

AN APPROACH TO IDENTIFICATION OF FACTORS AND RESOLUTION OF UNDERLYING POVERTY AND ECONOMIC INTEGRATION IN DEVELOPING COUNTRIES

1. Nisar Ahmad

Institute of Management Sciences
(Pak-AIMS) Lahore, Pakistan.
dean@pakaims.edu.pk

2. Sameen Motahhir

Center for Digital Humanities,
Information Technology University,
Arfa Towers Lahore, Pakistan.
sameen.motahhir@itu.edu.pk

ABSTRACT

The majority of people living in developing countries are seriously constrained due to their limited access to education, health and even very basic facilities of living peacefully. Since long all the efforts to alleviate poverty among poor people has not shown any significant betterment. However, beside poverty these countries are confronted with devastating differential between poor and rich in various capacities. As professionals we started realizing that most of the national and international welfare organization of the world is convinced that the poverty and income inequality in various forms is causing human suffering in almost every country in the world. Even Obama former President of United States of America recognized that this being a growing concern for the society's economic wellbeing. Unexpectedly we see a small section of the society in such countries holds power and authority to rule the masses to safeguard their own private interest. It is obvious that the poor countries with ample human resources can be the major benefactors of the provision of income equality if dominance of the ruling class is wiped out. This research paper provides a kind of approach, which points out more adoptable option for creating self-supporting force of poor people to stand on their own for dignified living.

Key words: equality, masses, poverty, dominance, competence, mission and elimination.

Introduction

Income differentials among human beings are universally recognized as a reflection indicating the manner a country's available resources are distributed among people living within the country. According to our conventional economic development indicators, the macro performance of the economic system is measurable using similar concepts such as GDP (Gross Domestic Product), Per Capita Income and many associated notions relating to education, health and job placement. But all these concepts are not representative of the income differentials among various income groups forming part of the same country.

We find several ranging differentials on the basis of income inequality between various people. But many of these differentials can be summed up within distinctly three possible levels of income tiers viz. low, middle and upper. In a way the lower income community are in majority and cover largest proportion of the global population (nearly 70%). while middle income class covers approximately 20% of the world population. The upper income class is relatively a very small section of the global population (nearly 10%).

To address issues relating to poverty elimination and income inequality, we will largely focus lower income communities to find acceptable solutions to bring immediate relief from the stress and discomforts of living for creating peaceful living domain in developing countries. Presently all our efforts to bring acceptable living standards in the low-income countries have not been very successful in providing desirable solutions.

So far poverty elimination programs based on economic growth models where trickle-down effect of high-income earning projects was to benefit the poor communities did not offer any relief to the poor communities. It is evident that poor countries cannot expect any change in their living conditions, because of the dominance of rich and powerful who deliberately pursuing policies to keep them in state of poverty, so that they can keep them for the provision of services of the nature they like to maintain a comfortable living.

There are several poor countries where life is miserable due to lack of essential education, health facilities for the common man. In such countries jobs are few and mostly inadequate in covering basic necessities of life satisfactorily. Due to non-availability of jobs and income constraints, the crime and corruption in these countries are growing very fast and denying peaceful living for the common man except for the rich class who are fully protected on

account of bulletproof autos they drive and overwhelming security around them. We are to wipe out the differentials between rich and poor, so that the poor community in the developing countries is fully protected and get an opportunity to live in the environment of peace and tranquility.

Due to globalization the importance of claiming equality for all citizens in this universe is likely to be justified to achieve secure and peaceful living. There is every possibility that each country can survive gracefully without financial and material assistance of rich countries. We find several instances where recorded evidence show that countries with greater income and wealth equality in the world, enjoy more peaceful living without security risks of the nature that make life highly expensive and insecure.

In this research paper the main emphasis will be to build a self-supporting sequence of economic solutions to promote income equality and reduce poverty levels among all people to earn, with equal opportunities, to make best use of their competitive skills for attaining better living of their own. The discussion in this context will bring the specific role of State in creating an environment of accessibility for each and every members of the society to earn independently on their own for earning maximum possible return from the time and effort they put in to avail the opportunity provided by the economic system. The solution discussed in this research paper is unique in the sense that it will invite attention of all those who seem to have neglected practical contribution which is required for eliminating poverty from the society. 658

Literature Review

Poverty is a multifaceted marvel and various social orders have various observations. It is for the most part ordered into three gatherings: first, absolute poverty, where one has not exactly dispassionately characterized edges and is a major circumstance of hardship; furthermore, relative poverty, where one has short of what others in a similar society and; thirdly, subjective poverty, which is where one feels needing in view of a feeling of not having enough to get along (Ngun, Thang, & Baharuddin, 2011).

The level of poverty among people living in the developing countries is growing and more and more people are falling below national poverty line of existence. The economic growth models so far failed to provide any relief to the poor communities living in the developing countries. Before 1970s development economist primarily devoted entire emphasis on country's

economic growth prospects, solely to make best use of available resources for achieving maximum prosperity in the economy. In fact, poverty of the common man was simply a matter of secondary concern for achieving high performance of the country. The sort of financial development that is required for neediness decrease ought to be expansive based, in other words, should cover all areas, locales and population (Mckay & Sumner, 2008).

The impacts of development are sent to the poor is through obtaining and loaning in the capital market. Expanded development is joined by expanded capital gathering, which raises the assets accessible for the poor to acquire. This will, thusly increment ventures, hence improving them off over the long haul (Aghion & Bolton, 1997).

Development economists, like Paul Rosenstein-Rodan, were of the view that there is likely to be trickle down effect when the economic growth of the economy is allowed to reach its optimum performance. Hence any policy effort to reduce poverty is likely to impede growth prospects. Such policy provisions actually divided the society among working class and the capitalists owning large industrial and business enclaves to dominate in the distribution of financial and human resources. Thus, we find that all these polices based on trickle down effect, actually created huge income differentials in the form of few rich and very rich and poor and very poor members of the society. Thus, it became very clear that all that was being advocated by the development economists was not in the best interest of the poverty-stricken people of the third world, rather it was actually a reflection of unfairness to a particular segment of powerless and resource less members of the society. Since then even agencies of international fame and experience, such as UNO, with all the possible resources and human expertise, were unable to bring any significant change in the living conditions of the common man in developing countries. 291

In 1976 the World Employment Conference of International Labor Organization decided to recommend “Basic Need” program to measure human poverty in developing countries. Actually by “Basic Need” the main purpose was to reflect poverty by describing lack of basic human **needs**, such as clean water, nutrition, health care, education, clothing and shelter. To honor victims of poverty, some 100,000 people gathered in France (Paris) on the Human Rights Liberties Plaza in 1987. This was a special occasion of unveiling of a commemorative stone by Father Joseph Wresinski, founder of International Movement ATD Fourth World. Even the United Nations in 1992 officially announced October 17, as the International Day for the

eradication of poverty. Apparently, all these appeals have been left unattended by the concerned authorities. 125

Paul Krugman while focusing on chronic inequality of income and wealth, found education sector to blame for not generating good job opportunities and dismal productivity in the economy. Krugman and Summers are of the opinion that income and wealth inequality is caused by deep structural flaws in the economic system. In fact, they suggest that these flaws are function of market power and need to be identified so that they can be remedied. Stiglitz (1998), (Hurrell & Woods, 2000) among others seem to suggest globalization as the key factor, which leads to increase in inequality. They are of the opinion that trade increases differentials in returns to education and skills, while globalization marginalizes some groups of people and liberalization is not complemented by development of the adequate institutions and governance. This view is supported by evidence from China and some transitional economies that are experiencing significant increase in inequality after their opening up to the outside world (Birdsall, 1999). 161

Globalization has contributed a great deal to promote as a means to cut costs. Many of the multinationals selling automobiles, household electronics appliances, fashion garments and ready made clothes and the like are getting their components where the skilled labor and material inputs are cheaper and management costs are lower. Many of the multinationals have already contacted countries where there is a security and law and order prevail to the satisfaction of the businesspersons 73.

All this worldly distribution pattern of income and wealth reveals that so far national and international measures to reduce poverty in developing countries are not well managed and doing nothing much to alleviate poverty in developing countries. Poverty is now being seen as internally maneuvered by a small section of the society, holding power and authority to dominate and administer the economic system. These powerful people under corrupt practices create authoritarian rules and regulations to bring the poor people under their control and authority for holding them dependent. By these policies, the rich community likes to use the poor community to serve them faithfully for availing their support to remain in power for longer period of time.

Methodology and Design

This research paper is designed to examine in-depth the factors responsible to bring income equality as a most feasible solution for eliminating human suffering in countries where majority of people are facing extreme poverty and large differential in living conditions within their own members of the society. Income inequality is a matter of growing concern, which is gaining serious concern in human societies, and seems to cause biggest threat to social stability and security around the world.

The main objective of this research paper is to create an environment of fairness and welfare for the inhabitants to live peacefully by sharing available human and material resources on equality basis, so that no body is denied opportunities to strive for earning maximum return for the amount of efforts employed as a competitor in the market setup. The research study on the basis of proven evidence demonstrates how living conditions of the entire society is made highly pro-active for indulging in business ventures in places where they can make best use of their inherent expertise to earn their living. Accordingly, the main theme of this research article is to suggest ways and means for the developing countries to create an environment where citizens are given equal opportunity to stand on their own to earn their living under a competitive market system.

Due to globalization, we see the amount of information is so widely distributed that everybody is fully aware of the constraints faced by the poor communities all over the world. In fact, this awareness has to be displayed in various forms. This study is to pin point the basic strategy to encourage common man for developing their own competence to face the challenges of market competition nationally and internationally for earning better living on their own so that poverty is eradicated without external help.

Discussion and Analysis

Poverty in developing countries is a matter of serious consequences. Nearly 70% of the population living in these countries is faced with sever hardships of human existence, which includes malnutrition, survival of children, elders and many related needs to meet daily expenses of living for the family. Such pathetic living environment promotes crime and security issues for the entire society. The international efforts put forth by the international agencies, such as the World Bank, United Nations, United States Agency for International Development and even World Vision International and Oxfam are taking keen interest in exploring ways and means to

alleviate poverty in the developing countries. Recent data collection agencies (2012) found some 1.2 billion people living in poverty, holding poverty line of \$1.25 a day as a basis for measuring poverty. The UNICEF recently declared that nearly 1.1 billion children in the world some how surviving under poverty, these estimates point out that almost half of the world population is living in poverty. In fact, a major proportion of poor people relate to countries located in Africa and Asia.179

Our efforts at all levels, national and internationally, have not proved good enough to create an acceptable level of living for the common man in poor communities. In fact, the Copenhagen commitments announced by the General Assembly in its 24th session decided to setup its targets to reduce the level of extreme poverty among poor community by one half by 2015. However, due to lack of satisfactory progress in achieving this target, the UNO announced (year 2000) all the possible physical and financial assistance to allow all poor people to attain well being prospects under the program of Millennium Development Goals where eradication of extreme poverty and hunger was assigned highest priority goal. 112

In most of the developing countries the entire focus is to provide relief to the poor communities. In such an effort State resorts to compensate by allowing regular income to the poor families through cash payments, such as Benazir Income Support program by the Pakistan Government. In some countries food and utility expenses are subsidized to provide income relief to low-income families. However, nothing much seem to have been achieved to reduce poverty levels in these countries, rather we see more and more people seem to have fallen below poverty line. Oxfam (2014) in their Report while describing very frustrating state of affairs, pinpointed that as few as 85 people hold more wealth than 3.5 billion poor people in the world. 121

Borrowing from rich countries or international institution, such as IMF and the World Bank are unconcerned with the welfare status of the common man in lending countries with the result that most of the money borrowed by the developing countries is spent on things which are largely for the benefits of the rich and elite class of the society. In fact, foreign funded projects such as construction of airports, motorways and monumental building structures for holding foreign delegates and so on, are hardly of any use for the majority of people who cannot afford to have food and shelter to survive. Almost all the developing countries in the world are under heavy internal and external debt and still they are counted poor among the poorest nations of the world. 129 X

All this worldly distribution pattern of income and wealth reveals that so far national and international measures to reduce poverty in developing countries are not well managed and doing nothing much to alleviate poverty in developing countries. Poverty is now being seen as imposed by people who hold power and authority in the country on account of the amount of accumulated wealth they own through fair or unfair means, these powerful people under corrupt practices exercise power and authority over the poor community to remain in power for longer period of time.

Most of the countries whether rich or poor have all the important ingredients to transform the economic system of their own to become highly competitive self-sustained economies among the global setup. For example, countries like Pakistan has excellent agriculture potential in addition to several material and mineral resources, Nigeria has plenty of oil, Malawi has tobacco, and Sudan has cotton and so on but still they are poor, rather poorest among poor nations of the world. In fact, the most powerful resource in any country is its people. If they are educated, trained, and made to earn their own living, they can watch their own interest and elect or select a competent ruler to run their economies. We have several role models suggesting that these poor countries need to have Will to do good to their people. Singapore, Korea, Japan, China and Malaysia are the excellent examples where will and drive played an active role in turning around the economic welfare of the common man. Leaders like Lee Kuan Yew of Singapore, and Mahathir bin Muhammad of Malaysia is very much needed to turnaround the growth path to leading position in the world. 193 X

Human beings have capability and adaptability to perform many functions, a unique quality which no other resource can claim. In the case of Japan, after World War II, large-scale destruction of physical capital left only option for Japan to make best use of the human power. Singapore is another example where in the absence of mineral and material resources, human power has done wonders and placed the country among the most prosperous countries of the world. Accordingly income equality desired must be seen for utilizing human power, in the form of surplus labor available in plenty to be educated and trained on State expenses with all the supporting facilities of health and minimum standard of living for each and every citizen. The differential between the upper class (rich) and the lower class (poor) is to be wiped out to reduce the capability of the rich and powerful people to dominate and use authoritarian wisdom to rule and govern in their own best interest. Such gaps are likely to be abridged when smaller

independent units are given an opportunity to compete with their personal competence and skillful handling of their own affairs.

Under globalization we find the world is squeezing to take situation of one bigger whole where all seem to display common interest and culture. The growing technological development and fast innovations in mobile technology, widely spreading through internet, the world discovered a new environment where the younger generation is finding several opportunities to engage themselves in making fruitful use of the time at their disposal. In fact, we have to bring people to play pivotal role in creating desired change in the welfare of the common man. So far there is enough evidence to show that those who command power and authority to distribute national resources have imposed the poverty. A change is eminent and poor people have to stand up for their legitimate rights.

When massive proportions of a nation's income and wealth are concentrated in the hands of the few, overall economic growth appears to suffer. A 2015 study by the IMF found that "if the income shares of the top 20% (the rich) increases, then GDP growth actually declines over the medium term, suggesting that the benefits do not trickle down while "an increase in the income share of the bottom 20% (the poor) is associated with higher GDP growth". The gap between rich and poor keeps widening. Economic Growth, if any has disproportionately benefited higher income groups while lower- income households have been left behind.

The possible solution to eliminate poverty cannot be based on external help or internal financial support, rather we have to create a self-supporting system of income equality under which every person in the society is given equal opportunity to compete on the basis of their individual skill and competence to earn his/her living status. We have to advocate a well-known slogan which calls for "Work and NOT Wealth "as the attitude of each citizen to be adopted to earn better living status. Thus, it will be a turnaround of the system where domination of income and wealth ownership is replaced with small independent highly efficient producing units on the lines we have already witnessed in Japan after the World War II.

A more realistic and successful solution to bring proper self-supporting system of income equality requires that every person in the society must be given equal opportunity and not equal cash money to compete and earn his/her living. The developing countries with ample human resources can be the major benefactors of such independent small producing units. Such

countries have high potential of using people who otherwise may be fully or partially unemployed most of the time.

The developing countries must reverse their national priorities, which presently seem to have painfully neglected the welfare of the majority of people living in these countries. In fact, we may have to follow the approach of Prof. Muhammad Yunus of Bangladesh establishing Grameen Bank, a revolution, which captured world attention. Following this approach, it is desired that the State in these countries must extend interest free small loans to the eligible smaller industrial units to do business on their own. The economic growth concept must be rebuilt on the ground that the developing countries cannot benefit from the foreign assistance and or cash payments to the poor communities, rather the people in developing countries need to be focused, educated, trained and provided with the opportunities to work and to do business in their skillful areas to compete in the national and international markets.

The primary function of reducing poverty among people in the society is actually an attempt to increase income equality of all those who are unable to afford to have comfortable living. Presently we see very many countries offer their citizen equality in income and are successful in organizing living standards to achieve an acceptable level of welfare for each citizen. Ukraine, being middle-income country, formally part of Soviet Union, is poorest in Europe continent. Considering income equality, Ukraine holds world leadership position among its countrymen. As regards Gini index, Ukraine is rated lowest with the rating of 25.5. Iceland, fairly rich among European countries offers highly comfortable living facilities. Its Gini index is around 25.6. Slovakia being one of the developed economies of Europe is rated third, having income equality status with Gini index of 25.7. While other countries in Europe, including Norway, Finland, Kosovo, Belarus and Kazakhstan have reached very similar status.

Among the existing setup of countries taking poverty reduction programs as an important economic welfare drive for increasing welfare of common man, China, Malaysia and Singapore has been extremely successful in achieving best possible results. Chinese since year 2000 were living as one of the poorest countries in the world, where 41% of people in China were living below national poverty line. However, in 1978 China took the initiative and started widespread economic reforms and was able to achieve substantially high rate of economic growth for uplifting the economic prospects in the best interest of the common man. Actually, China under took a policy program for trade liberalization to encourage foreign investors to make investments

and to its “Open door policy” resulted in a complete success. All this actually gave highly attractive and motivating terms to the foreign capital to make best use of the opportunities China announced. This allowed China to gain the status of industrial hub in the international world. With economic growth and rapidly growing job opportunities in China, poverty rate in China dropped and poverty rate in China is now close to 3.2% of the people living below national poverty line. Apparently, China presents an excellent approach to achieve income equality at the grass root level.

Poverty in Malaysia in early days was recognized as extremely poor where 65% of Malaysian was living life of human misery and discontent. During the last 30 years, Malaysia reduced high poverty rate with the mission to bring high-income status by 2020. Presently Malaysia successfully attained poverty status where only 0.4 % (2016) of Malaysian is living below the national poverty line. Malaysia followed two very distinct policies for reducing poverty, which included equitable opportunities for all and providing a social safety net for the disadvantaged groups. In addition allowing equitable access to health, education and basic infrastructure. The success of Malaysian approach was due to reliance on social policies with supportive elements of an orderly and incremental development. So far Malaysian policy framework was very successful in poverty reduction program on account of a strong government and public sector commitment designed to improve the welfare and well being of all Malaysian. Singapore, previously a low performing economy is now counted one of the outstanding and stable countries in the world. All this happened because of Lee Kuan Yew who made it possible to turnaround by his dedicated policies of economic growth.

These successful poverty eradication stories clearly define the design of approach required to eradicate poverty in the developing countries. Primarily these countries are to find a highly devoted and earnest leadership like top management of China, Lee Kuan Yew of Singapore and Mahathir bin Muhammad of Malaysia. We see a similar approach is being followed by Imran Ahmed Khan of Pakistan, Prime Minister of Pakistan to provide a similar leadership campaign for eradication of poverty among all Pakistanis. The next but very challenging remedial measure is to wipe out income differentials between rich and poor in the society. All these initial steps require role of State in providing equal opportunities for the common man to get education and health facilities to gain all the skills required to live independently. Such measures are likely to create a highly motivating environment of

productivity and efficient competition among all skill holders to prove their worth in earning their living.

We have many successful living models of income equality among countries of Western Europe and highly appreciative attempts of countries like China, Malaysia, and Singapore who left little doubt as to the desirability to have income equality (equal opportunity) as the most effective remedial measure to alleviate poverty among developing countries of the world. Each developing country on its own can make their people stand as successful competitors in the national and international market setup, if the income differentials due to corrupt practices and mismanagement of national resources by a few are cleaned up, and each citizen is given equal opportunity to avail education, health and other social services without any discrimination.

We see business organizations all over the world are in search of low cost inputs to keep the prices of their products /services low enough to gain competitive edge among its competitors. (Dowling & Valenzuela, 2004) presented sufficient evidence to suggest that the comparative advantage of many of less developed countries in the supply of labor, skilled and semi skilled professionals, and raw materials, along with many of the concessions allowed to the foreign investors, becoming increasingly attractive business centers for the well-established business firms. Such an environment will be self-promoting prosperity and human welfare without any external help and assistance in developing countries.

All our efforts to eradicate poverty in developing countries will be unsuccessful on account of very basic deterrents causing negative constraints to allow poor people to use freedom to employ themselves building competitive strength on their own for better living. The administrative setup in developing countries is in the hands of rich and powerful community who by employing corrupt practices create a chain of authority to keep majority of poor people under their suppression. The first and most effective way of handling poverty eradication program in developing countries is to minimize income differentials (rich and poor) among people.

There will be always different levels of income holders, reflecting their personal Expertise showing skill and competence and capability they learned to earn livelihood under a competitive setup. Such an environment is essential to promote income equality among people based on the competence they own when competing in the market setup. To achieve the desired goals, the State in developing countries must ensure to provide a basic standard of minimum facilities, including education, and health facilities as their birth right and complete accessibility

to present themselves for various job openings when announced in the economic system. It is all possible if we have cleaned up the income differentials appearing among various members of the society on account of corrupt practices, and provide basic assistance to common man to become fully equipped to stand up to earn -livelihood under the competitive setup.

Conclusions & Recommendations

In the context of developing countries poverty has been a major cause of human suffering. Since long we see nothing happened to change the poverty status of the common man in poor countries. We remember the conventional claim of the world development economists concerning trickle-down effect of achieving highest economic growth, while subsidizing poverty issues as of secondary importance. This approach -actually created two distinct classes of human living. The small, rich industrial class, which commanded power and authority to rule and the majority poor resource less people, as working class for providing them services.

So far, we see several national and international programs and strategies to alleviate poverty in developing countries but the outcome has been hardly beneficial and encouraging. Poverty cannot be successfully eradicated through external sources. This is why all the efforts so far employed by international benefactors, many of them like the World Bank, were unable to produce any significant change in the poverty status of poor communities living in developing countries.

Poverty reduction programs undertaken by developing countries on their own have been given high priority and the poor families in these countries have been provided with financial assistance on regular basis plus concessions in their utility bills. But all these measures have never shown any improvement in living conditions of these poor families. We need to create self- supporting system of making poor people educated and fully equipped to earn their own living in areas of specialization, where they can compete and receive maximum returns on their own. This is exactly the strategy which income equality concept likes to promote for justifying earning according to the ability and competence of each person in the society.

We must realize that poverty cannot be eliminated in its absolute terms. We will be always poor in comparison with some one more capable, competent, efficient or resourceful. But if each individual of the society is educated and trained, we will be encouraging them to put their

best to earn to be among the most efficient member of the society enjoying equal opportunities to live according to the amount of input they are capable to afford.

The successful cases of poverty eradication exercise carried out by countries like China, Malaysia, Singapore provide sufficient evidence that poor countries on their own can turnaround the poverty status of their own poor people, if they can find genuine and dedicated leadership to bring the change. Just like top management of China, Lee Kuan Yew of Singapore, and Mahathir bin Muhammad of Malaysia, who steered all the issues facing their economies and they are successful on their way to achieve their ultimate objectives. This is most reliable solution for all the poor countries in the world to achieve success in eradicating poverty from the society. Apparently, Imran Ahmed Khan, Prime Minister of Pakistan is determined to wipe out the differential between rich and poor in the society and eradicate corruption at all levels to create equal opportunities for all Pakistanis to learn and earn on their own for contributing in the growth of the economy. This is very encouraging, and we see possibility of success in his attitude.

References

- Aghion, P., & Bolton, P. (1997). A Theory of Trickle-Down Growth and Development. *ECONSTAR*, 6.
- Birdsall, N. (1999). Globalization and the Developing Countries: The Inequality Risk, Remarks at Overseas Development Council Conference. *International Trade Center*.
- Dowling, J. M., & Valenzuela, J. R. (2004). Economic Development in Asia. *Thomson Learning Offices Singapore*.
- Hurrell, A., & Woods, N. (2000). Inequality, Globalization and World Politics. *Sage Journals*.
- Mckay, A., & Sumner, A. (2008). Economic Growth, Inequality & Poverty Reduction: Does Pro-Poor Growth Matter? *ECONSTAR*, 5.
- Ngun, H., Thang, C., & Baharuddin, A. H. (2011). Poverty Reduction: A Continuous Social Responsibility in Malaysia. *Global Journal of Social Sciences Studies*, 30.