

## **Major Socio-economic Challenges faced by Pakistan with Special Reference to Poverty**

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### ***Abstract***

The aim of this paper is to identify challenges and to study correlation among them with reference to poverty, the greatest challenge, we face in present century. This work not only examines the sources of these problems in general and poverty in particular, but also depicts their effects, they have on the life of common man and the economy of the country. The study also aims at discovering means to face these formidable challenges to Pakistan's development.

### ***Introduction***

Day in and day out we come across various statistics depicting a horrifying rise in the poverty through out the world.<sup>1</sup> The world population is 6.5 billion. Of these 5.2 billion people belong to less developed or poor countries and the remaining 1.3 billion belong to the more developed or rich countries.<sup>2</sup> Pakistan is placed as the sixth largest populated country on the globe, with a population of 159.19 million by the end of the year 2004.<sup>3</sup> The Population of the country is expected to reach a total of 294.99 million by 2050. It is alarming that Pakistan is facing high rate of population growth and a high human poverty. The existence of wide spread poverty and massive unemployment of our manpower is a serious challenge. The reduction in fastly growing population is another problem which is perhaps, more important. Lack of coordination between population growth and other sectors of our economy is a greater hindrance to the economic prosperity of our nation.

Our agriculture and industrial sectors are not fully geared to export. Underdeveloped nature of these sectors has retarded the growth of trade with other countries. With the emergence of world trade organization (WTO), new rules and regulations have been formed to govern the global economy. The overriding objective of this world body is to create free trade environment. Where only economic competition will rule. In order to

achieve this objective, tariff and non-tariff barriers to the world trade are to be removed so that free world market may be created. For the survival in such a competitive environment. Pakistan needs to develop its resources in line with growing population. Up-gradation of infrastructure, technology and human resource, has become a sine qua non for the development of economy. Therefore, the country's development strategy must be aimed at achieving these objectives so as to compete in international market.

### **Poverty**

The term poverty can be simply defined as a condition of life in which a person is unable due to various factors, to have enough food, good health, proper education and opportunities, required for his growth and shaping his future. The conventional approach to understanding the problem of poverty has been based upon the concept of a poverty line in the income or consumption space.<sup>4</sup> The poverty line which is used to indicate a minimum acceptable level of income or consumption is a most common method to measure poverty. Poverty then, is the failure to attain some minimal level of income or consumption, and the Poor are those who fail to attain that level.<sup>5</sup> 'Poverty is a complex and multidimensional phenomenon, which goes beyond the notion of income and encompasses social, economic and political deprivations. Hence solution to poverty cannot be based exclusively on economic policies, but requires a comprehensive set of well-coordinated measures.'<sup>6</sup> It is clear from above definitions that poverty is based on income and consumption level. Therefore, person can be considered as poor if his income falls below the level necessary to meet basic needs as mentioned earlier. This minimum level of income or consumption is commonly known as poverty line. The sources of poverty are numerous. Among these sources, rapid growth in population wide spread unemployment, poor governance and corruption, injustices, social inequalities, economic exploitations and political deprivations are more common in our society. Poverty in all societies is, of two types- absolute and relative. Absolute poverty indicates a level of existence lacking resources to sustain itself. Relative poverty is established in comparison with others in society or in the world. In Pakistan both the absolute and Relative poverty have increased. The population living under

poverty line has increased from 17 percent in 1980's to 38 percent in 2002.

### **Poverty, unemployment and Population**

It is an established fact that unemployment leads to poverty and hardship. There is a strong co-relation between unemployment and poverty. There is no doubt that unemployment is major cause of poverty, crime, corruption and other measureless ills, to which our society is confronted with. The problem of ensuring productive employment of our expanding workforce has emerged a major challenge facing the country. It has acquired urgency both for sustainable economic growth and for elimination of poverty. The rapid growth in population is believed as a chief source of widespread poverty and growing unemployment. So as the population goes on rising, less number of people will be able to get employment and there will be increase in unemployment. The population growth rate since 1947 has been alarming in Pakistan. During the last 50 years, Pakistan's population has increased 33 million to 152.53 million in 2004-2005.<sup>7</sup> Although the current population growth rate showed to 1.9 percent per annum, overall Population has increased by 2.76 million people as compared to last year.<sup>8</sup> The labour force has also increased from 41.38 million in 2001 to 45.76 million in 2004.<sup>9</sup> About 3.52 million people were estimated to be unemployed in fiscal year 2005 as compared to 3.72 million previous year.<sup>10</sup>

The rapid growth in the population has put pressure on natural resources and affected size and composition of workforce. Control of infant mortality has helped increase population. A few reasons for higher fertility among Muslims are polygamy, remarriage of widow, early marriages, antagonistic attitude of the Muslims against family planning and their indifferent attitude towards high rate of population growth. Illiteracy and geographical environment also plays a vital role giving stimulus to the high birth rate. Unpopularity of family planning among masses has been a major cause of failure of the efforts to control population growth. It has numerous implications and consequences, for welfare of society. Due to rapid growth of urban population, cities have expanded in space greatly. The expansion of cities has created acute demand for roads, transport, markets, water supply, drainage system educational and medical facilities and housing. Unavailability of these

necessities of life due to shortage of resources and unplanned expansion of cities has enhanced poverty. The Government's ability to provide social services to the entire community is constrained by limited resources and higher population growth. The high growth rate of population is perhaps the most serious structural weakness of Pakistan economy and unless its growth rate is brought down, the country's desire to move in the direction of a self-sustained economy may not materialize.<sup>11</sup> There is no denying the fact that population planning is necessary but it would be unfair to put entire blame on the population growth for backwardness. The United States of America is the third largest populated country in the world after China and India but still it is largest economy and the most prosperous nation. Likewise China and Japan can be quoted as an example in this regard.

Therefore, instead of blaming population growth again and again for rise in mass-poverty, unemployment and economic instability, our policy makers should analyse why public policies that were to alleviate poverty, have not worked and formulate development policies aimed at developing human and physical resources. By developing its resources, accelerating growth rate Pakistan could also overcome all socio-economic problems including greater incidence of poverty. The truth is that the population poses no serious problem if the country has efficient workforce and ability to utilize it effectively.

### **Underdeveloped Economy**

The state of our economy is underdeveloped due to various factors. Some, most important of them, are of following nature. Debt burden is one of the major problems that our economy faces. The country is heavily burdened by foreign debt. Thus the major portion of the income goes to the debt servicing. The expenditure on the defense of country due to constant hostile attitude of neighbour countries, is very much on increasing. Therefore, it has negative impact on development budget and poverty alleviation funds. Furthermore, the rate of the tax payers is very low, due to which inequalities of wealth are noticeable. The rate of saving, which is considered as essential for local development also remains low. Lack of adequate domestic and foreign investment, the employment condition has gone bad to worse and the poverty has increased tremendously.



Agriculture sector, which is the largest sector of the economy and major source of employment faces shortage of irrigated water, water logging and salinity and low productivity per hectare. Pakistan's trade with foreign countries much depends on this sector. About 65% of our exports is cotton or cotton based textiles. The variation that may occur because of various factors, including climatic condition in production of cotton crop can affect the performance of this sector. Furthermore, the performance of agriculture sector would be affected by reduction in subsidies as demanded by world trade organization. This would create the high cost of production. As a result the consumers would be affected by inflationary pressures created by above measures. The shortage of food due to the gap between food supplied by agriculture and food demanded by growing rural and urban population of country has been major source of inflation in Pakistan. The fact is that inflation in Pakistan began as a domestic factor with food inflation, which ultimately exceeded 13 percent. When food prices rise, all other prices rise along with the wages.<sup>12</sup> During the fiscal year, inflation as measured by the Consumer Price Index (CPI) averaged 9.3 percent. Food price inflation was recorded at 12.8 percent and non food inflation increased to 6.9% core inflation, also indicated a rising trend for the first ten months of 2004-05. In this inflationary milieu, we cannot compromise on the war against inflation. The disturbing trends should be controlled to gather momentum because they could result in distortion and disruption of economic activities including production and investment in the country. In order to avoid social imbalance, the balance between demand and availability of goods in general and food items in particular at a given price level is essential.

### **Export Sector and Industrial Development**

The Government wants to raise the export targets by the end of five year's to \$ 28 billion from the current year's performance of \$ 14 billion.<sup>13</sup> They have to be varied exports instead of being limited to textile and another few items. Due to their low standard, our traditional export products like, leather, sport goods, surgical instruments, fish, fruits and vegetables etc fetch low prices. Our industry is not fully geared to export since it is working under protections. It has faced innumerable problems including high cost of power. This sector of economy has failed to attract domestic and foreign investment because of unfavourable conditions.

Lack of investment in industrial sector not only affects our export performance but also aggravates the employment situation in Pakistan. The local industry is unable to meet the needs of fastly growing population. The solution of its problems can only be possible by providing it inexpensive raw material, capital required for establishment of new industrial units, skilled labour and reduction in prices of fuels to meet the needs of power shortage. Reduction in taxes particularly on items of daily use would reduce the cost of production of these items. These measures will prove an effective to contain inflationary pressures. Provision of skilled labour and developed physical infrastructure is a precondition for our industrial development without which we cannot boost our economic trade with other countries and improve our international competitiveness.

Like other sectors mining sector has also been neglected in our country. For the mineral exploration we have been depending on foreign workforce. Because we do not have the educated and skilled labour required for it. For that reason, the country has not yet been able to increase its resources in line with its population, resulting in increased unemployment, and poverty. By developing its human resources Pakistan will not only be able to meet domestic needs but also handle the challenges of the World Trade Organization. The country will be able to provide manpower to those countries where it is required. It is projected through media that the developed countries would require 98 million immigrants during the period of 2005-2050. Therefore, it is a time to develop human resources so as to avail the opportunities for employment at international level.

Moreover, perfect working of our institutions is of greater importance for economic development. Inefficiency of the economic and administrative institutions is considered greater challenge faced by our country. The corrupt way of their dealing with poverty-ridden sections of society has eroded the role, authority and credibility of most of the government institutions. The term corruption covers a broad range of actions.<sup>14</sup> These actions which are aimed at personalization of power. In other words corruption is "the abuse of public office for private gains."<sup>15</sup> The corruption is a disease which invades the body. It is frequently compared to cancer, because of corruption's characteristic ability to spread throughout main governing bodies inhibiting the body politics ability to function normally.<sup>16</sup> According to IMF corruption lowers investment and retards economic growth to a significant extent." It is evident from the

definition of corruption suggested by IMF that corruption has negative impact on development. In the opinion of most of the experts, one of the major causes of our underdeveloped nature of our economy and bad governance is the evil of corruption. It affects every aspect of economy and the exercise of authority, control, management and power of government. Therefore, Pakistan needs to develop a sense of confidence in rules supported by institutions holding all public functionaries responsible for the exercise of power.<sup>17</sup> Moreover it is not only confined to public sector but is equally rampant in the private sector.<sup>18</sup> There is hardly any segment of our society which is not suffering under menace of corruption. Therefore, what is required is to launch a movement which should be enriched by a vision of Islamic teachings and supported by all people, against the canker of corruption.

### ***Recommendations***

- Rapid Economic growth is essential for poverty reduction. It implies greater availability of resources to improve education, health and other services.
- Net work of micro finance institutions should be established to improve financial conditions of poor.
- Development of human resource is essential for tackling the problem of unemployment. Therefore, it should be given top priority.
- In order to improve conditions of life of poor sections of society, government should increase spending on food subsidies, food support programme and low cost housing etc.
- Improved law and order encourages inflow of foreign investment required for the industrial & infrastructure development. Through investment in industry the problem of unemployment can be solved in a considerable extent.
- The development of agriculture sector on scientific lines can relieve us from curse of unemployment and incidence of poverty. This can reduce inflationary pressures by providing more food in the market.
- The goal of socio-economic development can not be achieved unless the country possess transparent and corruption free institutions working under the government. The structure and

culture of these institutions needs to be changed and adapted to the realities and challenges of today's changing world. Efforts should be made to solve their organizational and structural problems they are facing in their operation.

- Economic growth, education & health is linked to the population growth. The government needs to bring down further the current population growth rate 1.9 percent. Now is the time to analyze factors including population, that have created poverty and economic backwardness. It is now widely believed that the fertility rate can be reduced considerably by educating people and providing health care.
- In rural areas the local Pirs, religious leaders, Peshimams, social workers, teachers, writers and other opinion forming leaders should be involved in the process of awareness in order to mobilize people to reduce the fertility rate.
- An effective strategy to alleviate poverty is to improve the health and education of the poor. An educated and healthy population is the best safeguard against poverty.
- Political aspect of the population problem is based on the belief that greater number of people will be a greater source of strength and power. So there is competition among various ethnic group for the dominancy which is determined by the numbers. This issue is to be solved by political means.
- Rising economic growth rate is a healthy sign. Which can help in reducing the rapid growth of population and poverty.

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