

Chapter 7

ECONOMIC PROBLEMS OF PAKISTAN AND THEIR REMEDIAL MEASURES

7.1 Poverty

Poverty is the major basic economic problem of Pakistan. In any country, poverty depends upon two factors:

- a. Average level of national income
- b. Degree of distribution of income

Poverty is inversely proportional to the level of national income; it means lower the national income, higher shall be the level of poverty. Similarly, poverty increases with rise in inequal distribution of wealth or concentration of wealth in fewer hands. There are many dimensions of poverty in Pakistan. Poor people in Pakistan do not have access, even, to basic necessities of life. Majority of people have low or less access basic facilities like education, healthcare, clean drinking water and proper sanitation. The situation is worse in rural areas than in the urban localities.

7.2 Causes of poverty in Pakistan

Some major reasons of poverty in Pakistan are:

1. Unemployment

There are limited employment opportunities in Pakistan and only a handful number of people get employment. According to Economic Survey of Pakistan 2021-22, unemployment in Pakistan has reached to 5.9%.

2. Low Productivity

Productivity of various sectors has been quite low in Pakistan. Due to low productivity, GNP growth rate of Pakistan decreased to 5.5% in 2001-02 during 1980's. Pakistan's GNP has gone up to 6.7% according to Pakistan Economic Survey of Pakistan 2006-07 but according to Economic Survey 2021-22 this ratio has reduced to 5.88%.

3. Low Per Capita Income

Per capita income is very low in Pakistan. Its main causes include high population growth and low productivity. According to Pakistan Economic Survey 2003-4, per capita income in Pakistan was 1051 US Dollar which has now been increased to 1658.36 US Dollar in 2021-22. However, it is still very low as compared to other countries.

4. Unequal Distribution of Wealth

In Pakistan, the poor is becoming poorer, while wealthy class is accumulating more wealth. It means that a handful class of people pockets major share in the national income while the poor get only a very small portion of it.

5. Poor Health

People in Pakistan lack basic health facilities. It adversely affects their productive capacity and efficiency.

7.3 Remedial Measures

Following steps are needed to address the grave problem of poverty in Pakistan:

1. Effective and efficient use of all available natural, human and capital resources should be made.
2. Better medical and healthcare facilities should be provided to the people for their physical and mental health. It shall ultimately increase people's capabilities.
3. Increase in production capacity raises level of national income which is a key to improve standard of living of the people. Therefore, necessary steps should be taken to increase per acre yield in the field of agriculture.
4. Well coordinated development plans should be implemented for promoting social wellbeing, providing employment opportunities and developing manpower. The plan should be made so as to provide equal opportunities to all segments of the society for a balanced economic growth.
5. Government should make policies based on public-private partnership so that maximum number of people may be benefited. Such policies shall disseminate fruits of progress to the common man.

7.4 Illiteracy

Education is a basic element for continuous and sustainable economic development of any country. Unfortunately, education facilities in our country are very little. Education occupies a lower priority in our budget and only 2.2% of our GDP is spent on it. It is quite inadequate as compared to our fast growing population. It is the main cause that literacy percentage in our country hardly reached to 58.9% in 2021-22.

1. Access to schools is very limited, especially in rural areas. Quality of education, where it is available, is very poor.
2. Slow economic growth and increase in poverty resulted decrease in enrollment in educational institutions, especially at primary level.
3. Drop-out/withdrawal ratio at educational institutes, especially at primary level, has increased due to rise in poverty.
4. Education to female population is neglected especially in rural areas, which affects overall level of education in the country.

7.5 Remedial Measures of Illiteracy

1. Access to education should be made easy, especially in rural localities.
2. Education should be given status of an industry and be provided with all such facilities that are given to other industries.
3. Government should provide lucrative incentives to the private education sector to promote investment in education.
4. Share of education in budget should be raised to at least 4% of GNP, according to the UNESCO guidelines.
5. Efforts should be made to lower poverty level and increase per capita income. It is necessary to improve literacy level in the country.
6. Curriculum/syllabus should be constantly reviewed to keep it updated on modern lines, modified to local environment. Practical aspect of real life should also be made part of study material.
7. Teaching should be administered on modern and interesting techniques and methods, such as use of audio/video equipment etc. Boring and old teaching methods should be done away with. Teaching faculty should be educated to make education interesting, especially for the beginners.
8. Female education should be promoted, since it means educating the whole family.

7.6 Agricultural Backwardness

Agriculture is backbone of Pakistan's economy. It contributes 19.1% to the national income. Majority of the population of the country depends on agriculture to earn livelihood. However, this important segment of economy could not, unfortunately mode progress.

7.7 Causes of agricultural backwardness

Some reasons for its backwardness are as under:

1. Low Income of Farmers

Due to low income level, farmers could not afford improved seed, quality fertilizer and modern agricultural implements/technology, necessary to increase agricultural production.

2. Water Logging and Salinity

According to an estimate, almost 17% of land is affected by water logging and 33% by salinity. This has rendered about one fifth (20%) of our agricultural land useless.

3. Inadequate Irrigation Facilities

There was a time when Pakistan's irrigation system used to be referred to as the best in the world. However, it has become less efficient and water losses have increased

with the passage of time. It causes water shortage at the time of need. It is one major cause of low per acre yield of agriculture produce.

4. Primitive Methods of Cultivation

Majority of our farmers are either not conversant with the modern agriculture technology/methods or not able to efficiently make use of it due to lack of proper information, education and training. It causes underutilization of production capacity of the land and therefore per care yield remains low.

5. Market Imperfection

Due to imperfect markets, majority of farmers can not sell their produce at proper price and earn less income than they could get under perfect market conditions. Therefore, their income remains low. It affects farmers' capacity for optimum utilization of land for maximizing production.

6. Lack of Agricultural Research

Agriculture sector of Pakistan lacks adequate research and development facilities. Farmers do not use seeds which are the best according to nature of land and weather conditions. Normally, farmers use seed from previous crop and therefore production level remains low. The World Bank has recommended that Pakistan should spend at least 2.0% of GDP approximately on agricultural research and development activities.

7. Defective Land Tenure System

Pakistan inherited feudal system that permits a person to hold as much land as he desires. Thousands of acres of land are owned by a few landlords who do not care for their lands/tenants. The Government introduced land reforms in 1959, 1972 and 1977 to do away with the feudal system but could not succeed.

8. Illiteracy and Poor Health

Normally, farmers are too poor to get necessary education and training in their field of agriculture. Further, most of the farmers lack strong physical health that is basic requirement for agricultural activities.

7.8 Remedial Measures for Agricultural Backwardness

Following measures can reduce agricultural backwardness of our country:

1. Per Acre Yield

Modern agricultural technology and methods should be introduced to enhance per acre production. It shall increase income level of farmers enabling them to procure modern agriculture tools and implements. Increased income level shall improve farmers' standard of living.

2. Improving Irrigation Facilities

Irrigation facilities in many parts of Pakistan are very inadequate. Government should improve irrigation facilities by installing new tube wells, making new canal/water courses and brick-lining existing canal/water courses to reduce water losses.

3. Supply of Seed and Fertilizers

The Government should make plan for timely provision of adequate quantity of quality seed and necessary fertilizers. It shall bring about a positive change in agricultural production.

4. Improved Canal System

Pakistan's canal system though termed as the best in the world, needs a lot of improvements for optimum utilization of insufficient water resources and reduce water losses. Per acre yield could be increased by ensuring timely supply of adequate irrigation water. It shall also mitigate adverse effect of lack of rains in arid areas.

5. Further Agricultural Reforms

It is a proved fact that farmers with small/economical lands-holdings work harder than big landlords owing hundreds/thousands of acres. Therefore distributing unutilized/underutilized agricultural land of big landlords to landless farmers may give boost to agriculture production in the country. Therefore, the Government should effectively introduce land reforms to divide big agriculture lands-holdings among small or landless farmers.

6. Soil Erosion

Soil erosion means damages to fertile soil/land due to floods and severe wind/rain storms etc. Soil erosion could be checked by increasing area under forests. Pakistan has forest on its 5.02% area which is much less than requires.

7. Agricultural Mechanization

Introduction of mechanization in agriculture is very much important to improve its productivity. The Government should give special attention for arranging agricultural loans for the farmers to purchase of necessary agricultural machinery and implements.

8. Agricultural Credit

Majority of farmers in Pakistan are not able to purchase seeds, fertilizers and pesticides etc, due to financial problems. Provision of financial facilities to farmers shall enable the community for timely meeting his agricultural needs.

9. Agricultural Research

Agricultural research and development plays a pivotal role in increasing agricultural productivity. The Government has established agricultural research institutes at Faisalabad, Peshawar and Jamshoro. Pakistan needs more agricultural research organizations to provide research based facilities to the farmers.

10. Development of Agro-based Industry

Agro-based industries include forests, live-stock, dairy, poultry and fisheries etc. Due to insufficient agro-based industrial setup in the country, much of the agricultural produce is either used in least desired ways or is wasted. Therefore, agro-based industries should be established in rural areas for optimum utilization of agricultural products.

7.9 Industrial Backwardness

At the time of independence in 1947, there were only a few industrial units in Pakistan. Industrialization has, however, developed a lot in subsequent years and has been the second largest sector of the economy of Pakistan, with a share of 21.02% in GDP. Industrialization brings prosperity in any country through increase in employment opportunities and in national income. It also helps in improving balance of payment and bringing economic stability in the country.

7.10 Causes of Industrial Backwardness

Our country is an under-developed country. There are many reasons for it, which include the following:

1. Shortage of Capital

Level of savings in our country is very low due to low level of income. It is the main cause of shortage of capital, since capital formation depends on level of national savings.

2. Lack of Information and Technology

Cost of production is high in Pakistan because investors/industrialists are not fully aware of modern production techniques and latest research in their respective fields. For this reason, they are not able to make optimum utilization of available resources to improve quality of production at lesser cost. Less production at higher cost in Pakistan is a result of underutilization and inefficient utilization of available resources. This factor lessens profit margins and increases distress in business community.

3. Lack of Skilled Labour

Size of skilled labour force is very small in Pakistan. Unskilled and untrained labour increases cost more than increasing earnings of an organization. It reduces profit margins and increases worries and difficulties of investors, who do not make new investments and even withdrew already invested capital.

4. Deficient Infrastructure

Pakistan lacks basic infrastructure necessary to promote investment and industrial activities in the country. These basic infrastructure facilities include roads, telecommunication, ports, airports, railways, waste disposal, water, requires energy like electric power, gas etc, sanitation and services/facilities etc. Easy availability of efficient infrastructure facilities and services is very important for flourishing industrial sector.

5. Shortage of Foreign Exchange

Pakistan is an under developed country and has to import plants, machinery, spare parts, modern technology etc, which need a huge amount in foreign exchange. Pakistan does not have adequate amount of foreign exchange necessary to import the required hardware and services from foreign countries and therefore pace of industrialization is impeded.

6. Nationalization of industries

The Government nationalized a significant portion of industries in 1974, which shattered confidence of industrial/business community. Owners of nationalized industries were not compensated adequately and timely. Therefore, fear of nationalization prevails over investors/industrialists and consequently rate of industrial growth has slowed down very much.

7. Political Instability

Political instability in the country is also a reason for its industrial backwardness. Government's policies frequently change on political basis and there is no coordination or continuation in policies of various governments. It has very adverse effect on industrialization in the country and industrialists prefer to invest in foreign countries, resulting into depletion in foreign exchange reserves of the country. This flight of capital further has slowed down industrial growth in Pakistan.

7.11 Remedial Measures for Industrial Backwardness

1. Increase in Savings and Investments

Capital formation depends upon level of savings in the country. Level of savings is less in Pakistan due to low level of income. The Government should introduce policies to stimulate savings by providing incentives. Increase in savings shall increase capital formation and investment rate shall also rise.

2. Improvement in Education and Training

The Government should provide education and training facilities in various technical and professional disciplines. It should increase strength of educated, skilled and trained workforce to the industries and production shall improve.

3. Improvement in Infrastructure

The Government should give attention to improve means of communication for transportation of raw material and finished goods. Well-thought plans are required

to overpower energy shortage for industrial consumers. In this regard, use of alternate and renewable energy sources should be planned and encouraged.

4. Market Expansion

Appropriate plans and projects should be made to expand local and international market of our industrial output. Domestic market could be expanded by increasing purchasing power of the people. Expansion in international market needs improvement in quality and steps for cost reduction, so that our products could compete with other countries. In this way, we can boost sales of our products in the national and international markets.

5. Information and Technology

Like developed industrial countries, Pakistan also needs modern industrial technology and knowledge. Modern technology and methods shall help local industries to improve quality and reduce cost of production. This will not only increase profit margins of industrialists, but also stimulate progress and prosperity in the country.

6. Industrial Advisory Institutions

The Government should set up industrial advisory institutions to guide interested investors. Expatriate Pakistanis should be informed of investment opportunities in the country. They should be given incentives for giving priority for investing in Pakistan. It shall promote industrial development in the country.

7.12 Population Pressure

Pakistan had a population of 32.5 million (three crores and twenty five lacs) at the time of independence in 1947. It has now touched the figure of 207.77 million 20 crore and 77 lacs in 2017-18.

7.13 Negative Impacts of Population Pressure

Adverse effects of population pressure are as under:

1. Population pressure reduces per capita income.
2. Increase in population growth rate badly affects people's health and also creates food shortage.
3. Higher population growth rate increased number of dependents. It also creates unemployment, depresses standard of living of the people and reduces productivity.
4. Rising population growth rate results in increase the number of dependents / children. People are forced to spend more money to provide for basic needs (food, clothing etc.) to their dependents/children. It reduces savings, having negative impact on investment, which ultimately comes to stand-still position.

7.14 Causes of Increase in Population Growth

There are three main reasons for the rise in population growth rate:

- i. Decrease in death rate
- ii. Increase in birth rate
- iii. Migration

1. Decrease in Death Rate

Government has given special emphasis to provide basic healthcare facilities to its people. Majority of the population of the country is now getting benefits from these medical facilities, which has reduced mortality rate. In Pakistan, expected average age has gone-up to 66 years. Reduced death rate has also increased population pressure.

2. Increase in Birth Rate

Rise in birth rate directly increases population. Although birth rate has come down, but it is still higher than the available resources.

3. Migration

After Soviet invasion in Afghanistan, Afghan people started migration to Pakistan in 1979 and their number increased to 3.7 million (37 Lacs) by mid-1990.

Migration of rural population to urban areas is on the rise because of limited employment opportunities there. This factor is increasing urban inhabitants, at a great speed. According to an estimate released in 2017-18, 63% people are living in rural areas while 37% in urban areas. People migrating from rural areas are mostly uneducated and unskilled, therefore their income remains low. Since cost of living in urban areas is far more than rural areas, they live in unhealthy and difficult situation.

4. People's Attitude

People believe that children are gift of God and therefore do not go for population planning. Most of the people lack correct information about family planning and think that it is injurious to health and against their religion.

5. Joint Family System

Joint family system reduces stresses and problems due to a large family. It is generally believed that larger family ensures more social gains.

6. Early Marriages

People prefer to get their daughters marry as soon as possible after they attain the age of puberty. This exposes the female population to a longer child bearing period and increased possibilities of a large family size.

7.15 Remedial Measures to Control Population Pressure

1. Female Education

Population growth rate can be brought down by providing education facilities and employment opportunities to our female population.

2. Role of Media

Media can play a positive role by dissemination of correct information regarding family planning and doing away with misconception of the people in this respect. The media should inform the people about personal, social and economic benefits of the family and the nation as a whole.

3. Optimum Use of Resources

Optimum use of available resources increases employment opportunities. It also increases output level at reduced cost. This will not only boost the national income but also provide additional employments to increasing population.

4. Government Efforts

The Government should make serious plans to attract population for family planning. These programmes should be prepared keeping in view our social environment and should be advertised properly.

5. Employment Opportunities

Unemployment is a big challenge for the country. The Government should formulate a comprehensive strategy to reduce unemployment and make serious efforts for its implementation. Since it requires drastic changes in our economic set up, therefore the Government should do all the needful in this respect.

7.16 Per Capita Income

Per Capita Income refers to the income of an individual. It can be determined by dividing total national income by population. People of Pakistan are poor because their per capita income is very low. According to Pakistan Economic Survey 2021-22, per capita income in Pakistan is US \$ 1658.36.

Per capita income shows standard of living of the people. It therefore reflects state of economy of any country. An increase in per capita income means that people can obtain more useful services. It decreases poverty and increases standard of living of the people.

7.17 Causes of Low Per Capita Income

Per capita income in Pakistan is less as compared with many other countries due to the following major reasons:

1. Mis-utilization of natural resources

Natural resources are not properly utilized in our country. Agriculture land in Pakistan is suffering from salinity and water-logging. Cultivable land is being divided into small and economically unsustainable areas. Small farmers have very limited access to agricultural loans. All these factors result in low standard of living of the farmers.

Further, due to various technical, political and financial causes, natural resources such as oil, gas, coal and other minerals, are not fully exploited. It, therefore, fails to completely fulfill our requirement.

2. Increase in population

Increase in population has raised demand for goods and services without corresponding increase in their supply. It is worsening the situations and pushing up the inflation. Government has to allocate majority of its resources to non-productive sectors like law and order etc, rather than giving priority to developmental projects. It is one of the main reasons for downward shift in our investment and productivity. Low per capita income and under-developed economy is the result of these factors.

3. Defective administrative set-up

Non-development expenditures have increased tremendously due to defective administrative set up. Personal gains, bribery, red-tapism, worsening law and order situation and unauthorized use of official resources are some of the chronic issues which have cause irreparable damage to our country. This results in lesser rise in national income as compared to growth in population. It has a consequential effect on lower per capita income.

4. Low productivity

Productive capacity of labourer is below-standard due to various political, social and economic factors. Therefore, productive resources could be used to optimum level. It causes low level of national income due to low productivity, which ultimately reduces per capita income.

5. Low labour force participation rate

There are only 61.04 million working persons out of total population of 207.77 million. Further, 60.1% of this labour belongs to rural area. This is another major cause of low per capita income.

6. Increase in public expenditure

Public expenditures are increasing in Pakistan at a very high speed. This increase is financed through borrowing from local and foreign banks/agencies. It increases debt burden on Pakistan.

7.18 Measures for Increasing Per Capita Income

The following measures are necessary to raise per capita income in Pakistan:

1. Natural resources should be explored and utilized to the optimum level.
2. Better education, training and healthcare facilities should be provided on priority basis.
3. Special attention should be given to mental, physical and technical training.
4. Agriculture should be managed on modern lines by employing latest and modern techniques and implements. Further, agriculture should be given status of the industry.

5. Industrial development should also be given due priority. In this regard, problems and bottle-necks of small, medium and large industries should be settled alike.
6. Well experienced and suitable qualified experts should be deputed to formulate policies and programmes.
7. Unfair and unequal distribution of wealth should be discouraged. All parts of the country should be provided equal participation in development process and schemes.
8. Population growth should be controlled.
9. Administrative set-up and basic infrastructure should be made appropriately efficient.
10. Special attention should be given towards education and health of women which makes over half portion of our population. They should be provided employment opportunities to play their active role in economic development.

Exercise

Q.1: Each statement has four possible answers; tick (✓) the best answer:

1. Life expectancy in Pakistan is:

a. 61 years	b. 66 years
c. 73 years	d. 71 years
2. Per capita income in Pakistan is:

a. 1200 US \$	b. 1658.36 US \$
c. 1561 US \$	d. 1100 US \$
3. Population growth rate in Pakistan is:

a. 3.1%	b. 2.4%
c. 4.1%	d. 1.1%
4. Contribution of agriculture sector to GDP is:

a. 70%	b. 19%
c. 65%	d. 35%
5. Total population of Pakistan, in 2021-22 , was:

a. 170.69 million	b. 231.4 million
c. 165.93 million	d. 150.36 million

Q. 2: Complete the following statements by filling in the missing words or phrases:

1. Pakistan is an country.
2. Per capital income isincome.
3. Pakistan spends only % of its GNP on education.

4. % of our total population lives in rural areas.
5. % of our Pakistan's total area is suffering from salinity and water logging.

Q. 3: Match the statement in column A with statement in column B; choose the best answer to write in column C:

A	B	C
Agriculture sector's contribution to GDP is	58.9%	
Share of industrial sector in GDP is	21%	
Rate of population growth is	19%	
In 2021-22, literacy rate was	2.4%	
Share of expenditure on education in total national income is	2.2%	

Q. 4: Answer the following questions in three sentences:

1. What is meant by per capita income?
2. Write down three reasons of population growth?

Q. 5: Answer the following questions in detail:

1. What are the problems being faced by agriculture sector in Pakistan?
2. Write down a detail note on 'Industrial Backwardness'?
3. Explain reasons of illiteracy in Pakistan. Also give remedial measures to address this problem?
4. What are the reasons for population growth in Pakistan?
5. Give suggestions to control population growth rate?
6. Write down in detail causes of low per capita income in Pakistan?