

Economic Problems and Hurdles Regarding Poverty Reduction in Pakistan:

By

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Abstract:

This paper focuses the significant economic problems and hurdles regarding poverty reduction in Pakistan. The prime focus of this paper is to highlight the economic strategies carried out in Pakistan since its inception as well as investigating the factors which are involved causing major hurdles regarding poverty alleviation in the State. A significant lesson must be learnt from Malaysian and other countries experiences to handle the poverty issue successfully. It is the need of the hour to learn and implement the significant radical economic plans achieving the major task of economic development and growth by curbing the grave poverty issue.

Keywords: Bad governance, Law and order, efficient goals, Population, Growth, Capital formation, Macroeconomic stability.

Introduction:

As far as poverty alleviation is concerned, regarding the years 1978 up to 2006 in Pakistan, may be categorized into three phases.

Regarding the initial phase, during the decade of 80s, as the poverty reduced significantly, the succeeding regimes comprehensively focused the matter by introducing rural development plans as well as Land reforms.

Providing the poor access to Land, increasing the employment opportunities as well as providing necessary infrastructures in rural and low income urban parts, with the construction of Farm to Market roads, to

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rehabilitate Water supply programs, to repair existing schools, drains and streets, had been the major aims of those economic plans.

Though, the chief contributor had been the foreign aid from Middle East regarding poverty alleviation in the decade of 80s. Rural development as well as Land reform though, played a little part reducing the poverty in that particular time.

Secondly, during the decade of 90s, as the country experienced significant increase in poverty, (SAP) the Social Action Program actually played its main part by focusing on sanitation, health, water supply, population welfare as well as education.

Though the (SAP), was not able in bringing about some solid significant adjustments in Pakistan. During the third phase, regarding poverty alleviation in the decade of 2000s was mainly depended upon the (P.R.S.P) Poverty Reduction Strategy Paper, started during the year 2001, focusing on to improve social development indicators, governance reforms, transferring the growth profits towards the underprivileged also the weak, infrastructural development as well as economic growth. Pakistan firstly, saw a decline, then an increase regarding poverty alleviation in that particular phase. Consequently, the State has not seen an important ratio of reduction regarding the poverty; in fact it varied regarding last thirty years. Numerous factors are involved actually regarding this grave issue. It is very important identifying certain significant reasons that are involved in reducing the poverty in the State regarding last thirty years.

Fragile Organizations, Bad Governance with Worsening Law and Order Condition:

Until and unless administrative effectiveness is improved as well as the massive contribution of societies guaranteed, the experiences in the State indicate that common assets would keep on being mishandled. Presently, the worsening Law and order condition as well as bad governance, are playing the main role creating the hurdles to run the affairs of the State. A general insecurity has been generated by endless militancy in few decades, leading to reduction of FDI as well as worse investments. As a result of this, the State's ability spending funds for the prosperity of common people has been limited, just because of a huge expenditure going waste towards the war against the terrorists, for decades. The administrative magnitude of authority exposes a harmful, as well as major, involvement amid ruling of law and poverty (Haq, et al. 2007).

Presently, the situation of authority, in the State, stands a grave obstacle between economic development as well as campaign against poverty alleviation.

Negligence of the Social Sector:

The expenditure on education is very little in Pakistan as it spends just meager amount of 2 % of its (Gross Domestic Product), as well as meager amount of 0.6 % goes to health. As mentioned previously, educational disbursement, as GDP's percentage, is reduced recently. It is very hard for the State achieving, the educational as well as health correlated, MDG goals. Over the periods, the labor force's proficiency rank hasn't enhanced. The negligence's of social sector has indeed harmful repercussions on behalf of attaining the goals of poverty reduction as well as viable, high economic development. As far as education is concerned, it is measured being the most important aspect to distinguish the poor from the non-poor. Poverty gaps regarding urban as well as rural zones are explained by educational disparities as well, withholding the philosophy that ratios of literacy are liable having handsome yields within urban zones. (Jafri, 1999; World Bank, 2002).

There is a relationship between employment and educational as well as skilled approaches as well. It is obvious that the low paid occupations are solely attainable for the poor just because of having low type of skills. There is a definite common relationship between poor health and rates of poverty as well as variation in poverty standings. (Hussain, 2003)

Majority of the underprivileged families experience bad physical conditions, also are obliged bearing the expensive rates of health cure. Sickness stands commonly a medium to push the families deeper into poverty, and then therefore, sickness as well as scarcity is associated within a vicious cycle. Indeed, to neglect the development of social sector in the State for the last 50 or 60 years has brought a lot of sufferings.

Power Structures in Rural Areas:

Pakistan's rural zones are suffered highly as well as persistently by extreme degree of poverty, and are usually called as Feudal, for example interior Sindh, interior Punjab, the tribal zones of Khaiber Pakhthunkhwah (KPK) as well as Baluchistan. Feudal Lords own a crucial authority in rural zones, economic also social subsistence of people, as well as over local, plus central and provincial management. The magnitude of massive property owning is considered as directly proportionate to authority, also the Feudal Lords in the State, enjoy additional authority comparing with

its Indian counterparts. The reliance of the underprivileged over local authority organizations owns a mixture of shapes. Variation in the input and output markets, operating against the underprivileged, tend to produce poverty in rural zones. (Hussain, 2003).

Occupants, also poor peasants, who grow their individual farms, usually are to give comparatively higher costs for inputs, whereas getting comparatively little values for outputs, comparing with affluent land owners. Simultaneously, the lacking of approach toward official credit markets, frequently, obliges underprivileged residents borrowing from their landowner. This creates a shape of coerced labors, as well as residents remain a bit indebted working on their owner's land, on lesser than market pay charge, or, yet with no pay. (Hussain, 2003; Arif 2004)

Feudal Lords might as well use power, on canals, that pressures their association by their occupants, since it gives the former by means of complete power on farming. (Hooper and Hamid, 2003)

Requisition of Efficient Goals:

Though there is extensive poverty prevalence in the State, however bulk of the areas suffering from poverty in south of Panjab, interior Sind, Khaiber Pakhtunkhuwah as well as Baluchistan. Up to now nothing has been done targeting poor zones to be developed as well as poverty alleviation. Therefore, there is extreme disparity, across areas as well as provinces, regarding physical as well as social infrastructures. The province Punjab has improved standings, whereas the two provinces, Khaiber Pakhtunkhuwah and Baluchistan are poor with the entire infrastructural indicators. Yet in Punjab as well as Sind, the rural Sind and southern Punjab, have poor intensity of approach toward physical as well as social infrastructures, comparing with the north as well as central Panjab. The disparities of infrastructure from corner to corner the zones, clarify the poverty as well as disparities, since these areas by a large extent of infrastructures own relatively a lesser amount of social as well as economic integration, regarding expanded assets, human resources, as well as approach toward occupations in the formal markets. (Arif, et al. 2011)

Higher Population Increase:

During the 80s, State's yearly population increase ratio remained approximately 3%, as well as fertility change started lately, during the beginning of the decade of 90s. However the population increase ratio yet remains higher, 2.1% annually. This higher increase ratio has numerous repercussions regarding economic development as well as poverty alleviation. The increasing work force may not be fascinated effectively within the fragile economy, showing the way toward higher youth joblessness as well as underemployments. The bulk of the work force remains unqualified otherwise partly skillful as well as its input toward trade as well as economic development remains lower. It functions, mainly within the informal section, upon lower earnings, inadequate escaping poverty. In the micro level, higher fertility paves the way toward higher child dependence rates which own bad repercussions to save as well as invest.

Disagreements and Poverty Alleviation:

Eventually, the Afghanistan issue, as the decade of 70s, has influenced State's exterior as well as interior surroundings. It brought fanaticism, drugs as well as armaments in the State. Consequently, the authority of the State to maintain peace began to be deteriorated since the decade of 90s along with administrative volatility. The new America-led war against terror within Afghan territories, ever since 2001, has considerably influenced the interior as well as exterior situation of Pakistan, with supporting local volatility as well as to create brutal financial problems for her. The increasing terrorism, as well as deteriorating security condition, in the last few years, has badly influenced the macroeconomic as well as political environment. The approximated price regarding the "War against Terror" toward the State remained about Rs, 678 billion in FY09; also this has paved the way toward enormous joblessness, particularly within the distressed zones.

Strategic Lessons for Pakistan:

As remarked by (Heilig, et al. 2005), to distinguish 3 kinds of poverty, (i) regular poverty created by means of an incompetent as well as ineffective financial organism which remains inaccessible from the global market, for example which prevailed within the ex-Soviet Union, Eastern Europe, Maoist China as well as some African states; (ii) poverty created by geological as well as environmental situation for example, inadequate rainfalls, extreme freezing otherwise extreme warm atmosphere, higher

altitudes, steep slope, chemical or mechanical soil constraint or grave watery or windy corrosion; plus (iii) Distributional poverty created by common as well as economic inequality, cultural issues, or individual handicap. (Heilig, et al. 2005)

It appears, that Pakistan remains mainly ensnared into distributional poverty, that, as said by (Heilig, et al. 2005), remains ‘the extremely hard plus challenging kind of poverty, since frequently it remains connected among emotions of shame, inadequacy, as well as desperation, amongst individuals who remain influenced’. In order to decrease that kind of poverty in the State, the below mentioned common examples may be learnt since the Malaysian experience of poverty alleviation.

Capital Formation:

Land remains the main capital within a State’s settings. In Pakistan, land is possessed by persons as well as its allotment remains distorted, to limit the profits of agrarian yields largely toward big as well as average Feudal. Land allocation remains too a main cause of common disparity within interior areas of the State. Three land reforms during the decades of 59s, 72s as well as 77s, comparatively, became unsuccessful efforts improving the land allocation. Rural poverty yet focuses amid the landless as well as small farmers. In that regard, land reforms might become one clear option empowering these unfortunate households. Valuing them rely on creating a tough administrative resolve as well as the current socio-economic configuration among common people. Though, ‘providing that the result is found in the structure of the market economy, overall domestic revenue shall produce speedy enough being capable having ways toward the land market within right track of time.’ (Hirashima, 2009)

Two aspects remain vital in support of this idea: the diversification of rural domestic revenue by higher standard schooling, mainly technological schooling, plus the tough strategy involvement managing land costs, in order that the upcoming revenue-asset association supports the landless as well as near landless rural people (Hirashima, 2009).

Growth Inclusiveness:

Agricultural growth poverty relation, in the State, remained never useful, in poverty alleviation. The overflow influence regarding agriculture development, once, has been very fragile reducing poverty over a persistent base, whereas Malaysia’s lesson withholds the vision that to promote agriculture development, as well as rural progress, remains vital regarding pro-poor development (Ravallion, 2008). In addition, agriculture

plans, in the State, have been unfair beside poor farmers. The aim of these plans must be the poor farmers, increasing their earnings. A rapid increase by means of improved investments in infrastructure must be thoroughly practiced. There is a requirement of further involvement, regarding the aspect of animal husbandry, diversifying capitals of poor farmers as well as landless families. Yield outputs, in the animal livestock division, remain particularly significant regarding poor rural revenue growths, as the allocation regarding animal husbandry in the interior of the State remains rather unbiased, than the allocation of lands (Adams, 1995).

Macroeconomic Firmness:

As (Heilig, et al. 2004) disagree, the poverty-ridden emerging States, require to primarily having their economic organism in order. A strong macroeconomic organism by means of constant inflation remains a requirement for abolition of poverty as well as inequity. In that regard, monetary strategy as well as economic plan performs significant parts. By means of monetary strategy, the financial shortfall as well as the liability load may be curtailed; also the degree plus standard of economic development plans may be improved. Ever since the year 2008, the Pakistan has experienced brutal macroeconomic issues, by increasing price hikes, bad growth particularly in the real sector, increasing joblessness, unsound present economic shortfall as well as increasing liability loads. Presently, the State is experiencing problems and obstacles in supporting the continuing pro-poor, improvement expenditure, because of increasing financial discrepancies. With no macroeconomic firmness, particularly development in the agricultural as well as industrial division, to ensure adequate employment creation, for the employment seekers, remains solely a reverie.

Enhancing Capacity of Institutions:

Malaysian achievement, to reduce poverty, became successful by robust public institutes to implement helpful plans, as well as public investment. Pakistan remained way behind in that regard. The organism regarding local organizations, introducing in the decade of 2000s, is brought to an end, therefore to create a space to implement the plans reducing the poverty. The State should improve the aptitude of institutes by implementing strategies.

Incorporation of Market-Growth of Non-farm Sector/Urbanization:

In Pakistan nothing has been done regarding the progress of rural non-farm sector by agriculture sector. Whereas the (TVEs) in Malaysia

balance, as well as competing with, the urban industries, those projects in the State are usual as well as undeveloped, by lacking of improvements as well as excellent standard results. Though, in Pakistan the urbanization development has been helpful to develop urban rural relationships, improving poverty alleviation as well as literacy in rural, also in urban parts. There ought to be a prospective for self-help to be happened. Regarding the resettlement, rural to urban, a breakthrough in the direction of self-help might be a positive move reducing the poverty. For the deprived people the cities remain an opening. Poverty can be eradicated in cities as proved by Malaysian lesson. There are better chances for the deprived people in cities since the rural surroundings, as the land is incapable supporting them. By implementing the latest development plan, to make the Pakistan's cities the centers of business, may assist alleviating the poverty in a realistic time framework.

Public Investment:

In order to reduce poverty, it is very essential to have high standard of education in rural parts, especially technical education. Information as well as proficiency is the dynamic factor for social progress as well as economic development. The Malaysian model of public expenditure contributed a crucial part to improve, infrastructural as well as human resource equally.

Research conducted by (Fan, et al. 2004), have empirically revealed that as 'throughout the phase 1978-84, institutional as well as plan improvement remained the main issue to promote development as well as to reduce rural poverty equally, throughout the phase 1985–2000, public expenditure (in infrastructure, R and D, irrigation as well as education) turned out to be the main foundation of economic development as well as poverty alleviation'. To learn by the Malaysian lesson, the Government of Pakistan requires setting preferences into its expenditure; the spotlight must be upon rural infrastructure, health as well as education.

Reduction of Local Differences:

Since inception there are significant as well as increasing disparities prevailing in the State, altogether. The underdeveloped areas remain yet poor, regarding social and physical infrastructure, as well as industrial system. Though disparity plus local differences remain soaring in Malaysia, it has created plans by targeting the underdeveloped areas for investment. This kind of vision remains lacking in the State. Deprived areas must be focused for further investment.

Harvesting the Demographic Surplus:

Lastly, the fertility shift has begun in the State. It produces considerable adjustments regarding age distribution of people; the ratio of infants decreases, as of the old group rises reasonably also, most prominently, as of adults of work-age rises fast. Therefore, the demographic shift shows the economy by means of a “demographic endowment”, in the shape of a course regarding virtual range of the work-age inhabitants. There is a call for absorbing this population by creative employment. In addition, this is the correct occasion for the State by pursuing the small family model in the State, mainly in rural parts. Surely this would pave a way toward a low dependence rate, more family investments as well as alleviation in poverty (Arif, et al. 2011).

By reaping the demographic dividend, expenditure in youth, to enhance their talent levels, also to provide them creative service remain essential setting. The fresh development plan has too measured transformations in the age configuration of inhabitants as a foundation for economic development. To provide the employment opportunities for youth may assist by reaping the demographic dividend, as well as steering the State toward high sustained development.

Conclusion:

Regarding the poverty alleviation method by that Malaysia attained success to reduce its poverty in the last thirty years. Pakistan, though, couldn't attain success by its attempts in those particular years. During the decade of 70s, rural poverty ratios, in the State, remained about 33% poverty reduced approximately 9 times mutually with ratios as well as quantities in Malaysia in the 1978-2005 years, whereas in Pakistan it varied, as well as stayed extreme. This record Malaysian achievement in poverty alleviation remains largely based upon: rural agriculture modifications set up during the decade of 70s, gigantic focused public investments ever since the middle of 80s, advancement of the rural non-farm economy as well as urbanization during 90s.

Furthermore, the basics of Malaysian achievement, in poverty alleviation, remain embedded in its concrete administrative resolve as well as influential managerial capability that guaranteed macroeconomic constancy with flourishing poverty eradication plans at the macro rank, also allowed the underprivileged at the micro level. Useful plans as well as ideas have been initiated in Pakistan as well; however these have not caused some genuine adjustment in poverty, largely because of strategy

lapses, bad execution, fragile institutes as well as bad management, low public expenditure, low human resources, population burden as well as disagreements. State's economy relies very much on agriculture, by means of huge sways in agriculture development, as well as, sluggish production. Consequently, the size of poverty in the State has focused in individual rural parts that remain very much reliant upon agriculture, for example, south of Punjab as well as interior Sind. By contrasting toward an identical realism, as the one State is facing at present, Malaysia, during the decade of 70s brought about rural agriculture modifications which brought basics to reduce poverty, by creating the rural non-farm economy as well as speedy economic development. Today, the economic development plans, in the State, remain mostly spotlighting the industrial as well as employment areas, absorbing the surplus labor. A change in sectoral progress preference is needed for the State, developing the rural economy, with targeting upon the farm also the non-farm region. Land reforms, livestock development as well as accessibility of efforts might be a number of the palpable options empowering the poor farmers as well as landless families. Similarly, long-term public expenditure in irrigation, agriculture R&D as well as physical plus human resource remains vital raising the agriculture production.

The introduction of higher standard, primary schooling, predominantly technical schooling, would be providing the skillful workforce for different sections of the economy, as well as providing an advancement developing the rural non-farm area in the State. The part of urbanization in the State has been helpful as well as to encourage by alleviating urban as well as rural poverty, also to develop a few groups wherein the rural inhabitants are well incorporated into city subsistence. Though, cities in the State remain distinguished with small industrialized basis, scarcity of homes, as well as pitiable infrastructural plus transport organisms. A useful urbanization plan is needed, for the State building nicer rural-urban incorporation, with creating small as well as medium size towns, as the centers of business as well as commercial plans. An important attempt is too needed raising the capability of local administrations as well as public institutes. A chief negative aspect, of State's poverty eradication plans, remained that the mostly the plans remained 'universal', in which the entire State also/otherwise whole populace remained evenly targeted. Consequently, the treatment as well as execution of those plans was insufficient. The Malaysian lesson recommends geographical focusing, where citizens of the underprivileged areas remain focused in support of diverse systems as well as plans.

The demographic shift, in the State, has added to increase the working-age populace, as well as to lower the dependence fractions; though, the development remains sluggish. By reaping the demographic dividend, this study recommends improving the awareness base as well as proficiency levels of youth as well as to provide them creative job opportunities. This inclusiveness would surely create economic as well as social achievement in Pakistan.

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