Poverty in pakistan

[Sociology](#), [Poverty](#)

POVERTY | | Submitted to: Sir ShahidHameedSubmitted By: Sadia Ali (0911244)ShafiaWasim (0911246)BBA 5-D | DEVELOPMENT ECONOMICS 11/17/2011 Contents

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subject practically by making this project. Executive Summary The report is all about one of the issues that hinder a countries economic development that is poverty. Poverty is a state of deprivation of the necessities of life necessary for living. The report mainly talks about the determinants of poverty that can be on regional, community level, individual and household basis (economic, social and demographic characteristics). Moreover, it highlights the different categories of poverty mainly three which are Absolute poverty, Relative poverty and working poverty. Various measures of poverty are described mainly three which are measuring Absolute poverty, relative poverty and poverty traps. These are mainly measured on income basis by drawing a national and global poverty line. Furthermore, various indexes can be used to measure absolute poverty which includes headcount index, poverty gap index, squared poverty gap index, sen index and human poverty index. The report further explains the various facts about world poverty trends which specify that 1. 4 billion people in developing countries live on $1. 25 a day or less, rural areas account for three out of every four people living on less than $1. 25 a day and 22, 000 children die each day due to conditions of poverty. The economic characteristics of poverty are further explained which includes poverty on the basis of rural areas, gender (women mainly), ethnic minorities and indigenous population. Poverty can have adverse effects on the economy the major one being the falling standard of living of the poor, all sorts of economic problems, health problems, education deprivation and many more. Furthermore, the incidence of poverty in Pakistan is discussed through a case study where we discussed the various characteristics of poverty groups in Pakistan based on ethnicity

of minorities and indigenous population, gender and rural-urban levels of poverty. Trends of poverty are further discussed showing overall increases in poverty in Pakistan. Moreover, the causes of poverty in Pakistan are discussed which consists of Government policies, corruption, division of Agricultural land, lack of education, large scale import, inflation, fluctuation in foreign investment, fiscal policy, and privatization, along with its effects on the Pakistani economy. How the levels of poverty can be reduced and what measures the government is already taking are further discussed at the end of the report. Introduction Poverty is a state or condition characterised by severe deprivation of basic human needs that includefood, safe drinking water, sanitation facilities, health, shelter, education and information. It is a state which involves people who are unable to avail the facilities of food, shelter, and clothing mainly due to the reason that these facilities are not available to them. It can usually be thought of as the state of lacking resources that would provide people with basic necessities, or that force people to go without certain needed things like three meals a day or shelter. Countries usually take poverty in terms of income measures that is relative to what income on average does a household earn. As we can see from the graph below, in 2005 according to World Bank, people living on less than $1. 25 per day totalled around 13, 730million, which is a huge number, nonetheless less than the number of poor in 1981. On a positive note, China accounted for 475 million of this reduction in poverty, implying that poverty has increased elsewhere over this period. In India and sub-Saharan Africa however, the increase was 21 million and 91 million people respectively. One third of global poverty is located in India and just over a quarter in sub-

Saharan Africa. Region | % in $1. 25 a day poverty | Population (millions) | Pop. in $1 a day poverty (millions) | East Asia and Pacific | 16. 8 | 1, 884 | 316 | Latin America and the Caribbean | 8. 2 | 550 | 45 | South Asia | 40. 41 | 476 | 596 | Sub-Saharan Africa | 50. 9 | 763 | 388 | Total Developing countries | 28, 8 | 4673 | 1345 | Europe and Central Asia | 0. 04 | 473 | 17 | Middle East and North Africa | 0. 04 | 305 | 11 | Total | | 5451 | 1372 | Using the variable of income of the households, countries create a poverty line which is a measure to see the population that can be classified as impoverished and that can be classified as rich or out of impoverishment. People below this line, on the line or right above the line are considered to be poor and those above this line are not poor. There are mainly three kinds of poverty that can be described; absolute poverty, relative poverty and working poverty. Absolute poverty is the state of severe destitution in which people are unable to afford even basic human needs, which commonly includes clean and fresh water, nutrition, health care, education, clothing and shelter. They are counted as the total number living below the specified minimum level of real income that is determined by the international poverty line. This persistent poverty leads to problems like insufficient food, children out of school, diminution of household back-up resources and exclusion from valuable social networks. Relative poverty is when a person lacks a socially acceptable level of resources or income compared to others within the society or country. Working poverty is when people who are working cannot even after earning furnish their families and themselves with the average necessities of life. This level of poverty is highly prevailing in developing countries like Pakistan and India. According to the World Bank, in the US in

2007, 12. 5% of the population, about 37. 3 million people, fell below the poverty lines. In 2008, the World Bank estimated that about 1. 4 billion people in the world are poor, and this estimate is based on a poverty line that consists of making less than $1. 25 US Dollars (USD) per day, the one that is shown in the graph above. Measurement of Poverty Poverty can be measured using various indicators of poverty. The major tool that is used to measure poverty is the derivation of the Poverty line by countries. Poverty lines are derived at both the global level and the national level to calculate poverty within a country as well as in comparison to other countries that is global poverty. Poverty lines are mainly derived on income basis. Poor countries mostly derive their national poverty line as the value of the basket of basic food or non-food items. Some derive separate urban and rural poverty lines, to ensure the efficient calculation as the income levels on average in cities are higher than in rural areas. Some developing nations restrict to the minimum non-food items focusing strictly on " essential commodities". Some derive a food poverty line thus restricting on food only. All these measures of poverty line come under the umbrella of income-based poverty assessment. However, this measure lacks important aspects like access to education, health, water and housing. To measure poverty on global level, World Bank calculates poverty by deriving international poverty line by reference to the average of the national poverty lines in 10-20 of the world's poorest countries. This exercise was last completed using 2005 data, resulting in an international poverty line of $1. 25 per day. This poverty line is calculated by then collecting data from 675 households through surveys across the 116 developing nations. This data is then compared to the

purchasing power parity rates that create a $1. 25 benchmark. The process of poverty measurement consists of three steps: * Define the relevant welfare measure. * Select a poverty line — that is a threshold below which a given household or individual will be classified as poor.   * Select a poverty indicator— which is used for reporting for the population as a whole or for a population sub-group only. This process leads to the further measures of poverty under the classifications of Absolute poverty and relative poverty. Absolute poverty: As already discussed, absolute poverty measures the number of people living below a certain income threshold or the number of households unable to afford certain basic goods and services. Relative poverty: This measures the extent to which a household's financial resources fall below an average income threshold despite the fact that the economy has been experiencing an increase in employment or economic growth which is actually concentrated in a few hands. Poverty traps: These majorly effect lower income bracket people for whom it creates a disincentive to work longer hours or look for work altogether due to the system of tax and benefits. For instance, a worker might be given an opportunity to earn an extra 50pounds a week by working ten additional hours which can be quite motivating for them. However, this boost in income is actually reduced by almost 70% when income tax, national insurance contributions are increased with it and when the some of the income-related benefits are taken away due to this increase in income, thus highly demotivating people. Aggregate poverty levels can be measured using various other measures: Headcount Index: Headcont index is mostly used to calculate Absolute poverty and it is the most widely used measure for the calculation of absolute poverty. It

simply calculates the proportion of population that can be counted as poor, which is in the following formula is denoted by P0. P0= NP/N where NP is the number of poor and N is total population or sample. The benefit of Headcount index is that it is easy to understand. However, the weaknesses that it has are that it does not take into account the intensity of poverty. It does not show how poor the poor are thus meaning that if the poor below poverty line become poorer, it wont be shown in the Headcount Index. The poverty estimates here are not calculated on indivdiual basis but rather are calculated on household basis. This is because if 20% of households are poor, it may be that 25% of the population is poor (if poor households are large) or 15% are poor (if poor households are small); the only relevant figures for policy analysis are those for. Therefore, to overcome these weaknesses, another poverty measure is used. Poverty Gap Index: This is not as popular as the Headcount index; however, it is still used at a moderate level. This measure adds up to the extent to which individuals on average fall below poverty line and expresses these statistics as a percentage of poverty line. It measures the total amount of income needed to bring those below poverty line above the poverty line. For poor individuals, poverty gap (G_i) is simply poverty line (z) minus actual income (y_i), the gap is considered zero for everyone else. The following formula is used to calculate this index: $G_i =$ (z - y_i). I ($y_i < z$) Here I is an indicator function that takes on a value of 1 if the bracketed expression is true, and 0 otherwise. Using this index we can also calculate the extent to which the incomes of the poor lie below poverty line through the calculation of Total Poverty gap (TPG) which is calculated as follows. TPG = i= 1H(Y_p-Y_i) Moreover, the average of the total shortfall

income needed to bring poor out of poverty can also be calculated using Average Poverty Gap (APG) measurement. APG= TPG/H Often we are interested in the size of income shortfall in relation to the poverty line thus making it necessary to calculate normalized poverty gap (NPG) = APG/Yp, a measure that can be used when we want to calculate a unit less measure of the gap for better comparisons across countries or across time. Squared poverty gap (" poverty severity") index: This measure is used to calculate the degree of income inequality among the poor such as the Gini coefficient among those who are poor (Gp) or the coefficient of variance (CV) among the poor (CVp). This index is one of the family measures proposed by Foster-Greer-Thorbecke Measure. It is the weighted sum of poverty gaps as a percentage of the poverty line, where weights are the proportionate poverty gaps themselves. This measure fulfills the four criteria that development economists look for a desirable poverty measure that are anonymity, population independence, monotonicity and distributional sensitivity principles. The formula to measure FGI is as follows: PÎ±= 1Ni= 1H(Yp-Yi)Î±Yp Here Yi is the income of the ith person, Yp is the poverty line and N is the population. PÎ± takes various different forms depending on the value of Î±. If Î± = 0, the numerator will be equal to H and we get the headcount ratio which is H/N. If Î± = 1, we get the normalized poverty gap. The following table shows the calculation of this index to measure the poverty gap. One drawback of this measure of poverty is that it is a very complex measure involving complex calculations. Furthermore, its complexity makes it difficult to interpret its results and thus reduce its appeal as a measure of poverty. Sen Index: This is the index that has been proposed by Sen, one of

the economists. This index involves taking into account the combined effect of the number of poor, thedepth of their poverty, and the distribution of poverty within the group. This index is calculated by the following formula: Ps = P0 (1 — (1 — Gp)Î¼^PZ) where P0 is the headcount index, Î¼P is the mean income (or expenditure) of the poor, and GP is the Gini coefficient of inequality among the poor. Gini coefficient is always between 0 (perfect equality) and 1 (perfect inequality). This index can also be written as the average of the headcount and poverty gap measures, weighted by the Gini coefficient of the poor. PS = P0GP + P1(1 — GP) This index has been widely discussed, and has the virtue of taking the income distribution among the poor into account. However the index is almost never used outside of the academic literature, perhaps because it is lacks the intuitive appeal of some of the simpler measures of poverty, but also because it cannot be used to decompose poverty into contributions from different subgroups. Human Poverty Index: This index has been introduced by UNDP as a substitute to measure " human poverty" for the World Bank's " income poverty". This index takes into consideration three deprivations; of life (over 30% of people in less developed countries are unlikely to live beyond 40 years of age), of basic education (measured in terms of the number of illiterate adults) and of overall economic provisioning (measured in terms of the % of people deprived of health services, safe water and children under 5 who are underweight). According to these factors, a high HPI would mean more poverty in terms of deprivation of these facilities and a low HPI would show less poverty. This measure is more efficient compared to the Headcount ratio as it considers three major important factors while Headcount ratio only

involves counting the number of poor. Determinants of poverty Poverty is not only an individual problem for the poor, but it is also a national, economic and social problem. There are various determinants that further link on to the problems created by poverty socially, economically and individually. There are five characteristics of poverty that can be called main determinants of poverty. Regional characteristics: Poverty is most prevalent in the isolated areas like small towns or villages, where the infrastructure is poor, there is little access to markets and services, the markets are underdeveloped, the resource base is low due to the quality of land available and its availability. Areas which are more prone to natural disasters like typhoons or droughts, earthquakes and other environmental conditions are prone to have more poverty than areas that are more developed in infrastructure, have access to markets and services, have well developed markets, have good quality land available and are not much disaster prone. Mostly large cities like Karachi and Tokyo are areas where poverty would be less compared to villages and small towns. Other important regional and national characteristics that affect poverty include good governance, a sound environmental policy, economic, political and market stability, mass participation, global and regional security, intellectual expression and a fair, functional, and effective judiciary. Community Characteristics: One of the major determinants of poverty is infrastructure development. If the infrastructure is well developed, there is more chance of employment creation as companies would come and set up their businesses thus less poverty. Infrastructure includes proximity to paved roads, proximity to large markets, availability of schools and medical clinics in the area, and distance

to local administrative centers. Access to all these public goods and services shows less poverty levels. Other indicators of community level characteristics include average human resource development, access to employment, social mobility and representation, and land distribution. Lastly, social capital as well as social structure in an area determines poverty. Social capital mainly includes social skills of an individual, society's social associations and society norms and social and political environment that shapes the social structure and helps develop norms. Household and Individual characteristics: This can further be divided into three categories: Demographic characteristics: The size and structure of a household determines poverty levels. People living in big houses and small families are not poor while those living in slums and in large families are poor. Dependency ratio (number of members not in labor force) of poor households is higher than of rich households. Gender of the head of the family if female, mostly those households are poor compared to households with male heads. Economic characteristics: Household's employment is one of the major determinants. Economists here focus on whether individuals are employed; how many hours they work; whether they hold multiple jobs; and how often they change employment. Rich households possess more assets while poor barely possess any assets (land, cultivated areas, livestock, agricultural equipment, machinery, buildings, household appliances and other durable goods, liquid assets, savings and other financial assets). Social characteristics: Health and education levels of household are major indicators of poverty. The nutritional status, disease status of poor is very poor, while the health services are either not available to them or they do

not make good use of it. Education shows the standard of living of households. Illiterate people are mostly considered poor; their dropout rate from schools is high, number of children registered for studies is less. The age of students if way above the normal school age, it indicates they belong to poor households. Employment status is mostly unemployed and of the large family, only a few around one or two work. Health status is poor as they can't afford health services available. Economic Characteristics of Poverty Group Following are the characteristics of poverty groups: Rural Poverty: Most of the poor who comes under the poverty line are based in rural areas. They are mostly engaged in agricultural and other related activities. Women and children comprise a great percentage of poor people than male adults. The farmers who are working in agricultural sector are paid low incomes and contribute a very small percentage of the overall income in the economy. If people living in the rural areas are not contributing to the agricultural sector, they are into other services and doing it at a very small scale. Hence, they are paid low incomes. In most Asian and African countries, approximately 80% of poverty groups live in the rural areas. During the recent years, it has been seen that the government in developing countries are employing resources and spending most of its government expenditures in urban areas than in rural areas. Although this has raised the development in urban areas like education, health and housing but to a certain degree, rural areas have been neglected. To increase the level of growth and decrease poverty, government should allocate most of its resources in rural areas. Women and Poverty: Recent statistics shows that women are one of the major and largest components that lie under the poverty groups in the

world. Women and children all around the world are deprived of basic necessities of life. They are not just poor and undernourished but they have little access to clean water, sanitation and health services. One of the biggest reasons is their limited access to education because of which, if they work, they earn very less income. Poor employment and educational programs by government for women have resulted in a high number of women in the poverty groups. Also, women also look after the entire family. Most of the times, family size is so huge that they are not able to earn a single penny as their whole time is spent looking after the children. In addition to this, there is a large unequal distribution of income or income gap between men and women. This is not just in rural areas but it is also in urban areas. As a result of this, women are de motivated which further lowers their level of productivity. Employment of few resources for women education and job opportunities, poor sanitation and no clean water resulting in women going sick and a few children get admitted to schools and colleges contribute to the growth of women in the poverty areas. Gender discrimination between women and men in areas like nutrition, education, health and inheritance describe the welfare of both genders. Males are given most preference than females. Men are considered to be superior to women. This is why better paid jobs are offered to them in developing nations; despite the fact women are better candidate for the job. Recent studies have, however, shown in families where women earn relatively higher than men, they are able to satisfy the needs effectively of themselves and their children. Around 100% of their incomes are contributed towards household necessities. Women are employed or paid less than men is mainly because women may take a long

leave when they are expecting a birth of a child or leave off early for mothering. Firms may want to minimize the chances of losing its output as it will suffer future demands. To avoid this, they hire fewer women. Ethnic Minorities, Indigenous Population, and Poverty Studies also reflect that a large percentage of poverty in the developing countries also fall under ethnic minority and indigenous population. Such groups face political, economic and social discrimination. Hence, they are less preferred when looking for a candidate for a job. A few job opportunities and a few amounts of resources are allocated for their benefits. Statistics show that poverty figure which fall into indigenous population is estimated 300 million in more than 50 countries. Most of the population is extremely poor. They are not just malnourished but there is also no clean drinking water for them, poor sanitation, limited education, health and employment benefits available for them. Global Trends of Poverty — From Year 2005 to Year 2010 We are living through a period of rapid reduction level in global poverty. Recent studies and estimates show high, sustained growth across most of the developing world has helped nearly half a billion people get away $1. 25-a-day poverty between 2005 and 2010. Never before have so many people been lifted out of poverty over such a brief period. While the overall occurrence of poverty is moving back, the global poverty level is changing at steady pace. This change is shown by two distinct trends: poor people are increasingly found in middle-income countries and in weak states. Both trends — and their intersection — present important new questions for how the international community tackles global poverty reduction.   The increased prevalence of poverty in middle-income countries is in many ways a trend of success. Over

the past decade, the number of countries classified as low-income has fallen from 66 to 40, while the number of middle-income countries has risen to over 100. This means 26 poor countries have grown sufficiently rich to surpass the middle-income threshold. Among those countries that have recently made the leap into middle-income status are a group of countries - India, Nigeria and Pakistan - containing large populations of poor people. This shows the shift in poverty from the low-income to middle-income country category.   Yet shouldn't developing countries have escaped poverty by the time they reach middle-income status? A quick review of past experiences suggests otherwise. Take three very different countries: Guyana, China and the Republic of Congo. Each of these countries graduated out of low-income status between 1995 and 2005. However, they did so with very different rates of poverty: Guyana, 9 percent; China, 36 precent; and Republic of Congo, 54 percent.   Many might assume that higher levels of poverty among some middle-income countries must be a result of inequality between rich and poor households, as captured by a high Gini coefficient. But this is just one of several factors and arguably not the most important. Indeed, Guyana and the Republic of Congo had almost identical Gini scores when they graduated into middle-income status, despite their markedly divergent poverty rates. A broader notion of inequality, reflecting imbalances in the distribution of income between households, government and corporations in an economy (and revealed in a low share of national income devoted to consumption), may be an equally important factor. Another is the difference between an economy's purchasing power parity (PPP) and market exchange rate — in other words, how much a dollar can buy in a given country.   While

the rise of middle-income countries can be considered a trend of success, the growing share of poor people in failed and fragile states is a trend of failure. Unlike the exodus from the low-income country grouping, too few countries are succeeding at breaking out of fragile status. According to at least one classification, the number of fragile states across the world has risen from 28 in 2006 to 37 today. Furthermore, in a number of critical countries, the degree of fragility is increasing. Countries that remain locked in fragility are unsurprisingly not recording the same rates of poverty reduction achieved by stable countries. Rapid poverty reduction is directly undermined by the failure of the state to perform its core functions. Whereas a decade ago, the international development community approached fragile states with a degree of ambivalence, recent years have seen a marked, but measured, increase in engagement with these countries. This reflects a recognition that the scale of development needs faced by fragile states and the negative external effects associated with fragility, conflict and state failure are too great to ignore. Nevertheless, the challenges of supporting fragile states remain vast and increased resources have yet to translate into a lower incidence of fragility worldwide. Moreover, based on current projections, the share of the world's poor living in fragile states is expected to continue rising into the future. The combination of these two trends illustrates the evolution of the global poverty landscape since 2005. The motion chart below shows the trajectory of 20 developing countries along four dimensions: number of poor people, degree of fragility, real income per capita and time. These 20 countries collectively account for 90 percent of the world's poor in 2005, and thus largely define the evolving

state of global poverty.   Since 2005, nearly all of the 20 countries have seen significant increases in per capita income, reflecting the strong overall economic performance of the developing world. Additionally those that enjoy the highest gains see the most rapid decrease in poverty, affirming the central role of economic growth in poverty reduction. Contrary to expectations, rising incomes do not appear to be associated with increasing levels of stability. Indeed, in many cases, the level of fragility is also on the rise. Taken together, the result is a non-uniform but discernible shift in the global poverty landscape away from stable, low-income environments. The first Millennium Development Goal Index (MDGI) – World Bank seeks to halve the rate of global poverty by 2015. The following chart shows the list of the world's poorest countries: 1. Zimbabwe | 22. Tanzania (United Republic of) | 2. Congo (Democratic Republic of the) | 23. Djibouti | 3. Niger | 24. Angola | 4. Burundi | 25. Haiti | 5. Mozambique | 26. Senegal | 6. Guinea-Bissau | 27. Uganda | 7. Chad | 28. Nigeria | 8. Liberia | 29. Lesotho | 9. Burkina Faso | 30. Comoros | 10. Mali | 31. Togo | 11. Central African Republic | 32. Nepal | 12. Sierra Leone | 33. Papua New Guinea | 13. Ethiopia | 34. Mauritania | 14. Guinea | 35. Madagascar | 15. Afghanistan | 36. Benin | 16. Sudan | 37. Yemen | 17. Malawi | 38. Myanmar | 18. Rwanda | 39. Cameroon | 19. Gambia | 40. Ghana | 20. Zambia | 41. Bangladesh | 21. CÃ´te d'lvoire | 42. Kenya | Effects of Poverty on Economy The effects of poverty can be proven to be devastating for the economy. Most of the children living in the third world countries suffer from serious health problems. Many poor infants have low weight than their normal weight when born. They may also suffer physical as well as mental abilities. Most of the children in these countries

die before their first birthday raising infant mortality rate. In addition to this, children tend to get sick more frequently and their brain does not function properly as compared to a normal child. This is mainly due to poor sanitation, malnutrition and other health benefits inadequately provided. Children tend to miss their schools as they are ill. This restricts the citizens to learn and develop as a nation. Extreme poverty is the reason of international labour migration which the richer countries are reluctant to accommodate. The spread of disease is difficult to control if weak countries lack capacity to participate in an international response. Whilst the risk of terrorism is often complex in origin, extreme poverty is the ideal recruiting ground for its foot soldiers. Studies also reflect that people who are below poverty line suffers from great level of depression, stress and frustration. They spread violent activities such as child abuse due to poor financial conditions that a family goes through. In order to fulfil basic needs and requirements of households, poor people engage themselves in illegal activities such as committing crimes and other unlawful acts. They also become addicted to drugs. There is also educational deprivation due to a rise in the global poverty figure. This limits the growth of different economies across globe, advancement in technology and development, and improvement in the standard of living. Better educated world means more global development. CASESTUDY-POVERTY IN PAKISTAN Pakistan being a developing nation has been suffering various issues that negatively affect its economy. With the continuously disturbing law and order situations, rising inflation, rising unemployment and rising poverty, Pakistan has been going through a huge turmoil. In Pakistan, lack of access to credit, training in

income-generating activities, basic social services and infrastructure are critical factors behind the persistence of substantial poverty, especially in under-served rural and urban areas. Poverty remains a serious concern in Pakistan, where the per capita gross national income (GNI) is US$520. With the GDP Purchasing Power Parity $464. 9 billion (2010), official exchange rate/GDP $174. 9 billion (2010), real GDP growth 4. 8% (2010), GDP per capita $2, 500 (2010), labour force 55. 77 million, unemployment rate 15. 4% (2010), inflation rate 13. 9% (2010) the poverty levels or population below poverty line reached to 32. 6 precent. Differences in income per capita across regions have persisted or widened as have gender gaps in education and health and various other characteristics that can show this increase in poverty. Between 2001 and 2007, poverty levels decreased by 10%, as Islamabad steadily raised development spending. During 2004-07, GDP growth in the 5-8% range was spurred by gains in the industrial and service sectors - despite severe electricity shortfalls - but growth slowed in 2008-09 and unemployment rose. Inflation remains the top concern among the public, climbing from 7. 7% in 2007 to more than 13% in 2010. In addition, the Pakistani rupee has depreciated since 2007 as a result of political and economic instability. To further understand the situation of poverty in Pakistan, we must consider various aspects of analysing poverty. Economic characteristics of Pakistani poverty groups Rural Poverty: Rural poverty is quite prevalent in Pakistan, considering that major area of Pakistan is dedicated to small towns and villages that come under rural areas. As Pakistan is highly dependent on agriculture, the farmers and people who make agricultural goods are quite prevalent throughout Pakistan. The

headcount ratio of the rural areas is higher compared to urban areas as the population that can be counted as poor is higher in rural areas than urban areas. The Gini Coefficient is near 1 of rural areas as there is a lot of inequality among the rural population. Plus the poverty gap among the rural areas is higher compared to urban areas. Women and Poverty: The increase in the gender gaps in various areas of employment has further lead to increasing unemployment among females especially. However this discrimination has somewhat reduced compared to the past. Gender inequalities with respect to basic rights, participation in economic activity and in development of decision-making are highly prominent in Pakistan, prevalent especially in rural areas. This factor can most appropriately be called gender and poverty. These not only translate into greater disadvantage for poor women and girls than for poor men and boys but also hinder families' ability to earn income and pull themselves out of poverty. Gender systems affect economic growth in the productivity of labour and the allocative efficiency of the economy, through investments in human capital (especially girls and women's education); investments in physical capital (particularly women's access to capital or to the formal sector employment it creates), and the functioning of markets and institutions. Ethnic Minorities, Indigenous Population, and Poverty: Pakistan is one of the developing countries that is highly divided into ethnic minority groups, Sindhi, Punjabi, Pathan, Urdu speaking, Balochi etc. Thus there is always discrimination seen in ethic classes on various places. Mostly poverty prevails in all the ethnic groups, yet due to the biases against especially Pathans, they are mostly given job opportunity lesser than Sindhi's in Sindh and Punjabi's in Punjab.

Education is the distinguishing factor between the poor and the non-poor and a necessary variable in poverty reduction especially that of the household head (more than 50 percent of household heads have had no formal education). Illiterate people who do not have the educational facility available will suffer from higher poverty than the illiterate ones. It is known for a fact that education level in Pakistan is low. Another criterion that measures poverty in Pakistan is health. With people unable to avail the health facilities and increasing diseases and illness in a country means that the poverty level of the country has increased. In Pakistan, Women's high maternal mortality and morbidities related to reproductive health highly points out the need for health services for women, most prominently in rural areas. The most deprived area in this aspect along with health facilities serving women is Baluchistan. The spread of Basic Health Units (BHUs) is inadequate in terms of accessibility as well as quality. Emergency Obstetric Care and related facilities are unavailable except at the tertiary hospitals. With these characteristics judging the level of poverty in Pakistan and its reason, we will move on to the trends of poverty in Pakistan over a few years. Levels/trends of poverty in Pakistan-measuring absolute poverty There are various indicators that can be used to analyse the poverty levels in Pakistan. From this graph we can see Pakistan's overall poverty position during 2002, 2005 and 2006. According to the graph, the poverty headcount ratio has fallen when compared from 2002 in 2006, yet has slightly increased from 2005. This means that the number of poor as a percentage of total population were considerably high in 2002 than in 2006 but this number of poor people (NP) is higher in 2006 than in 2005, thus implying that poverty

levels are again increasing. The income share held by the highest 10% has increased overtime meaning that the wealth is being concentrated in a few hands, meaning the hands of the rich. Similarly, income share held by the highest 20% has experienced a slight increase. On the other hand, the income share held by the lowest 10% of the population remained somewhat unchanged, thus showing no improvement in the poor's conditions, while the lowest 20% population experienced a slight increase. The poverty gap at $1. 25 a day at Purchasing Power Parity (PPP %) reduced, meaning that a quantity of poor have been successfully brought above the poverty line. Similarly, the poverty gap at $2 a day (PPP %) has also experienced a fall in the poverty gap. The poverty gap at national poverty line has fallen drastically. Poverty headcount ratio at national poverty line has fallen as well; thus showing a fall in the number of poor people and the number of people below poverty line. Also the poverty headcount at $1. 25 a day (PPP % of population) has drastically reduced in 2006 which is favourable for the Pakistani economy. Poverty headcount ratio at $2 a day (PPP % of population) fell drastically in 2005 from 2002 but rose slightly in 2006, showing a slight increase in the number of poor as percentage of the population. Similarly, poverty headcount ratio at the urban poverty line has fallen meaning the number of poor in the urban areas of Pakistan has reduced. These statistics show that Pakistan experienced a fall in poverty rate in 2006 compared to 2002. However, the Economic survey of Pakistan shows that after 2006, Pakistan has faced drastic increases in the poverty levels. As of 2010, about 40 percent of the total population was living below the poverty line according to World Bank. This has been mainly seen due to

the increase in the prices of petroleum products, electricity and natural gas as well as food items (especially flour, sugar and meat). The following statistics show this increase more clearly: 2004-05   29. 2 percent 2007-08   33. 8 percent 2008-09   36. 1 percent 2009-10   40 percent (World Bank) 2011   Same of 2010 rate because no official As we can see from the figures above, the poverty rate has been increasing continuously after 2006 until today. Apart from the reasons stated above, poverty has been increasing due to the destabilizing of democracy, unbridled corruption, fast growing population, State of Education sector, ineffective management of natural resources, feudalism and uncontrolled inflation. Apart from that, the recent natural disasters like floods in 2010 have also contributed to the increase in the poverty levels where farmers' farms were destroyed completely depriving them of their daily earnings since these affected around 20million people. Although, the areas affected were already sliding downhill, economically, as they even lacked any basic amenities before the floods, while floods just pushed them deeper into the abyss of poverty and backwardness: since the basic infrastructure was totally destroyed, discouraging any social services for these calamity struck regions. Moreover, the survey specifies that in year 2011-12, the inflation which has already risen by 14% will lead to budgetary deficit stands expected at 5. 7% instead of an anticipated 4%. ADB's recently issued study on " Global Food Price Inflation and Developing Asia", maintains that a 10 percent rise in domestic food prices in Pakistan for one year could push an additional 3. 47 million people below the $1. 25-a-day poverty line or worsen

poverty situation by 2. 2 percentage points. Food inflation in Pakistan has averaged 18 percent for the last four years which implies significant deterioration of purchasing power of the poor. A 3 year analysis of moving average of changes in per capita income and corresponding impact on reduction in poverty headcounts suggests that large reductions in poverty headcount are associated with substantial growth in per capita GDP during 2002-2006. How the government will cater to these increasing poverty levels, and the reasons for these poverty increases are further explained below. Reasons for Poverty in Pakistan Pakistan, a third world country, has very less resources and capital, efficiently employed since independence. Many politicians made policies but they failed to implement and execute it effectively. This leads the people living in Pakistan to live in miserable and terrible conditions. One of the biggest problems that Pakistan is facing currently is poverty as it results in social disorder and crime. Below are the major reasons for poverty which are being highlighted. Government Policies: Poor governance is considered to be one of the major reasons for poverty in Pakistan. Successive governments come up with policies designed by officials who do not understand the basic necessities of a common person. Some of the policies are designed with the assistance of foreign groups who do not know what citizens may and may not require. When those policies are implemented, they do not bring the desired effect. Hence, it means a failure of a government policy from process and implementation. Instead of studying aftermath of what has lead to this, government tends to ignore and bring a new policy. People are forced to pay heavy taxation and more unemployment in the country put people to live below the poverty line. In

addition to this, political instability restricts the growth and development in a country. Low levels of confidence of investors on government move them from taking risk and invest in Pakistan. Also, government spent a huge amount of its budget on defense and military leaving a lower amount spent on poverty reduction. Corruption: Corruption is another cause of poverty in Pakistan. People try to earn money by lawful and unlawful means. The whole society is only concerned about making money. People may bribe to change things unlawful in country as lawful. Corrupt people in Pakistan take advantage of resources not belong to them and occupy it leaving people in Pakistan live in terrible condition. In addition to this, a common man is not provided justice. Inadequate access to justice is perceived as another contributor towards economic inequities and unequal distribution of income prevalent in Pakistan. Weak governance and administration of the judicial system; lack of professional management; inadequate budgetary resources and basic infrastructure; long delays in court case decisions; absence of client focus; absence of grievance redressed procedures; and gender imbalances and under-representation of women in the judiciary all victimized poor and under-privileged victimized. Division of Agricultural Land: Most of the people in rural areas are farmers. Farmer has one land which is fulfilling the needs and requirements of the family. The farmer, however, decides to divide the land into his children. When the land is divided, it is not enough for the family to fulfil needs. As a result, the entire family suffers and lives below the poverty line. Lack of Education: Government spends very less budget on educational development. The literacy rate in Pakistan is extremely low. People resist change and may not be willing to adopt latest

technology as they may not know how to operate it. Most businesses, because of this, do not meet the international standards, and earn low in revenue. The economy, as a whole, lives in poor financial conditions. Large Scale Import: Pakistan is a country which faces deficit in balance of payment. This is mainly because its imports exceed its exports. Huge amount is spent every year to import raw materials and other equipment for industries to operate and make the final product. If natural resources are allocated affectively with in the country, a lot of people will find jobs and start earning. As this is currently not the case, most people are unemployed and spending their lives below the poverty line. Inflation: High rate of inflation in Pakistan erodes the purchasing power of the economy and bring adverse effect on households where the entire family is dependent on one source of income especially on those who have fixed income. Pakistan experiencing double digit inflation has worse impact on middle and low income groups. Even basic necessities, such as the consumption of food items, become unaffordable and many people face poverty problem. Fluctuation in Foreign Investment: Foreign investors invest in millions of rupees in the stock exchange in order to make profit. A huge amount invested by them results in stock market index rising. As they make a good profit, they withdraw the money and the stock market crashes. The aftermath of this is suffered by the poor citizens living in Pakistan. Fiscal Policy: If the government raises its taxation to earn more revenue, middle and lower income groups suffer the most. The regressive taxation takes more taxes from poor people. Hence, the poor get poorer and the rich get richer raising the poverty level in the economy. Privatization: If the industry operated by the public sector is

operating inefficiently and making losses for the past few years, government decides to either privatize or it sold it to foreign companies. Ineffective labours are unemployed and the unemployment level rises. This was already seen in the case of KESC. When the company got privatized, it lay off 6000 labours leading to many people living below the poverty line. Effects of Poverty in Pakistan People living below poverty line suffer from mental and health problems. They have no or little access to clean drinking water and hygienic food. Hence, they are victims of numerous disease spread around the economy, particularly rural areas. In addition to this, poor people also suffer from mental and physical disabilities as a result of poor sanitation. Their brain does not function properly. Children enrolled in schools may leave those schools as they are unable to afford education and grasp different concepts explained by the teacher. This increases the illiteracy rate prevalent in the economy. Furthermore, this also has a devastating effect on the infant mortality rate. Poor health conditions mean that most of the children die before their first birthday, raising the infant mortality rate to a great degree. People are victims of depression and frustration when they are jobless, affecting their day to day routines. To fulfill the needs of the family, people are engaged in illegal activities such as committing crime. The crime rate in the country rises to a great percentage. Statistics show that recent crimes activities in Pakistan have increased majorly because of large population in the rural areas are living below poverty line. In addition to this, due to less development in education and technology, the economy as a whole, fail to prosper. With no advancement in technology and instability in the economy, there is more underdevelopment. The economy of Pakistan

does not flourish and remain a developing country. Poverty also has a negative impact on Pakistan's balance of payment. The country imports more than it export goods and services and it has less revenue available to pay for imported good. This further add deficit to the balance of payment. When the poverty rises, people migrate to places where there are more resources available and income properly distributed. Hence there is an increase in rural urban migration where people from rural areas migrate to urban areas with the hope of reducing their poverty level and improve their lifestyles. Moreover, in the entire country suffers from poverty, most of its citizens would move to foreign countries for better job opportunities and improve their standard of living. CONCLUSION AND RECOMMENDATIONS Measures taken To stop this prevailing poverty increases, the government of Pakistan is planning to take various steps for its eradication. * The Government has prioritized the 17 pro-poor sectors for budgetary intervention through the Medium Term Expenditure Framework (MTEF) from 2008-09 to 2010-11 in the PRSP-II. An amount of Rs. 482. 6 has been spent on these areas during July-December 2010 which is 15. 8 percent higher than in the comparable period of last year. * The social safety nets are major initiatives to reinforce the government's efforts to reduce the adverse effects of poverty on the poor. The social safety nets program include Benazir Income Support Programme (BISP) envisages cash grants of Rs 1, 000 every month to the females of each qualifying household having a monthly income of less than Rs 6, 000 through banks/post offices with the aim to ameliorate the conditions of the poorest of the poor by directly accessing them and supplementing their sources of income. * To enhance self-employment,

some registered beneficiaries of BISP under the current targeting mechanism are selected through a monthly draw under Waseela-e- Haqand each of them are provided with an interest-free loan worth Rs. 0. 3 million, repayable in installments over a period of 15 years. * The government is also working on various microfinance initiatives in collaboration with the SBP and multilateral institutions to generate employment and combat poverty. Measures that must be taken Following are the measures that government can take to reduce poverty: 1. There shall be replacement of orthodox agricultural implements with new scientific equipments. This means that Pakistan, an agro based economy, should move from primary sector to secondary and tertiary sector. Investing in manufacturing and service sector would help the country and its citizens to earn more income and generate a good sum of revenue. Industrialization should be promoted in order to bring better employment and job opportunities for people, particularly in rural areas where most of the people are living below the poverty line. 2. There should also be equal distribution of resources. Resources should be allocated equally and efficiently in both urban and rural areas. This will generate more income and hence more revenue for the economy. 3. Government should also look for ways that will control two digits inflation. A high inflation rate reduces the purchasing power of the economy. It is worse for people who belong to middle, lower and fixed income groups. People are unable to afford basic necessities with increasing inflationary rate. Bringing down the inflationary figure will help in reducing poverty and raising purchasing power. 4. Prevalence of education will also assist in reducing poverty and increasing the literacy rate. This means better educated people living in rural areas will

find more jobs and with acquiring a high level of education, more income can be earned. Girls should also acquire education. They should not be forced to marry at an early age. This will also assist in reducing family size and hence poverty reduction. 5. Government should also make policies that will attract foreign investors to invest in our country. More economical and political stability in the economy would encourage people from foreign countries to invest in Pakistan. This will help in creating more jobs for people and help alleviating the level of poverty in the country. 6. Moreover, there should be imposition of progressive tax system in order to elicit revenue without missing a single head. Regressive taxation takes more amounts from poor people. Poor becomes poorer and rich becomes richer. Imposition of regressive taxation would mean that people currently in the poverty line would spend life below poverty line in the future as more amounts is deducted from their income in form of taxes. This is not the case with progressive taxes. 7. There should also be equal distribution of income between men and women. If a woman performs as good as a man performing, working in the same field, unfortunately in our country like Pakistan, women are discriminated and are given less income. Such discrimination should be removed as every penny counts and each penny helps in alleviating poverty. BIBLIOGRAPHY http://web. worldbank. org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,, contentMDK: 20241031~menuPK: 492181~pagePK: 148956~piPK: 216618~theSitePK: 430367, 00. html http://www. thp. org/learn_more/issues/know_your_world_facts_about_hunger_and_poverty? gclid= CNbO1oKusawCFUN76wodyHHoHA http://uk. oneworld.

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