

Poverty in pakistan



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Economic Lives of the Rural Poor in Pakistan Abstract This paper reports about the economic lives of the extremely poor living in Pakistan. Poverty mostly in rural areas is one of the major problems in Pakistan and this paper describes the economic lives of the rural poor, what economic choices they make and how these are shaped. Also it outlines what measures have been taken in past by the government of Pakistan to overcome poverty. Pakistan is an agrarian country with 75% of its population residing in the rural areas (sheikh). Poverty is one of the major and persistent problems faced by Pakistan.

In 2004-2005 the government estimated that nearly 24 per cent of the people were living below the national poverty line and in 2009 62 millions of Pakistanis were living under the Poverty Line (Usmani). Poverty in Pakistan sharply decreased during 1980s but started to rise in 1990s and rural poverty has increased more than urban poverty. Poverty is not just about income poverty, it has many multidimensional aspects to it like lack of opportunity, lack of choices, lack of education, lack of health provisions, and all these leading to a poor standard of living.

It is shown in the Table 1. 1 that the Head Count ratio of poverty remained higher in the rural than the urban areas in the years from 1960s to 1990s (Kemal). The economic lives of the poor living in the rural areas of Pakistan is defined by their income levels, their expenditure and consumption pattern, the infrastructure and their living environment as well as the economic choices and constraints they face.

Rural Households and their source of income Pakistan's economy is mostly based on agriculture and farming is the main source of livelihood. This makes the land most important asset but the problem persistent in Pakistan is the highly unequal distribution of land. Most of the poor population living in rural areas is landless, the poor are neither tenants nor farm owners; they are dependant on non-farm incomes. Households depending on non agricultural employment accounted for as much as 57% of rural population in 2004-2005. Only 35% of the households earned income from farming. And the remaining 8% of the households earned their income from agriculture labor.

In 2000 only 37 % of the rural households owned land and 61% of those who owned land had only 15% of land ownership. Those who worked as agricultural laborers have a share of only 5% of the added value. Even for farmers with land non-farm income is the main source of income. As can be seen from the PSLM data 2004-05 crop accounts for only 2% of total rural income and livestock accounts for only 8%. Livestock is an important source of income for rural households in many ways. Other than assisting the farmer on his land it helps to diversify his income. For landless farmers livestock provides major input of cash. Livestock products like milk, mutton, beef, wool, eggs are cash crops and sold at high face value.

Also livestock adds to the value of future consumption as they are passed from one generation to another. Moreover livestock can be managed by women and children of the household so their rearing is not much of a problem. Many of the rural heads of the poor households migrate to urban areas in search of jobs and employment. According to a case study done on <https://assignbuster.com/poverty-in-pakistan-2/>

rural migration 35% of the respondents migrated from rural to urban areas due to low paying jobs and 50% migrated due to poor economic opportunities (Farooq, Mateen, Cheema). Workers not involved in agriculture or farming set up their own small scale businesses like working as a cobbler, blacksmith or a barber.

These provide income but it is not sufficient and also subject to high variability. Expenditure and Pattern of Consumption The expenditure pattern of the rural poor, given their highly variable and lower levels of incomes is subject to many fluctuations. According to the World Bank Survey in 2002-04 there was a considerable growth in real agricultural GDP but there was almost no change in the long term in the expenditure of the rural households because their incomes were adversely affected by drought which lowered the crop production. Due to their dependence on seasonal changes agricultural products prices fluctuate frequently and thus withholding a stable income from a farmer. Due to low incomes rural poor are unable to save thus having a negative marginal propensity to save.

In fact these households dissave: they increase their debt when their income falls. According to a survey, food comprises of 67.3% of rural household consumption, 3.

1% on tobacco, 3.4% on education and 3.4% on health. Rural households own very limited amount of assets. As mentioned above less than half of rural households own any land and the poorest 40% own no livestock (Zaidi).

Physical assets owned by the rural households include tools, cycle, radio and sometimes a television. According to statistics rural household spend 28.5%

of their income on medical care and 26. 60% on religious functions etc.

Living arrangement and Infrastructure Most of the rural families are large in size consisting of 7 to 8 members on average and many of the households are headed by women living with children alone, the reason being the death or migration of their husbands to urban areas in search of better employment opportunities. Family size is large due to low literacy rates, high fertility rates and high child mortality rate. Due to social and economical constraints, the literacy rates are quite low in the rural areas than compared to urban areas. Not only the household heads but all household lack education.

As shown in the Table 1. 2, literacy rates of rural for male and female respectively are much lower than urban areas, precisely 61. 9% for rural male compared to 79. 6% for urban and 32.

5% for rural females compared to 64. 5% for urban. Low literacy rates are the result of lack of educational institutions in the rural areas and low enrollment rates in the institutions that exist. Table 1. 3 shows the school enrollment of children in the rural areas of Pakistan. It shows a higher percentage of children attaining primary education at the age of 10-16 than compared to higher education above the age of 17 years old. Most of the rural children go to public school where they are not charged with any fees but there are very less rural areas where public education is available.

In areas where there are public schools the quality of education, teachers and facilities is below efficient levels. As shown in Table 1. 4 many of the public schools (Primary, Middle and High) and Mosques in the rural areas

lack even the basic infrastructure like electricity, drinking water and latrine.

77. 5% of the Primary Schools are without Electricity, 38. 5% without drinking water and 59. 9% without latrine.

Poor parents can not afford to invest in education and send their children even for primary education because of lack of income; they either get two or three year schooling from local Madrassas or get involve on the farms with their parents to contribute to the already low level income of the household and hence reducing the burden of the number of dependents the head has to feed. However, this creates a vicious cycle in which the poor are tied up. They require their children to work and earn income to support the many dependants they have at home and this in turn keeps the fertility rates high that is they want to have more and more children to use them as a source of income. The fertility rates reported by the Demographic survey 2000 was 4. 9% for rural as compared to 3. 7% for urban.

Fertility rates are high due to high child mortality rates that is poor people have large number of children to counter the probability of any of them dying. The Demographic Survey 2000 tells us that the rural infant mortality rate was 86. 8% while for urban it was 69. 3%.

Poor drainage and sanitation facilities, nutritional deficits and widespread diseases like diarrhea, malaria, gastroenteritis are the reason why the poor in rural areas are frequently sick. Moreover, rural areas lack health facilities and medical provisions with people mainly depending on primary health facilities like Basic Health Unit, Dispensary and Lady Health Workers provided by the government (Jehangir). Here again the problem of

inefficiency persists: doctors, nurses and staff are incompetent and most of the time absent; hospitals lack proper medication instruments and bedding facilities.

In a survey done by Mukhtar Alam in 2010 it was shown that the rate of doctor being absent from government health facilities of rural district is as much as 40% (Alam). Thus rural areas lack in basic infrastructure. According to FBS data for FY1999-2000, 4% of the poor household had access to gas connections and 59.6% had electricity connections. In 2004-5 only 23% of the rural household had access to tap water compared to 60% households in the urban areas.

Economic market environment People living in rural areas of Pakistan face liquidity constraints. To overcome poverty they need to be given credit so that small land owners can enjoy better economic opportunities and those owning land can diversify and expand. But this credit market is missing in Pakistan.

If the poor are able to get loans they gain it from the informal sector based on personal contacts, mostly from relatives and friends who provide loan free of cost. In many areas landlords offer land-based credit without collateral requirement by extending the credit till the purchase of inputs and consumption. Two main obstacles which prevent the poor people to obtain loans from the formal institutions are collateral and interest rates.

The poor lacking any valuable asset fails to provide any collateral for credit in order to guarantee no default on the repayment so formal institutions are not willing to lend money to the poor. Also the poor hesitates from taking

loan from formal institution because of the cost attached to it: the high interest rate. Other reasons why poor found credit markets missing are lack of access, lack of information and moreover in poor households lead by a female head it is difficult for the woman to gain credit due to gender bias. Pakistani government has made many attempts to subsidize small and medium term agricultural businesses but it has not yielded desired results. According to credit survey in 1990s, three major credit institutions were systemized for providing credit to the poor: Agricultural Development Bank, Commercial banks and cooperative societies. However, out of 9.

24 million rural households in Pakistan only 32% took loans and 27% reported outstanding debt (Gohar). These failed because they were not able to bring down the interest rates at an affordable level for the poor people. To improve the economic lives of the poor living in the rural areas of Pakistan, Pakistani government needs to take structural and institutional steps to improve the economic environment they are living in. It needs to understand what economic constraints are faced by the poor rural households and how the choices available to them shape their decisions.

It should work to improve the infrastructure of rural areas from the very basic level: improving sanitation and drainage facilities, improving health provisions and attempts to increase the literacy rate. Government of Pakistan has taken many steps to bring out the rural areas out of poverty. National rural support program was established in 1991 with the aim to alleviate poverty and reach out to the most underdeveloped areas of Pakistan.

Another project called the Rural Access Roads Project (RARP) was initiated with the help of World Bank to rehabilitate rural roads. In 2000 to solve the problem of non availability of credit to rural households, Microfinance Sector development Program was developed in 2000 which also supported the formation of Khushhali Banks which are one of the successful credit projects in Pakistan. Moreover a fund raising institution called the Pakistan Poverty Alleviation Fund (PPAF) was created in 2005 for financing Non Governmental Organizations (NGOs) and other financial institutions (Chaudary).

Another program called the Khusal Pakistan Program was developed with the aim of providing and improving infrastructure in rural areas like providing clean drinking water, electricity, sanitation facilities checking roads etc. Educational reforms were also introduced by the Pakistani government like Punjab Education Reform which has spread schools of girls across rural areas. References: 1. Sheikh, Faiz Muhammad.

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