

A poverty profile of pakistan: causes and classifications



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Chapter#1

1. 1 An Overview of poverty Profile in Pakistan

Poverty is multidimensional, enduring and is prevailing not only in Pakistan but also worldwide with varying levels. There is no single definition of poverty; poverty can also be lack tangible goods such as basic necessities of life such as food, clothing, shelter etc. And it could also be deprivation of non tangible goods, such as lack of citizenship, lack of their right, feeling a sense of inferiority is also a kind of poverty. “ Poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one’s life. (World bank).”

Poverty can be classified according to two main categories i. e. absolute and relative poverty. Absolute poverty mostly refers to persons living below a minimum level or threshold. People having access to minimum requirements come under absolute poverty. Where as in relative poverty comparison is made between one group and the other and then poverty can be identified. A relative poverty line is made in this scenario, and a group is seen poor in comparison with other group. Poverty is one of the major growing concerns in Pakistan. About 55% of the population of the country is living in poverty and around 23% are living under income of \$1. 25 a day(oxford poverty and human development initiative)³, they do not have excess to basic health facility, basic education , they are unemployed, they do not have excess to <https://assignbuster.com/a-poverty-profile-of-pakistan-causes-and-classifications/>

safe drinking water. Wealth distribution in Pakistan is highly uneven, with 10% of the population earning 27.6% of income. According to the United Nations Human Development Report. The poverty issue of Pakistan is increasing more in rural areas where almost 70% of the population is living. Their livelihoods depend on rural economy. They have lack of basic necessities such as primary health care, education, safe drinking water and deteriorating social services.

1. 1. 1 Sources and extent of income poverty:

Income poverty generally is the minimum level of income below which an individual, family or a society has been living. In Pakistan there has been large scale income inequality, rich people are getting richer while poor are getting poorer holding less and less assets and income. According to a study conducted by the Centre for Research on Poverty and Income Distribution (CRPID), 63 per cent of poor in Pakistan fall in the category of 'transitory poor' transitory according to state bank means a person who has remained below the poverty line most of the time. Income inequality has been high since last two decades. Gini index a measure the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution has remained mostly between 25 -40 during 1995 -2009, 0 being perfect equality and 100 being perfect inequality. . Income inequality sometimes has been seen as inequality in holding of assets, lower income people generally don't have access to assets also there has been problems related to taxation. Regressive taxation has given been one of the important cause of income inequality, incidence of taxation on poor people's have risen

many folds during last few years. Also many social factors leads to income poverty, In which education has been worth mentioning, people lack the knowledge they have not been given proper training and skills so that they can excel in market and earn higher wages. Inflation has been the other reason of income poverty, rising money supply leads to higher inflation, people having enough money will sustain that inflationary pressure, while those people who have their earnings based on daily basis, or they are working on fixed income basis and adversely affected, In Pakistan, mostly labor depends on daily earning basis, In both rural and urban areas, hence inflation causes more and more income poverty.

1. 1. 2 Food Production, Food safety and Food poverty in Pakistan.

Agriculture sector is one of the main sectors of Pakistan, employing 44% of the labor force, and generating one fourth of the total output of GDP (Economic Survey 2001-02). Rural Areas where Pakistan's More than 65% of the populations lives, 67% of their livelihood directly or indirectly depends on agriculture sector, any positive effects on this sector in terms of improved technology, improved soil fertility, improved seed and fertilizers quality will automatically imply benefits and positive impacts on the food safety of those peoples and vice versa. Another area that effect the food safety condition is the population growth especially in rural areas. Population is growing many folds leaving less and less for others reason being there has been miss matching of food availability growth rate and population growth rate, and that is resulting in food poverty in Pakistan. According to United Nations Statement on Food Security in Pakistan, 2000, in more than 50 years (1948-

2000), the population has increased four-folds but during this period the production of wheat, the major food crop, has increased only 2.9 fold.

. Food security was defined in the 1974 World Food Summit as: “ Availability at all times of adequate world food supplies of basic foodstuffs to sustain a steady expansion of food consumption and to offset fluctuations in production and prices”.

Food Security was defined in 2001 by World Food Summit as:

“ Food security is a situation that exists when all people, at all times, have physical,

social and economic access to sufficient, safe and nutritious food that meets their dietary

needs and food preferences for an active and healthy life”.

Hence from above definitions it can be seen that food security is not fully available in Pakistan because there are 38% of children’s below the age five dying due to malnutrition.(Stats on Pakistan poverty and unemployment)

Also the up to date technology in the agricultural sector is very limited and not spread at greater level, poor farmers are deprived of agricultural credit, they have harassed by some big land owners and feudalists. All these are the problems faced in Pakistan which all ends up at food poverty in Pakistan.

Talking of food poverty, food security is a major component of food poverty and this altogether results in food poverty. Availability of basic food along with equity of food distribution results in food security and which ultimately

leads to reduction in food poverty. During the past two decades, 1987-2007, food poverty incidence in the country shows that about one-third of the households were living below the food

poverty line and they were not meeting their nutritional requirements. The incidence of

food poverty is higher in rural areas (35 per cent), than in urban areas (26 per cent).

Urban and rural areas, however, did not differ much in terms of calorie intake per capita.(

Agriculture and food security in Pakistan; Mazhar arif).

Since agriculture is our main stay, and we are an agrarian economy, and majority of people lives in rural areas, so much depends on this sector regarding food availability, food equity and in the food poverty. To cater to this Problem, efficient use of natural resources is required like land water etc. proper utilization of land should be there, extra burden on the land to the extent that adversely effects land fertility should be avoid. More and more specialized financial institutions should established that should purely be looking after extending credit to poor farmers so that they can built and expand their business and that too on easy terms and conditions. fertilizers, pesticides quality and staple and basic food items like wheat, rice, cereals etc productivity needs to improved many folds. Feudalism and Corruption should be totally under check, right people should be targeted who are deserving to be given credit and food supply should be ensure to those

people especially. . (Agriculture and food security in Pakistan; Mazhar arif).

All the above measures needs to be taken to eradicate food poverty from our country.

1. 1. 3Elements and diversity of social gaps and poverty.

Pakistan's society has different groups having their own cultures, customs and tradition. People of Pakistan has strong social setup, they follow different customs and traditions. Pakistani culture is enrich in traditions and has its deep roots in the history of this region and certainly, it stands alone in recognition. Since we have wide variety of social values and so much disparities among all the different groups, and also among rural and urban areas that give rise to problems, and their divergent thinking leads to build social gaps and which ultimately leads to poverty. Social gaps have many different aspects and elements for e. g. Gender disparity, health disparity, education or literacy disparity, income disparity etc.

There have been several reasons for the widening of these gaps, we have certain traditions which we are following since our forefathers followed it and this chain goes on, but we ignore to the fact that such traditions and values might causing problems that leads to poverty and negatively effects the economy.

Joint Family system we are following it since a long time, we have both advantages and disadvantages of it, but since in Pakistan this system is followed and especially in rural areas this practice is very common, we have dozens of people in home ranging from people of age 90's to a child who is just born, this creates problem, because first early marriages of girls, and

also backwardness in a way that they have been given the role in the home only, they have been confined to domestic setup. In this way that leads to erode the economy drastically, they have not been given chance to study get educated and in this way gender disparity occurs.(Family social norms leading to gender disparity ; Dr. Safdar Rehman Ghazi, Dr. Saqib Shahzad Dr. Riasat). Women then are not given their due status, they have always been sexually harassed, raped, kidnapped etc. that ultimately alleviate poverty.

Income or wealth gap is also one of the significant evil in Pakistan; income inequality could be among individuals and among societies as well, income disparity in Pakistan is wide spread and it is increasing day by day rich is getting richer and poor is getting poorer, income held by highest 10% of the people in 2005 were 26. 46%, while lowest 10%people hold only 3. 93% (world development indicators), when the income disparity will reach to such an extent how can there be peace and happiness among people, result would ultimately be frustration feeling of deprivation, when they will not get their basic requirements, suicides will occur and other social evils will take place, all these activities ultimately leads to poverty. There have been different factors involved that give rise to income gap in Pakistan, like education, health, gender, culture etc , people in villages lack education, health there are large scale gender biases that prevents girls to have education. Also due to specific culture and traditions they don't let their child get studied, so that leads to income inequality. People in urban areas have resources, they are mentally and financially strong have strong educational background and keen in making their future generation prosperous, they excel in market and this give rise to income inequality.

Health disparity/ gap is also widespread, people living in urban areas are healthier and mentally sound compared to people in rural areas. Firstly there are hardly any medical facility available in far flung areas, there are no specialized doctors, paramedical staff, medicines are not adequate and there is shortage also they are not of good quality. According to human development report on South Asia, nearly half of the population is denied of basic primary health care. Children and women are mostly the victims. Public spending on health should be increased. Public health units should be increased and basic health units in every village should be installed, where basic treatment should be given to all the people. Physicians per 1000 people that include generalist and medical practitioners has decreased from 0.8 in 2005 to 0.777 in 2007 (WDI). Government should devote more expenditure to this sector, so that health facilities of rural areas where majority of people live should be improved, the reason for this dismal state of health is that health expenditure %GDP has declined from 0.72% in 00-01 to 0.54% in 09-10.

Also linked to health gap is the education gap, only if people are healthy they will have sound mind and will be educated. Literacy rates in rural areas has been 48 in 08-08 while in urban its 74 in same year. There are hardly any schools in rural areas, if there are any they have been in dismal state, and without basic facilities, also in urban areas there schools without having basic facility, 66% of schools in rural areas and 36% in urban areas are without the electricity facility in 2008-09. 41% in rural and 7% in urban areas school don't have water facility.(Economic survey). Government needs to increase its share in education sector as it is very basic sector and the nation

builds if its people are educated, public expenditure on education %GDP was 2.24 in 05-06 while it is 2.05% in 09-10, so this is not a very healthy sign. This has to be improved and raised significantly.

1. 1. 4 Sources of political and cultural poverty.

Poverty up till now has been generally seen as an individual experience, a person lacks certain basic necessity of life, a person deprived of food, or clothing. But actually Poverty is multi stage process and it does not something which is created overnight. Poverty can also be viewed as a social problem. Poverty as a social problem is a deeply embedded wound that permeates every dimension of culture and society. It includes low level of income for the society as a whole, lack of education spread to entire society, not only individual person is unhealthy, and rather the society as whole is unhealthy. Lack of decision making ability, and lack of access to infrastructural facility like roads, telecommunication, railways, also comes under social poverty.

Poverty is not the outcome of just one event, or its not that there is only one criteria for e. g low income or lack of basic necessity, from which one perceive that a person or a family is poor. Actually poverty is a multistage process, and there are many process involved in it, and all the different forms of poverty are interrelated with each other, and existence of one leads to another form of poverty.

Income poverty results in frustration, which further leads to suicides. People when not having enough money and resources to afford basic necessities of life, when they see their childrens which are generally many in numbers
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especially in rural areas, in hunger and suffering from various diseases, illiterate, they go for either suicides or they go for selling their children, such is the condition and level of poverty have reached in Pakistan. Such condition prevailing for long time results to further actions such as robbery, theft, gangs, rape, bribery etc. it become habit of such people and slowly and gradually becomes their culture and they don't mind doing such things and they don't feel bad at all doing such small practices. In every sphere of life, corruption, bribery took place, whether it is in field of business, sports, and public and state institutions level. After cultural poverty it transcends to political poverty, the institutions, like judiciary, all the political parties and their members they indulge in such practices. People try to keep good relations with higher officials, with people who have any say in politics. In need of hour they receive heavy sum of money as bribe and help people, in this way they get support for their party so that in next term they can get maximum votes. Politician also receive money during election campaigns, when they show their intent in solving problems and betterment of those people, from poor people they receive heavy sum of money in return making their national id cards. Hence in this way income poverty leads to cultural poverty, which further leads to political poverty. Making poverty multistage and complex system.

1. 2

Poverty in Pakistan has been main challenge since its inception; at some point in time nearly some proportion of the people has been living below the poverty line. Poverty in Pakistan is a growing concern, 17. 2% of the total population lives below the poverty line, which is the lowest figure in the <https://assignbuster.com/a-poverty-profile-of-pakistan-causes-and-classifications/>

history of Pakistan as of 2008.(UNDP report). As compared to two decades of 70's and 80', where poverty rates were quite low, Poverty head count index i. e proportion of people below poverty threshold was around 17- 22 during middle and late 80's(Economic Survey), poverty trend was reversed in 90's, where poverty head count reached to 30. 6 in 98-99 and 34. 5 in 2000-0 then it started to fall and reached to 20's in mid 2000's.

During Musharaf's period poverty went down, and also reached to 17 %in 2008, which is the lowest so far, in Pakistan's history. One of the reasons that could be attributed to this decline of poverty is the large inflow of foreign remittances, especially after 9/11 there was huge inflow of remittances due to scrutinizing of bank accounts by US.

Poverty profile of Pakistan has been changing continuously, at different points in time the level for measuring poverty has been revised to account for inflation. In Pakistan calorie based poverty line has been used (Economic Survey), Expenditure on calorie intake of 2350 calories per adult equivalent per day, alongwith consumption expenditure on non-food items, is aggregated to construct a poverty line. Poverty is most often measured in monetary terms, captured by levels of income or consumption per capita or per household. In 1998-99 Poverty lines was Rs. 673. 40, reached to 723. 40 Rs in 2000-01, then in it was found to be Rs. 878. 64 in 2004-05, and Rs. 948. 47 in 2005-06. The headcount index, has shown mixed trends over the years, in 90's it has remained very high reached to around 33% but fallen to 23. 9 percent and 22. 3 percent during 2004-05 and 2005-06. As compared to 1998-99 poverty in 2001-02 has increased when poverty line was increased from Rs. 673. 4 to Rs. 723. 4. According to PIHS headcount <https://assignbuster.com/a-poverty-profile-of-pakistan-causes-and-classifications/>

ratio was 31.08 in 98 and reached to 34.46 in 2001. There has been various reasons for changing poverty incidences, Inflation which was declining over 2004-05 to 2006-07, started increasing since 2007-08 and touched the peak of 20.77 percent in 2008-09 in line with the world inflation trend. Food inflation which has immediate impact on

Poverty, increased to 23.7 percent in 2008-09, but declined to 12 percent in 2009-10. However, it is showing an upward trend of recent. (Economic Survey). Unemployment decreased to 5.2% in 07-08, from 6.2% in 06-07. It again increased to 5.5% in 08-09, agriculture growth also has decreased in 09-10 of 2%. All these factors have led to increase in poverty in last three to four years drastically. Hence Pakistan's Poverty profile has changed from time to time, having mixed trend in last twenty five years.

1.3:

Poverty as we know could be defined in many ways, it could be lack of food, shelter, cloth, or it could be lack of inability to get educated or inability to get them checked by doctor. Lack of access to credit, lack of credibility, lack of self respect, lack of right to vote, lack of right of raising voice, all comes under poverty. Pakistan unfortunately since its inception has been facing poverty. People in millions are dying of hunger. Per capita gross national income (GNI) is US\$520. Poverty rates, which had fallen substantially in the 1980s and early 1990s, started to rise again towards the end of the decade. (World bank Report).

Alleviating poverty is a serious challenge for our government, since 1985, all the ruling parties have made great promises to reduce and alleviate poverty <https://assignbuster.com/a-poverty-profile-of-pakistan-causes-and-classifications/>

and promised basic necessities of life to everyone, but all in vain. There is no general social protection system in Pakistan, although different initiatives were taken to improve the situation of poor people using different tools, like income and employment generations opportunities, improving governance and proper functioning of public sector institutions.

Institutions like Pakistan poverty alleviation fund (PPAF) and the Khushali bank were created for the microfinance facilities. The Khushali bank provides loan to individual and group to poor in range of Rs3000 to Rs. 30000 without any security (ADB) though many NGO's have been prominent in providing microfinance facilities. Social action programme (SAP) was formed by the government in 1992, to enhance the delivery of basic social services. SAP focused on different major areas like primary and middle education, providing health care facilities, safe water drinking facilities, and sanitation facilities. Different phases were also there of SAP with improved social indicators. (ADB).

In November 2001, IPRSP was finalized which is interim poverty reduction strategy paper for the period FY02-FY04. This paper has identifies major areas that needs to cater for to reduce poverty. Major areas include speeding economic growth, more and more income and employment generation facility should be created, improvement of human development and improvement in governance are the key areas of this paper.

According to PRSP, Government is also aiming to address the issue of “ Benami” that allow single person to hold all the financial asset in name of person who is not true beneficiary to enhance compliance with taxes. Debt

burden is another area mentioned in PRSP, it has been aimed to reduce it, Debt is expected to come down from 90. 2 by end of June 03, to 66% of GDP(or 503% to 371% of total revenues.)

Hence ample initiative has been taken and antipoverty policies has been implemented, but the poverty situation is not getting any better or is not showing any signs of betterment in near future, we need to improve our political institutions, they should be made free from corruption. They should be obeying rule of law, thinking of the national interest. Accountability in government institutions should be there so that good governance could be prevail. Another reason could be military dictatorship government for long time periods that also created to vulnerability and instability which gave rise to more poverty. Hence the need of the hour is along with these policies we need efficient, free of corruption government and institutions that would work only for the betterment of the people of Pakistan.

Chapter# 2 Literature Review:

2. 2Types and classification of poverty:

Poverty is multidimensional, and can be viewed from several different aspects and contexts. It could be either deprivation of tangible goods like food, cloth etc or it could be lack of intangible goods like lack of safety, and opportunities. Russel G. Redenbaugh in his article named three kinds of poverty, have given three cases where one could define and one can know that a person is poor. According to him the first and the very basic criteria which every one in the world agree and know is the lack of money to buy basic nessesities of ife i. e food. Clothing and shelter. The other two <https://assignbuster.com/a-poverty-profile-of-pakistan-causes-and-classifications/>

conditions according to Russel are the lack of safety in your home and lack of opportunity to get out of poverty. Hence in this way he also endorsed that poverty can be seen through different scenarios. A. M. Henry, classified poverty into nine kinds, making poverty multidimensional, first sort of people are those who have nothing, they don't have anything, neither food, clothing shelter, comfort etc. The second poor people according him are the one's who in their life become disadvantaged in the sense they become poor according to certain economic downturn or any other accident; they are mostly newly poor people. The thirds poverty is the poverty of isolation, people who do not have any relationships are poor. People who are not healthy and those who have no future are said to be poor. People who lack experience culture, competency and the persons who hate themselves are also considered poor. Hence, Henry has very successfully pointed out various kinds and classified into several types.

Although Poverty can be classified into several types and kinds, but for the matter of simplicity, two broad categories have now been formed named as absolute poverty and relative poverty. Absolute poverty is generally seen as lack of basic necessities of life, there is a threshold below which person is considered as poor, while in relative poverty comparison is made between two groups and then poverty is determined using certain criteria. In Philips Spagnoli blog, article named “ Human rights facts: Poverty, types, causes and measurements” Two broad types are discussed Type 1 deals with insufficient resources to meet basic needs, like nutrition, shelter, clothing, in the form of low income, low calorie intake, high illiteracy rates etc. The other type discussed is relative poverty, in it the report says that comparison is

made with people who are close by and better off, and then symptoms like low self esteem, feeling of dignity loss etc can be determined.

2. 6: Tax structure, Incidence of Taxation and economic poverty:

Pakistan has been facing the problem of deficit budget since many years, and especially in last few years, when we have burdened with millions of debt to cover our expenditures, IMF and World bank have been giving us loans, on strict conditions like increasing energy prices, reducing subsidies etc. These conditions in Pakistan have devastating effect on Poverty. The Government has only one major tool to increase revenues and that is tax. Though we have all the taxes like income property, and all indirect taxes in our ordinances, but we do not have any proper system, there is corruption and tax evasion reaching it peak in last decade or so. Well off people who have any relations FBR or so, they do not pay taxes, bribery is frequently used, no one is there to ask you, our public on one side the politicians, are also not declaring their assets and paying taxes. M. Ali Kamaal in his article “A Fresh Assessment of the Underground Economy and Tax Evasion in Pakistan: Causes, Consequences, and Linkages with the Formal Economy” has delicately portrayed the scenario of black economy and tax evasion practices common in Pakistan, in this article underground economy constitutes of smuggling, corruption, black marketing etc, and all the attributes are present in Pakistan today, there has been widespread tax evasion, and he said that it has been estimated to be Rs. 302 billion in 2005, 90’s was the decade which saw great tax evasion and we can see it was that year, when poverty increased manifolds. Pakistan’s tax structure especially when rural areas and poor people are concerned is mostly regressive in <https://assignbuster.com/a-poverty-profile-of-pakistan-causes-and-classifications/>

nature, and policymakers have failed to make it progressive, Ali in his article also endorsed that government adopts different taxes to increase revenues but never achieved the targets of reducing burdens from poor. They some times increased the prices of basic necessities, goods which are in greater demand, leading to more poverty and inflation as well.

(Hussain; Saqib, 1989), in his article related to incidence of federal taxes on different income brackets have elaborated the fact that and economic poverty can be clearly seen as the result of tax structure and its incidence on the people of Pakistan, he argued that tax structure has been progressive as far as high income people and urban areas are concerned but when it comes to poor and mostly it is poor who are effected and mostly suffered, there is no relief for them as far as tax system is concerned. It is rather regressive in nature, they further said that out of federal taxes it is indirect taxes which is slightly more regressive. Hence it is the duty of policy makers to look into the distributional aspects of taxes. Since General sales tax is the most important tax under indirect taxes, and on basic necessities this should be controlled and since poor people have to buy those goods to survive and they cannot evade that, this should be in control and tax rate should not increase on these basic goods and services.

(Pirtilla, Tuomala; 2004) talks about public provision of goods and tax policy, argues that optimal tax policy is required for which there should be mixed mixed income taxation and commodity taxation. But in reality he argues that it non linear commodity taxation is unrealistic. The article stresses on different commodity tax rates as a way to reduce poverty. They said that savings also should be taxed, if savings meant consuming different point in <https://assignbuster.com/a-poverty-profile-of-pakistan-causes-and-classifications/>

times. But I don't agree personally, because the article basically pertains to EU countries and policies, here in Pakistan we have different instruments and different scenario all together. Though I agree that policymakers should duly focus on commodity taxation because that directly affects the poor's in Pakistan.

2. 7. Economic Reform, Privatization , Globalization and Poverty:

This chapter deals with literature pertaining to Globalization, privatization and Economic Reforms and how does poverty affected by all these. Step by step all these points will be covered in the form different subheadings.

2. 7. 1: Income Redistribution, social harmony and poverty:

Income inequality as we all know is one of the core problems in Pakistan. Income has been concentrating largely among few hands. A number of studies have been conducted to throw light n this very menace in Pakistan. (Hussain) wrote article pertaining to reduce poverty and income redistribution. After catering the absolute poverty, when the government make sure that every single person has basic nesseities of life, like food, clothing, etc. the next thing which is very important is income distribution. Poverty alleviation programmes and economic growth are prerequisites of poverty reduction and not necessary for income equality. Among several factors that leads to income equality, ishrat focused on investments In health and education. People educated and have knowledge, possessing sound health and mind are prequisties of income equality and so poverty reduction. The goverenmnet should finance, provide scholarships, build more and more

hospitals. Than another way to make sure the income inequality is reduced are our legal system and judiciary. They should be free and give justice to every one without seeing class, race and gender. Islamic teachings needs to be implemented more and more. Beaurocracy and governmental structure should be revised and they should work for the betterment of the whole nation, proper accountability should be there.

Social harmony will be there in the society if there is equal distribution of income or atleast the gap is narrowed. Less prevliged people should be seen with equal respect they should not be humiliated. In an article named" Peace and social harmony" by (SPO) it says that social harmony among people is of great importance, Pakistan possess different cultures, languages and different tradition. And in all the castes and societies there is unity and brotherhood, peace and social harmony programme has been initiated, it will look at the rights of minorities as well, and everyone's point of view will shared and respected.

Income disparities, leads to frustration, conflicts, poverty, unemployment, and other several things that have massive negative effects on economy.

Hence gover