1950-2008, Pakistan's total population expanded over four-fold, whereas the total population increased over seven-fold (Nizami, 2009).

Rural urban migration does not have very positive result on an economy instead leads to adverse conditions of overloading of housing and social services, increased crime rate, pollution, unemployment and congestion in urban areas. Therefore factors contributing to the urbanization should be a major concern so that corresponding policies can be made accordingly but on the other hand, rural population of Pakistan is scattered over a vast areas of mountainous and forested terrain. Therefore it makes it expensive and difficult to extent the basic resources to all areas through migration, the population moves towards the areas where the services can be delivered with reasonable cost. In order to control the problem of skilled labor migration from agriculture, effective policies by government should be taken to reduce and minimize the rural-urban gap as it's the key reason for migration. Moreover, in agriculture sector advance mechanization techniques should be adopted and a shift to land use growth. Agriculture is one of the vital sectors of economic growth in Pakistan's economy. Therefore careful consideration needs to be given to it.

1.5 Government initiatives and institutions for rural development in Pakistan. The basic purpose of the government is to provide appropriate instruments and support to the vulnerable rural areas for effective and sustainable rural development. A framework must have strategies that are adequate in dealing with the problems faced by the rural areas and also emphasize on the sources and characteristics of the problems that are being occurred in order for a better understanding of the situation. Not only this task is challenging for government, NGOs and the international agencies but also varied but still initiatives are being carried out by the government to cope with the

situation. However, deficiencies in the provision of basic infrastructure and social services in rural areas still remain. For the promotion of growth in agriculture sector the government has taken recently several steps which has increased the availability of fertilizer by 25.3%. The installation of tube wells and water for irrigation was enhanced by seepage control and land leveling. The positive features also include empowering local governance and greater funds accessibility under Tameer-e-Pakistan and Khushal Pakistan Programme. Further on, the permission to import machinery not produced locally at zero tariffs by the federal government has also encouraged the use of latest technology (Farooq, 2009). Other processes like laser land leveler, broad bed framing system and ridge are also being promoted by the government at subsidized prices to the farmers. Through the Small and Medium Enterprises (SMEs), rural industrialization of labor intensive industries and technologies has been encouraged by value addition and enhancing worker skills and facilitating technology up gradation. Industrial estates are also established along the motorways in close proximity for rural areas. Emphasis has been placed on provision of physical and social infrastructure, including farm to market roads, village electrification, clean drinking water and sanitation, and education and health facilities. The capacity for disaster management for floods, earthquakes, epidemics and other emergencies has also been improved and networking of training institutions will be undertaken to support the training efforts in line with the rural development strategy. National Population control programs and other policies have been adopted by the government for population control. Media awareness has been provided in the form of advertisements.

The provision of Lady Health workers program and rural health centers have been provided to the rural and poor people for awareness and increasing health standards. 1. 6. Rural Development, rural planning and intergenerational equity. Pakistan aims to transform itself into a just, prosperous, and sustainable society. In order it to be just, the concept of intergenerational equity is necessary to understand which basically means to keep a balance between the present and future generations with regard to the rural development and also a balance between the community and all individuals should have equal access to community resources and opportunities. While planning rural development, intergenerational equity should take into account resources utilization, rural poverty reduction and environmental degradation. With the use of resources and depletion of some resources, the options and choices available to future generations are decreased. Permanent losses can take place if the natural resources are depleted as they cannot be created by artificial scientific procedures. Therefore careful consideration needs to be given when allocating resources. Deforestation, ozone layer depletion and acid rain are the common developmental problems that future generation have to deal with if the current generations are not cautious in their consumption. Thus, environment plays a major role when making developmental plans. 1. 7. Elements and sources of lack of sustainability in rural development; issues and concerns for Pakistan. The major issue and concern for Pakistan in rural development is the risk what managers and policy makers are very often faced with as Agriculture is a very risky and uncertain sector but since the risk is unavoidable in every situation so the decisions and policies should be

devised by taking all possible alternate into account and gathering all the information and then choosing the best possible one with minimum risk. Moreover there is lack of proper technology facilities available in the rural settings which are also a major drawback and a hurdle in rural development process. Telecommunication technology can be used by the farmers to obtain up-to-date information on the market price leading to a clear idea of selling price that can be set. Further on, weather forecasts can also be used by the farmer for precautionary planning of the crops and farming practices accordingly. Even though efforts has been made in the past to provide credit facilities to the rural sectors of Pakistan through SME's but government and other bank institutions still remain reluctant to provide loans as there are more chances of default in rural areas but may give loans to small farmers if they offer some sort of collateral which usually is in undesirable form. Therefore informal credit practices are mostly used by the developing countries including Pakistan as they have a better knowledge of the activities of the farmers. Illiterate population is also one of the contributing factors in the increase of poverty in rural areas of Pakistan. The skilled and somewhat literate labor migrate to urban areas in search of a better living standards and job opportunities making the development of rural areas stagnant and slow. Moreover rural areas are also not assisted with proper health care facilities therefore increasing number of diseases are being travelled throughout the rural areas mainly after the flood incident the number of waterborne diseases has increased to large extent. The highly uneven distribution of resources is one of the major concerns being faced by Pakistan. The industrialist and politicians have formed alliance and taken

over the resources of the nation. Further on, urban areas are readily accessible with resources whereas rural areas continue to be neglected. 1. 8.

Key words and definitions. Inter-regional disparity: Disparity among provinces. Intra-regional disparities: Disparity within the provinces.

Sustainable development has been defined " intersection of social, environmental and economic goals" (Levett, 1998)Tameer-e-Pakistan: " a social intervention aimed to undertake schemes relating to federal functions such as rural electrification, gas supply, etc" (2003)Khushal Pakistan

Programme: " a social intervention aimed at generating economic activity through public works and temporary employment" (2003)Intergenerational equity is " a concept that says that humans hold the natural and cultural

environment of the Earth in common both with other members of the present generation and with other generations, past and future" (Beder, 2000)Small and Medium Enterprise (SME): " means an entity, ideally not

a public limited company, which does not employ more than 250 persons (if it is manufacturing concern) and 50 person (if it is trading / service concern)" (State bank of Pakistan)1. 9. Study objectives. To test the

proposition that how employment in SME sector has impacted rural development. To test the proposition that how quality of institution has an impact on rural development. To test the proposition that military regime compared with other regime has an impact on rural development. To test the proposition that exchange rate depreciation has an impact on rural

developmentChapter 2: Literature ReviewThis chapter of extensive literature review would help develop a clear idea about what are the reasons behind the role of state in sustainable rural development in Pakistan. It enhances

the previous chapter where study objectives and concerns were raised about the need for this research. 2. 1 A brief profile of rural settings and rural livelihood in developing countries. Pakistan is basically an agro based economy at its developing stage but recently the slow growth, increasing unemployment and the rising costs have created problems for the policy makers to allocate agricultural subsidies in rural areas. Pakistan represents an interesting and vital projection to test market imperfections faced by the developing countries. Ramus Heltberg, in his article, talks about the market imperfections that are normally found in the rural sectors of Pakistan. According to him, the ownership of land is traditionally considered a source of status and political power in Pakistan, Therefore the urban population is unwilling to let go of their belongings in the rural areas which makes the distribution of land extremely disproportionate and unequal. Further on he pointed out that there exist policies with regard to different farm sizes, which include subsidies for mechanization and credit for large farms. Moreover, small farms cannot fulfill the collateral requirements therefore they are excluded as most of the loans for tractor etc are ultimately defaulted; a biased strategy is followed by the institutions in case of loans to large farmers.(HELTBERG, 1998). Thus showing that role of small medium enterprise is very vital in sustainable economic growth in the rural areas as they facilitate backward areas with loans and funds despite the imperfections. Emphasizes is also paid on the relationship of farm size and productivity which was inverse and one of the major factors in rural development. This study was basically carried out by taking into account Pakistani farm data and concluded that the small farms are more productive

when compared to the big farms and also that they can enhance agriculture productivity and increase justice but however the effect on social efficiency remained ambiguous. (HELTBERG, 1998) With the growing economy, Credit is increasingly becoming an integral part of the process of development, even in rural areas of Pakistan. The paper by M. Ali Chaudhary and Mohammad Ishfaq, attempts to provide baseline estimates of probability of repayment from borrowers belonging to rural sector in Pakistan which is the most important component, to be estimated in access the credit risk. It also points out that although the rural borrowing still amounts to a small proportion of the total borrowing of the country but the supply of institutional credit to the rural residents is increasing slowly. The main findings indicate that collateral should be based on potential credit worthiness of borrowers. (M. Ali Chaudhary, Mohammad Ishfaq., 2003) Further on, the study also suggests the recommendations that can be helpful for the lenders and the policy makers to design credit programs accordingly. The results also highlight that interest rate do not affect the repayment schedule much. Agriculture income is very variable in nature and the non-agriculture sector borrowers have a higher probability of repayment. Therefore the lenders should diversify the portfolio of their loan and reduce covariant risk possibility.

2. 2 Indicators and instruments of assessing sustainability of rural development.

Hermann Kreutzmann, in his article highlights the indicators required to assess the development in mountainous region. According to him, the sustainability of rural development of mountainous regions escapes adequate attention due to lack of appropriate methods. Further on comparative data is also absent, and it is complicated to verify the position of mountainous region within

nation states. The purpose of this article was to discuss by investigating comparative approach of selected indicators that are mainly used in development reports. This discussion helped in better understanding of the application process and revealed the theoretical limitations that facilitated us with a vision to apply appropriate strategies for development. (Kreutzmann, 2001) International Year of Mountains stated that consideration and special focus needs to be given to research and application of comparative approaches. This article also used examples from the case studies in South Asian high mountain regions and introduced approaches that applied human development indicators to various regional levels. Analysis and evaluation of the results and interpretations of the indicators would reveal problems in the mountain research for further investigation. The results showed that in order for development to take in High Mountain areas, comparable indicators of development should be used to enhance our understanding of existence of disparities. Further on same development concepts applied to other regions should be used for developing countries mountainous areas. The demand to advance the living standards of the living standards of the mountain dwellers are brought into light several times but rarely realized. In order for development to progress the policy makers should identify the regions and enhance communication and facilities of people living in the mountain regions. (Kreutzmann, 2001)2. 3 Infrastructure, provision of social services and their livelihood. Mohammed A Ghaffar in his paper underlines that most of the government spending is allocated in the energy sector as Pakistan has few energy resources and the country is heavily dependent on the import of fossil fuel. It is stated, that more than 20% of foreign exchange earnings is

spent on oil imports every year still the rural population consumes wood, animal and crop waste for its domestic energy needs. This paper presents the energy supply situation in the rural sector of Pakistan and identifies the energy shortage problem through means of a survey. The key findings of this paper is that very few farmers have access to electricity and those who have, mainly use it for lighting purposes which does not increase their comfort level. Farmers suffer during summer due to the shutdown of electric tube-wells when there is a shortage of irrigation water supply due to the low levels in canals. This is ultimately reflected in low productivity of farms. The load shedding has created a negative impact on the economy of Pakistan, because the industrial sector is closed down during peak hours in the evenings. The intensity of load shedding is expected to increase in future with increased demand for energy. (Ghaffar, 1995) Energy expenditures are influenced largely by other variables, such as the family size and energy consumption pattern. The contribution of electricity is negligible to overall energy supply in the rural sector. A common person in the rural sector could increase his standard of living by employing renewable energy resources, such as solar Pv methods can be used to supply d. c. power to households and for lighting. Biogas can be used for cooking and heating purposes. (Ghaffar, 1995). Moving on the article by Nadeem Ilahi and Franque Grimard accessed the important role that women play in reducing poverty and ultimately promoting development in developing countries. (Nadeem Ilahi and Franque Grimard, 2000). Further on the article also highlighted the role of infrastructure in promoting development, it stated that infrastructure should be improved to increase the efficiency in production; it is not only

confided to benefits in the production efficiency but also contributes to increase in the living standards of rural households. In the case of Pakistan, it also helps to raise the nutritional status of rural children. The article aimed to investigate how the quantity and quality of infrastructure affect the time women allocate to their various activities by focusing on the water structure and variations in the quality by taking into account the time allocated by rural women to market-oriented activities, leisure and water collection. The results concluded a negative relationship between the advancements in Pakistan's water supply infrastructure and the time spent by rural women in water collection. As the infrastructure is improved, women allocate more time to income-generating activities. The social and institutional components may play a role in coming up with such a conclusion but economic opportunities and limitations should not be neglected or ignored in being one of a major influence on the time allocation of women in the developing countries rural areas. (Nadeem Ilahi and Franque Grimard, 2000)2. 4

Agricultural transformation, mobility of capital and prospects of rural development. In the article, by Shida Rastegari Henneberry, Muhammad Ehsan Khan and Kullapapruk Piewthongngam, An analysis was carried out by basically making comparison between industrial and agricultural sectors of Pakistan for better insight in Pakistan's economy and ultimately development. Pakistan is known to have heavy dependence on the agricultural sector which is carried mostly in the rural areas of Pakistan due to vast availability of land. The results showed that both the industries complemented each other, industry however grew more from agricultural growth than the other way round. Pakistan's policy makers require a lot of

information in order to make appropriate policies for industrial development through agricultural development. Further on, the article also stated that development of the industry will not only increase the profits of the private sector but also increase the potential of the economy causing an increase in amount of goods that can be produced more efficiently in given amount of resources. Industrialization not only benefits a nation by meeting its domestic needs but also enhances the exports through exporting the excess manufactured goods. Moreover, the excess labor is also absorbed by the industrial sector ultimately leading to an increase in income of the nation. For developing countries like Pakistan, the growth of the agricultural along with industrial sector needs to be given due importance. (Shida Rastegari Henneberr, Muhamad Ehsan Khan, Kullapapruk Piewthongngam, 2000) In order to follow the footsteps of the Western world, many third-world nations have adopted the path of industrialization but if the resources are inefficiently allocated among the industrial sector, it slows the growth of the economy and also reduces the labor absorption rate of the industry and ultimately reducing opportunities for expansion of income and causing income inequalities. Therefore to avoid such a situation, development in agriculture sector is needed as it would effectively widen the income base and promote industries development with lower capital per worker ratios. This study proved that the agricultural growth has a considerable impact on the industrial growth. (Shida Rastegari Henneberr, Muhamad Ehsan Khan, Kullapapruk Piewthongngam, 2000) Further on, this study highlighted that some policies to promote industrial development have not been implemented properly, like the interest rate subsidies are given to encourage

capital structure in the industrial sector. However results showed that the policies to increase investment and industrial growth have not been able to achieve their desired objectives, showing that developing countries need not to abandon agriculture development completely to achieve industrial development. (Shida Rastegari Henneberr, Muhhamad Ehsan Khan, Kullapapruk Piewthongngam, 2000) This study basically proved that the role of institutions and bureaucracy is very vital in the rural development as they make and implement the right strategies that are required for development.

2. 5 Skilled labor migration and rural development. The article basically underlines the rural development projects and schemes that reduce rural-urban migration. According to the study equalized land or income distribution with increase in cultivatable land will lead to reduced rural urban migration. Whereas on the other hand easily access to cities, commercialize agriculture, increase in rural inequalities and education and skills disparity among rural urban stimulates migration. (Rhoda)The basic approach taken by this research was to review migration theories and the empirical research, further establish rural-urban migration concerns and then evaluate the impacts of the migration on the rural development. The development strategies focused on agriculture development, provision of rural social services and off-farm employment. The study explains rural-urban migration as the household transfer from a predominantly agricultural area to area with mainly employment in non-agricultural activities. The definition did not distinguish between seasonal, temporary and permanent migration. Permanent migration is more of concern since it creates more problems for urban areas, however seasonal and temporary migration often lead to

permanent migration. The factors leading to migration in this study was economic opportunities and availability of friends in urban areas. The cost/benefit model indicated that rural development decreased both the costs and benefits of migration. This research basically discusses rural-urban migration advantages and disadvantages. It also explains the costs and benefits of urbanization in Bolivia. According to the article, promoting rural-urban migration is one of the cheapest ways to reduce poverty in Bolivia as it is cheaper to facilitate basic services like electricity and health services to particular rural areas when compared to providing the facilities to vast areas of mountains or forest terrain is not only difficult but expensive also. Although rapid rural-urban migration is known as a problem for most of the developing countries, but this paper highlighted the case Bolivia to prove that for some developing countries it might be a solution to many problems, by promoting rural-urban migration with reasonable policies, it may be possible to lessen most of the problems faced by Bolivian economy. In order to curb with the problem of urbanization, this article suggested that the efficient city planning with the location of streets and public areas need to publish to public so that sensible houses are constructed.

2. 6 Elements of intergenerational equity and justice in rural development.

2. 7 State initiatives and rural planning in developing countries. Development in rural areas is without doubt a risky business which has caused a challenging and highly varied task for the governments, NGOs and international agencies. Even though risk is everywhere, it is substantially unavoidable which strongly depend on the management and institutions decisions which further depend on the information available leading to reduction in uncertainty.

(Anderson, 2003) In cases where too little information is available, precautionary principles such as postponing decision or safety standards should be applied to know what sort of risk strategy is more suitable. Further on, farms should adopt control procedures and effective farm system monitoring such as pest management safeguard policy. The drawback highlighted by Anderson is that the migrants who travel from rural regions to urban and mostly do not intend to return and support their elderly parents, therefore these imperfect mechanism for risk management further adds to government burden of assisting rural households directly. In most of the developing countries, informal credit arrangements are vastly used since institutions have doubts about the creditworthiness of small farmers therefore rural households smooth their consumption through informal credit. Formal institutions are reluctant to facilitate rural areas with credit as they offer collateral in unacceptable forms. On the other hand, informal money lenders have much more information about the activities and features of rural farmers. Other than that, various type of insurance contracts are also available to farmers for fire and theft of physical assets, also death and disability for members of the farm family and mortality and infertility cover for some livestock also. Under some subsidized schemes of government it is possible to insure crops against fire and storm damage. The instability in the food production creates price variability in the domestic market leading to food insecurity problems for the poor and uncertainty for the producers and causing volatile foreign-exchange earnings due to the instability in export-crop production which can completely destroy an economy. In low-income countries, serious problems arise due to the

presence of more poor people and choices in sustaining high food prices are more limited. (Anderson, 2003) Nina Gera, in her article states that it is the responsibility of the government to facilitate with food security for the citizens of the nation. The government of Pakistan had worked in supplying food to its nation at reasonable prices through the process of subsidies but the structural adjustment programs to reduce budget deficit have lead to removal of subsidies on agricultural inputs ultimately increasing poverty. (Gera, 2004)