

PAKISTAN

NATIONAL HUMAN DEVELOPMENT REPORT 2003

POVERTY, GROWTH AND GOVERNANCE

Akmal Hussain

With inputs from

A.R. Kemal, A.I. Hamid, Imran Ali, Khawar Mumtaz, Ayub Qutub



© United Nations Development Programme 2003

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of UNDP.

ISBN 969 8736 00X

The analysis and policy recommendations of the Report do not necessarily reflect the views of the United Nations Development Programme, its Executive Board or its Member States. The Report is an independent publication commissioned by UNDP and authored by Dr Akmal Hussain who deserves all the moral rights to this publication.

Typeset in Times
Printed in Pakistan by
New Sketch Graphics, Karachi.
Produced by
Oxford University Press
Plot No. 38, Sector 15, Korangi Industrial Area,
Karachi-74900, Pakistan.

Acknowledgements

The poor in Pakistan in their songs and dances, as much as in the cadences of their speech celebrate their tradition that synthesizes Love and Reason. They affirm their humanity by giving of themselves to their families and friends: 'Burn the blood of your heart for your friends', runs a Sufi song. It is in this spirit that I undertook a two-year labour of love in writing this report.

To start with thanks are due to Mr Onder Yucer who set me off on this long and often painful journey. His trust and affection inspired me to give of myself for the research and writing of this report.

Special thanks are due to Dr Hafiz Pasha for his incisive comments and invaluable suggestions on my preliminary analysis of the survey data. His encouragement at a critical moment in the NHDR work were a great source of strength. Thanks are also due to him and his staff at UNDP Headquarters for their helpful comments on the first draft.

A profound debt of gratitude is owed to Mr Omar Noman whose diligent reading of the first draft and detailed suggestions were invaluable in improving the quality of the final version of the report. Thanks are due to Dr Socorro L. Reyes for her comments and written input which led to a more detailed analysis and policy suggestions on the gender issue in the final version of the report. I must also thank Ms Lena Lindberg, Dr Inayatullah, Mr Naeem Ahmad and the other staff members of the UNDP in Islamabad for their encouragement and comments on an earlier draft.

I am grateful to Dr A.R. Kemal and his team for the NHDR/PIDE Survey on the basis of which I was able to present the analysis in chapter 3. Thanks are also due to Mr A.I. Hamid for doing the Impact Assessment Spot Survey on the basis of

which I was able to write sections II, III and IV of chapter 4. I am grateful to Professor Imran Ali for his analysis of the Pakistan area in the eighteenth and nineteenth centuries which is embodied in two boxes at the end of chapter 2 of the report. I am grateful to Ms Khawar Mumtaz for her paper on the gender perspective which was helpful for me in bringing the women's dimension as a vital element in the policy section III of chapter 5 of the report. Thanks are also due to Mr Ayub Qutub for his work on the environment which enabled me to write two paragraphs in sub-section V.11 at the end of chapter 5.

I would also like to thank Mr Umar Zafar (who gave of his time voluntarily) and Mr Wasay Majid for their assistance in estimating Human Development Indices. Particular thanks are due to Syed Khalid Ali who gave of his time and energy on a voluntary basis to help compile newspaper based reports on suicides.

Thanks are also due to Mr Muhammad Azeem for his indefatigable efforts in typing out successive drafts of each chapter. I am grateful to Mr Ijaz Ali Qureshi for the long hours of voluntary labour and imagination that he deployed in developing the formatting design of the report. Thanks are due to Savail Hussain for his helpful suggestions before the start of the research and for reading through the final version. I shall always remember with gratefulness, the commitment and hard work of the staff of Sayyed Engineers who kept the company running and thereby allowed me to take time off for two years, to research and write this report.

Finally thanks are due to my wife Rafia and the children, Savail, Jalal and Abbas for their patience, love and understanding.

Akmal Hussain

Contents

FOREWORD iii

ACKNOWLEDGEMENTS iv

OVERVIEW vii

INTRODUCTION xv

CHAPTER 1

The Multifaceted Crisis of Economy and Society 1

The Financial Crisis 3

The Economic Crisis 5

The Crisis of the Human Condition 10

Conclusions 32

CHAPTER 2

Economic Policy, Economic Structure and Poverty 35

Introduction 37

The Ayub Regime 1958-69: Economic Growth, Inequality and the Roots of Financial
Dependence 37

The Bhutto Regime 1973-77: Investment, Growth and the Budget Deficit 41

The Zia Regime 1977-89: Economic Growth and the Prelude to Recession 43

The Deepening Crisis 1989-99: Economic Growth, Employment and Poverty
in the Decade of the 1990s 45

Conclusions 47

CHAPTER 3

The Structure of Poverty and the Process of Poverty Generation 51

Introduction: A Conceptual and Empirical Perspective on Poverty 53

Poverty and Modes of Financing Consumption 54

Poverty Alleviation and Number of Earners in the Household 57

Local Power Structures, Markets and Poverty 60

Disputes and the Economic Cost of Seeking Resolution 68

Poverty and Illness 69

Micro-Enterprises and Poverty Alleviation 71

Credit for the Poor: Where Does It Come From, Where Does It Go? 72

Conclusions 75

CHAPTER 4

Poverty Alleviation through NGOs 81

Types of NGOs and the Participatory Development Approach 83

Selected Issues in Micro-Credit 85

Profiles of Participatory NGOs 89

Comparative Impact Assessment of NGOs 92

Strategic Issues of Up-scaling 94

Enabling Apex Structure for Poverty Alleviation with NGOs 98

Conclusions 100

CHAPTER 5	
A Strategy of Economic Growth and Empowering the Poor	103
Introduction	105
Structural Factors in Slow Growth and Rising Poverty	105
Restructuring Growth for Faster Poverty Reduction	107
Direct Attack on Poverty	111
The Government's Policy Measures	116
Summary Policy Proposals	122
Conclusions	125

REFERENCES	129
-------------------	------------

ANNEXURES	
Chapter 1	131
Chapter 2	149
Chapter 3	155
Chapter 5	177

CHAPTER 3

THE STRUCTURE OF POVERTY AND THE PROCESS OF POVERTY GENERATION



Photograph by Sami-ur-Rehman

**Now my being is caught in a vice,
Like sugar cane in the cane crusher,
The challenge is to still remain true**

– MIAN MUHAMMAD BAKHSH
19th Century Sufi Poet
(Translation)

The Structure of Poverty and the Process of Poverty Generation

I. INTRODUCTION: A CONCEPTUAL AND EMPIRICAL PERSPECTIVE ON POVERTY

The poor in Pakistan like all human beings have a creative potential. Yet, by being denied the minimum of food and basic necessities, such as health, education and employment opportunities, they are rendered incapable of actualizing their human potential.¹

In understanding this constraint to human development, the poor in Pakistan cannot simply be seen as individuals with certain adverse 'resource endowments', making choices in free markets. Poverty occurs when the individual in a fragmented community is locked into a nexus of power, which deprives the poor of their actual and potential income. The poor face markets, state institutions and local power structures, which discriminate against access of the poor over resources, public services and governance decisions which affect their immediate existence.²

Most studies on poverty in Pakistan have examined the problem simply in terms of measuring the number of people below certain poverty lines. However, if poverty is to be overcome, what may now be important is to understand the processes of poverty creation and to identify points of intervention in the process through which the poor can be enabled to overcome poverty on a sustainable basis. In the pursuit of this objective, the NHDR study for the first time undertook to establish a new data set to be able to conduct an analysis of the mechanisms through which poverty is perpetuated and the possible routes out of it. Any data set contains information within certain specific classifications. The particular classifications emerge from the questions posed. The NHDR data set is new, simply because the underlying questions have not been

asked before. Some of the questions raised are: How do distorted markets for inputs and outputs of goods and services result in the loss of the actual or potential income of the poor? If this is indeed the case then what is the magnitude of the income loss? How do local structures of power with respect to landlords, local administrative officials, and institutions for the provision of health, credit and dispute resolution, deprive the poor of their income, assets and the fruits of their labour? who are the poor, what kind of occupations and institutions are they engaged in, and what are the constraints to increasing their incomes?; to what extent are urban poor engaged in micro enterprises, and what are the problems that prevent an increase in their profitability?; where do the poor borrow from and how do they use their loans?; finally, how do the poor finance their budget deficit? Almost every study on poverty in Pakistan shows that the consumption level of a large proportion of households fall below certain calorific norms. However they fail to ask, when incomes of the poor fall below their minimum consumption levels, how is consumption financed? The mode of financing consumption in excess of their income levels has a strong bearing on the future income levels and the probability of either moving out of poverty or falling deeper into it. In the pursuit of these questions it is hoped to develop for the first time an understanding of the dynamics and concrete nature of poverty, rather than merely its magnitude. These broad questions specified by Akmal Hussain were the basis of the survey.

The survey was conducted by A.R. Kemal and his team at PIDE. Since the poor exist not as isolated individuals but as family households living in communities, no matter how fragmented, therefore the survey focused on eliciting

Poverty occurs when the individual in a fragmented community is locked into a nexus of power, which deprives the poor of their actual and potential income.

The poor face markets, state institutions and local power structures, which discriminate against access of the poor over resources, public services and governance decisions which affect their immediate existence

information from eight poor communities in seven carefully selected districts. The study is called the NHDR/PIDE Poor Communities Survey of Pakistan 2001. Since this is a sample survey of seven districts of Pakistan it cannot be claimed that it is representative of the entire country. However, systematic and careful selection of poor communities from all provinces of the country provides a rich source of data to examine the factors responsible for poverty generation.

The survey design for data collection on the eight communities is discussed in Annexure-I of this chapter. However, it may be pertinent to point out here that the survey was focused on poor communities. Consequently, the non-poor category in the income classes shown in the ensuing tables, refers not to affluent people but those who are 'not so poor'. The average annual household income of the non-poor being only four times that of the poor is on average still only Rs.123,273 (US\$2,055 per year). In section-II, poverty levels and modes of financing consumption expenditure in the eight poor communities are examined. In section-III, the implications of the employment status and education level of the earning members of the household for its ability to pull out of poverty are discussed. In section-IV, an analysis is presented, of how local power structures and distorted markets for inputs impact the process of poverty creation. Apart from this, the process of income loss to the poor resulting from distorted markets for farm output is analyzed and its magnitude estimated. In section-V, the nature of disputes which the poor are undergoing and the erosion of incomes associated with existing forms of dispute resolution are briefly discussed. In section-VI, the data on the health of the poor is analyzed to show how vulnerability of low income groups to disease and associated medical expenses could be a major factor in pushing non poor households into poverty and poor households into extreme poverty. In section-VII, the employment status of the non-farm households with respect to micro enterprises is examined and the problems related with their functioning with associated implications for poverty are specified. In section-VIII, the role of corruption, credit and indebtedness in the poverty process are examined.

II. POVERTY AND MODES OF FINANCING CONSUMPTION

The basic difference between the extremely poor and the poor categories is that in the former, the total annual household income (Rs.15,350) is substantially less than the food consumption requirement (Rs.18,497), while in the latter the annual total household income (Rs.40,566) is sufficient to fulfill the food consumption requirement, although not enough to fulfill the total consumption requirements (excluding durables) (Rs. 41,092). Therefore the distinguishing feature between these two classes of the poor is that the extremely poor are obliged to use loans for food consumption requirements, while those in the poor category do not have to do so. Similarly in the extremely poor category the total consumption requirements (excluding durables) (Rs.23,722) is greater than the annual total household receipts including transfers and remittances received. In the poor category, by contrast, the total receipts (Rs.45,818) are greater than the total consumption requirements. In the non-poor category, annual total household income is not only enough to fulfill food consumption, but also more than enough to finance total consumption (excluding durables).

The extremely poor, whose incomes and receipts fall below the poverty line, tend to use loans and sale of assets to increase their consumption level. Since availability of loans to the extremely poor is constrained and they often do not have substantial assets, they suffer from extreme nutritional deficiencies. Total available resources of the extremely poor are 84.0 per cent of the poverty line.

In urban areas, the total household incomes of the extremely poor and the poor of Rs.30,266 and Rs.53,830, were only 39.5 and 70.9 per cent of the poverty line, respectively. In the rural areas, household income levels of the extremely poor and the poor are 21.6 and 61.9 per cent of the poverty line, respectively.

Transfers, especially the remittances, supplement considerably the total income of both the extremely poor and the poor categories. For the extremely poor, remittances account for 16 per cent and total transfers 20.9 per cent, and for the poor, remittances account for 4.2 per cent and total transfers 5.3 per cent of the total

Table 1 Average Household Income, Receipts and Total Available Resources

	Extremely Poor	Poor	Non-Poor	Total
Pakistan				
Total Household Income	17,397	41,093	115,690	42,972
Total Receipts of the Households	20,170	43,925	123,273	46,506
Total Resources available to the Households	25,184	52,624	147,382	56,079
Total Consumption by the Households	24,152	41,764	85,217	41,330
Food Consumption by the Households	19,041	32,381	62,325	31,599
Urban				
Total Household Income	30,266	53,830	110,804	51,007
Total Receipts of the Households	30,691	54,207	110,894	51,370
Total Resources available to the Households	33,030	57,000	114,061	54,024
Total Consumption by the Households	28,740	44,562	63,002	40,354
Food Consumption by the Households	23,465	36,229	49,200	32,612
Rural				
Total Household Income	12,495	35,704	116,992	39,918
Total Receipts of the Households	16,162	39,575	126,574	44,657
Total Resources available to the Households	22,195	50,773	156,267	56,860
Total Consumption by the Households	22,405	40,580	91,141	41,701
Food Consumption by the Households	17,356	30,753	65,824	31,214

Source: NHDR/PIDE Survey 2001.

Table 1 (a) Average Household Income, Receipts, and Total Available Resources by Economic Status

Economic Status	Total Household Income (including Imputed Rent and Profit)	Other Transfers (excluding Remittances)	Total Receipts H.H. income + Transfers Received + Remittances	Net Credit during Last Year	Total Available Resources	Food Consumption	Total Consumption Excluding Durables
Extremely Poor	15,350	684	21,738	3,998	24,547	18,497	23,722
Poor	40,566	456	45,818	4,800	51,165	32,203	41,092
Non-Poor	106,100	1,078	118,492	10,886	132,798	57,794	78,790
Average	42,972	666	—	5,639	56,079	31,599	41,330

Source: NHDR/PIDE Survey 2001.

receipts. Despite the large transfers the current receipts of the extremely poor fall short of their consumption levels by 35 per cent and they have to resort to credit and sale of assets to finance their meager consumption levels. As much as 17 per cent of total consumption of the poor is financed through credit and 5 per cent through the sale of land. Even though the poor on average spend less than the total receipts, yet a large number of households amongst them do use credit and proceeds from the sale of assets to finance their consumption; 10 per cent of the consumption of the poor is financed through net credit and 2 per cent through the sale of assets. The deficit between food consumption requirements and total household receipts of the extremely

poor is much higher in the rural areas than in urban areas.³

The pattern is observed in all the communities covered in the survey. The highest level of poverty is observed in Lahore urban and Khuzdar where 93.5 and 91.3 per cent of the households were poor and the minimum in Lahore rural where 66.9 per cent of the households were poor (see Table 3). While the poverty levels have been high across all the areas, the abject poverty levels do differ. For example both in Karachi and Lahore urban, the average level of income of the poorest has been 5 to 6 times that of the rural areas. Even more important, it is the inequality of incomes within the community that underlies poverty; average incomes of the richest

Table 2 Transfers and Financing of Consumption (Proportion)

	Extremely Poor	Poor	Non-Poor	Total
All Pakistan				
Remittances/Total Receipts	0.12	0.05	0.07	0.08
Other transfers/Total Receipts	0.04	0.01	0.01	0.02
Consumption/Total Receipts	1.24	0.96	0.74	1.02
Net Credit/Consumption	0.14	0.13	0.15	0.14
Land Sale/Consumption	0.05	0.03	0.04	0.04
Urban				
Remittances/Total Receipts	0.00	0.00	0.00	0.00
Other transfers/Total Receipts	0.02	0.00	0.00	0.00
Consumption/Total Receipts	0.95	0.83	0.59	0.83
Net Credit/Consumption	0.07	0.06	0.04	0.06
Land Sale/Consumption	0.00	0.00	0.00	0.00
Rural				
Remittances/Total Receipts	0.20	0.08	0.08	0.13
Other transfers/Total Receipts	0.05	0.01	0.01	0.03
Consumption/Total Receipts	1.44	1.04	0.76	1.13
Net Credit/Consumption	0.18	0.17	0.16	0.17
Land Sale/Consumption	0.07	0.05	0.05	0.06

Source: NHDR/PIDE Survey 2001.

10 per cent of the households in the eight communities is 16.1 times that of the poorest 10 per cent of the households.⁴

Transfers take various forms such as boarders and lodgers, *zakat* from government, *zakat* and *ushr* from private sector and remittances from within and outside Pakistan. Boarders and lodgers, (i.e., households who earn rental income from those who stay on a 'paying guest' basis), is most common amongst the extremely poor who accounted for 63.1 per cent of all households providing the boarding and lodging facility; 31.8 per cent were poor and 4.5 per cent were non-

poor. However, the boarding and lodging supplemented the incomes of the extremely poor to the extent of only Rs.7,904. Such supplementary income in the case of the poor and the non-poor is Rs.18,364 and Rs.65,000 respectively. Another aspect of significance in the case of boarders and lodgers is that it is more common in rural areas than in urban areas.

Zakat, *ushr*, *fitrana* and *nazrana*, (different forms of charity), have been quite significant for both the extremely poor and the poor. The two most important aspects that emerge from the analysis are that the assistance from charity in the private sector is three times that in the public sector, and that the non-poor are also recipients of government *zakat* indicating the widespread corruption generally alleged in this sphere. The extremely poor accounted for 66.7 per cent of government *zakat* recipients, which rises to more than 80 per cent in the case of private sector *zakat* recipients.

The remittances constitute a major supplement to their incomes but mainly in rural areas. The proportion of the households that received remittances is almost evenly distributed amongst all the three categories of households. Remittances are received from both within and outside Pakistan. Pension and gift receiving households have been relatively few especially among the poor because they rarely have government jobs or pensions [see Annexure-3 (b)].

Since remittances constitute a major supplement to household incomes, any policy that helps in increasing the remittances could be quite potent in poverty

Table 3 Poverty Levels, Incomes and Receipts in Various Communities

	Poverty Levels (%)	Mean Income		Ratio of Richest to Poorest	Mean Total Receipts		Ratio of Richest to Poorest
		Poorest	Richest		Poorest	Richest	
Karachi	83.1	17,900	129,007	7.2	19,225	129,123	6.7
Badin	85.0	3,902	130,957	33.6	6,430	130,957	20.4
Mirpur Khas	96.7	4,187	183,162	46.1	4,969	193,162	38.9
Muzaffar Garh	86.1	8,259	161,211	19.5	14,081	169,196	12.0
Lahore Urban	93.5	21,233	110,895	5.2	22,142	110,895	5.0
Lahore Rural	66.9	10,023	178,298	17.8	77,200	190,042	11.0
Dir	80.1	2,197	182,103	82.9	28,909	194,392	6.5
Khuzdar	91.3	4,061	92,945	22.9	5,345	92,945	17.4
Total	83.7	8,764	140,972	16.1	14,448	147,679	10.2

Source: NHDR/PIDE Survey 2001.

reduction. The characteristics of migrants, therefore, can be rather helpful in devising emigration policy. The young, males and married persons, form the bulk of migrants. Since as much as 73.9 per cent of the migrants were illiterate or had just primary education, their earnings have been rather low; the non-poor migrants earn more because of their better human resources [see Annexure-3 (c)].

III. POVERTY ALLEVIATION AND NUMBER OF EARNERS IN THE HOUSEHOLD

The number of earners in a household is one of the major determinants of the income level and the probability of falling below the poverty line. The key factor that determines whether a poor household shifts out of poverty or moves deeper into poverty is the share of household income contributed by the second earner. As table 4 shows the percentage share of the second earner in household income is 13.4 for the poor category. When this share increases the household enters the category of non-poor (17.8 per cent) and when it falls substantially (4.0 per cent) the household becomes extremely poor.

The low levels of income of the extremely poor and the poor, and the low probability of getting employed are reflective of their low human resource development. This is also manifested in the fact that as many as 83.4 per cent of the extremely poor and 73.5 per cent of the poor are illiterate and another 7.6 and 13.9 per cent in the two categories of poor, respectively, have merely primary education. Only 2.3 per cent of the extremely poor and 3.5 per cent of the poor have higher level of education and they are poor because of their inability to get a job.

Table 4 The Incomes of the Principal and Second Earners

	Extremely Poor	Poor	Non-poor	Total
Total earned income	15,339	35,550	96,109	36,685
Major earner income	14,608	29,566	69,447	29,652
Second earner income	617	4,759	17,119	4,983
share of major earner (%)	95.2	83.2	72.3	80.8
share of second earner (%)	4.0	13.4	17.8	13.6

Source: NHDR/PIDE Survey 2001.

The women in the sample contribute only 4 per cent to the incomes of the households. (see Table 6). This is mainly because of the fact that only earned money income is considered and also because the women from poor households due to asymmetries in market access, get very low wages. They are also unable to work much of the time due to frequent illness. The share of women in household income of the poor and the extremely poor is higher than their contribution in the non-poor segment of the population. Whereas the share in the household income of women in the non-poor households in the urban areas is higher, in the rural areas it is even smaller.

Besides education, productivity depends on learning by doing, on the job training and experience. Whereas there is not much variation in the period of experience, (each category has 14 to 16 years of experience), it has been their low level of education and lack of improvement in skills that is responsible for the low levels of productivity and incomes. The proportion of persons who got on the job training is rather small in the case of the extremely poor. Moreover, the poor do not have sufficient work; number of hours worked is relatively much lower for the poor and the extremely poor (see Table 7).

As we have mentioned above, the share of household income contributed by the

The key factor that determines whether a poor household shifts out of poverty or moves deeper into poverty is the share of household income contributed by the second earner

Table 4 (a) Percentage of Second Earners within Each Economic Category by Education Level

Economic Status	No Education (%)	Upto Primary (%)	Middle (%)	Matric (%)	Higher (%)	Total
Extremely Poor	81.4	13.4	1	1	3.1	100
Poor	77.5	10.9	4.7	4.4	2.5	100
Non Poor	58.9	14.4	8.7	8.7	9.1	100

Source: NHDR/PIDE Survey 2001.

Table 5 The Education Levels of the Various Sections of Population

Average of Sample	Extremely Poor	Poor	Non-Poor	Total
All Pakistan				
Education Level of Major Earner	(%)	(%)	(%)	(%)
No education	83.4	73.5	50.3	73.6
Primary	7.6	13.9	14.6	11.6
Middle	3.6	4.2	10.7	5.0
Matric	3.1	5.0	11.0	5.2
Higher education	2.3	3.5	13.4	4.6
Education Level of Second Earner				
No education	84.0	78.5	51.4	70.9
Primary	10.6	11.4	15.7	12.6
Middle	2.1	4.5	9.5	5.7
Matric	1.1	3.5	11.4	5.6
Higher education	2.1	2.1	11.9	5.1
Pakistan (Urban)				
Education Level of Major Earner				
No education	83.2	82.8	68.1	81.2
Primary	7.0	8.1	16.7	8.6
Middle	3.7	5.4	5.6	4.7
Matric	2.0	1.7	2.8	2.0
Higher education	4.1	2.0	6.9	3.4
Education Level of Second Earner				
No education	94.7	88.9	71.2	86.0
Primary	2.6	6.5	9.6	6.6
Middle	2.6	3.3	5.8	3.7
Matric	—	1.3	5.8	2.1
Higher education	—	—	7.7	1.6
Pakistan (Rural)				
Education Level of Major Earner				
No education	83.4	69.4	45.5	70.5
Primary	7.9	16.4	14.0	12.8
Middle	3.5	3.7	12.1	5.1
Matric	3.5	6.4	13.3	6.5
Higher education	1.6	4.1	15.2	5.1
Education Level of Second Earner				
No education	76.8	71.3	44.9	62.5
Primary	16.1	14.8	17.7	16.0
Middle	1.8	5.4	10.8	6.9
Matric	1.8	4.9	13.3	7.6
Higher education	3.6	3.6	13.3	7.1

Source: NHDR/PIDE Survey 2001.

Box 1 Moving out of Poverty

Rehman-ud-Din, Village Shah Alam Baba, District Dir: Rehman-ud-Din's family has moved out of poverty. His father, who died twenty years ago, was an Imam in the local mosque. He depended upon the grain received as charity from the community. Rehman has been a hard worker since his childhood. In the morning, he used to go to school and in the afternoon he worked in the fields. When his father died he was quite young. He continued his education and work in the field. He was able to complete his MA although his mother had to sell their land to finance his education.

Rehman was lucky in getting employment in the forest department as a forest officer. Rehman worked hard and got rapid promotion.

At present the government has given him a house and a car. His salary is sufficient for his household needs. Although he does not live in the village he is an active member of the joint family and he visits his mother and brothers once a week.

Rehman's mother says that her family came out of poverty due to her son's education and hard work. She never lost courage after the death of her husband. Now she is contented with life and she has no more wishes except going for Haj. All her sons are employed. Rehman's family is not in any dispute. In short this family came out of poverty due to hard work, education and employment. Rehman played the key role in pulling his family out of poverty.

second earner is an important factor in the household's shifting out of poverty or being pushed into deeper poverty. Therefore, it may be pertinent to point out that an important determinant of the income share contributed by the second earner is the education level of the second earner. As table 4 (a) shows only 1 per cent of the second earners in the extremely poor category are matriculates while 4.4 per cent of second earners are matriculates in the poor category. The percentage doubles to 8.7 per cent in the case of non-poor households.

Both because of the low level of education as well as little improvement in their skills, they are absorbed only in the occupations where the productivity levels, and hence wages and incomes, are rather low. As much as 66.7 per cent of the major earners in the urban areas belonging to the extremely poor are unskilled workers. In the rural areas, 53.4 per cent are unskilled and 30.4 per cent are agricultural workers (see Table 8). These ratios are significantly higher than that in the case of the poor, and even higher when compared to the non-poor. The mobility of workers across various occupations seems to be low. Vocational training and apprenticeship programmes to impart training to the workers after the primary education may therefore be helpful in reducing poverty levels.

Whereas education level amongst the poor and extremely poor is rather low, there are some highly educated persons in the categories of the poor and the extremely

Average of Sample	Extremely Poor	Poor	Non-Poor	Total
All Pakistan	0.04	0.05	0.04	0.05
Urban	0.01	0.03	0.07	0.02
Rural	0.06	0.06	0.04	0.06

Source: NHDR/PIDE Survey 2001.

	Extremely Poor	Poor	Non-Poor	Total
Pakistan				
No. of hours worked last week	46.7	49.0	50.3	48.3
Experience	13.1	14.6	15.1	14.1
On-Job Training	9.5	46.3	44.2	100.0
Urban				
No. of hours worked last week	49.6	53.2	59.6	52.5
Experience	11.1	13.1	15.1	12.5
On-Job Training	7.7	38.5	53.8	100.0
Rural				
No. of hours worked last week	45.4	47.2	47.8	46.6
Experience	14.0	15.3	15.1	14.8
On-Job Training	9.8	47.6	42.7	100.0

Source: NHDR/PIDE Survey 2001.

poor households. Amongst the educated youth, 78.5 per cent of the extremely poor and 60.0 per cent of the poor were unemployed. They have been so

Table 8 The Occupation of the Major Earners

Average of Sample	Extremely Poor	Poor	Non-Poor	Total
Pakistan				
Professional workers	2.4	2.4	4.8	2.8
Clerical & Service workers	6.4	12.6	13.9	10.4
Agriculture/Livestock workers	21.8	24.9	28.5	24.2
Business/salesmen/milkmen	3.4	6.5	13.6	6.4
Skilled workers	8.0	12.3	14.5	11.0
Unskilled workers	57.5	40.2	23.9	44.3
Miscellaneous	0.6	1.2	0.6	0.9
Urban				
Professional workers	1.7	0.7	1.4	1.2
Clerical & Service workers	14.2	20.8	15.7	17.6
Agriculture/Livestock workers	1.7	0.7	1.4	1.2
Business/salesmen/milkmen	5.0	6.1	11.4	6.3
Skilled workers	9.6	16.4	31.4	15.4
Unskilled workers	66.7	55.3	38.6	57.9
Miscellaneous	1.3	—	—	0.5
Rural				
Professional workers	2.7	3.1	5.8	3.4
Clerical & Service workers	3.0	9.0	13.5	7.6
Agriculture/Livestock workers	30.4	35.4	35.8	33.6
Business/salesmen/milkmen	2.7	6.7	14.2	6.5
Skilled workers	7.3	10.5	10.0	9.2
Unskilled workers	53.6	33.7	20.0	38.0
Miscellaneous	0.4	1.6	0.8	1.0

Source: NHDR/PIDE Survey 2001.

Table 9 Educated Persons by Employment Status

Average of Sample	Extremely Poor	Poor	Non-Poor	Total
Pakistan				
Govt. Employee	8.9	19.4	17.0	16.8
Private Employee	10.7	7.5	14.5	11.6
Self-Employment	1.8	10.0	16.6	12.5
Retired	—	3.1	1.7	2.0
Tried to get Employment	32.1	35.6	24.5	29.3
Did not try to get Employment	46.4	24.4	25.7	27.8
Urban				
Govt. Employee	8.3	13.3	—	6.4
Private Employee	33.3	20.0	25.0	25.5
Self-Employment	—	6.7	—	2.1
Retired	—	—	—	—
Tried to get Employment	33.3	33.3	60.0	44.7
Did not try to get Employment	25.0	26.7	15.0	21.3
Rural				
Govt. Employee	9.1	20.0	18.6	18.0
Private Employee	4.5	6.2	13.6	10.0
Self-Employment	2.3	10.3	18.1	13.7
Retired	—	3.4	1.8	2.2
Tried to get Employment	31.8	35.9	21.3	27.6
Did not try to get Employment	52.3	24.1	26.7	28.5

Source: NHDR/PIDE Survey 2001.

disheartened that 46.4 per cent of the extremely poor and 24.4 per cent of the poor did not even try to get a job, probably because of the experience of those who tried to get a job but did not succeed. In the urban areas, 33.3 per cent of the extremely poor educated tried to get employment but could not, while 25 per cent never applied for a job; the comparable proportions for the poor were 33.3 and 26.7 per cent. In the rural areas the situation is even worse, where 31.8 per cent of the extremely poor did not get a job and 52.3 per cent did not even apply for the job. Of those who succeeded in getting a job they got it in the private sector rather than in government (see Table 9).

It is noteworthy that the poor are mostly illiterate, but those who do get education do not find jobs and some are so frustrated that they do not even apply for a job. The presumption that jobs cannot be obtained without bribe or strong 'connections' has been the main reason for not applying for a job; as many as 83.3 and 91.1 per cent of the educated from the extremely poor and the poor households, respectively, cited this to be the reason for not getting a job, and 50.0 and 47.4 per cent respectively cited it as a reason for not applying (see Table 10).

IV. LOCAL POWER STRUCTURES, MARKETS AND POVERTY

Various forms of dependency of the peasant on the local power structures and the distortions in the input and the output markets, functioning against the poor, constitute the elements of the process of poverty generation amongst the peasantry. A substantial proportion of the potential as well as actual income of the poor peasantry is lost to the increasingly adverse tenancy arrangements and the obligation to sell labour at less than market wage rates or without any wages at all, to the landlords. This is because of the social and economic leverage that the landlords exercise over the poor peasants. At the same time, there is unequal access over both the input and the output markets, as well as over services such as credit, dispute resolution and health facilities. In this section, we will present evidence from the NHDR/PIDE Survey to analyze the nature of the process of poverty generation and the magnitude of peasant income lost due to various forms of

dependence and market distortions. In the small farm households, the most significant constraint to increasing income is the non-availability of land and the income losses associated with land use within the structure of dependence. Amongst the non rural farm households, the principal constraint to poverty alleviation is the limited possibility of remunerative jobs and the low ability to initiate self-employment projects. In the urban areas, the employment status, informalization of the work force and the low level of productivity of micro enterprises constrain income levels and give rise to poverty.

IV.1 SMALL LANDHOLDERS AND LANDLESSNESS

Farmers' income not only depends on the production of various crops, tenancy arrangements, and marketing arrangements but also on other agricultural activities, such as livestock, and non-agricultural activities. The poor and the extremely poor households have a very small amount of owned land. Poverty and land ownership are positively correlated: Compared to the non-poor's land ownership that exceeds six acres; for the extremely poor and the poor it was only one acre and two acres, respectively.⁵ Such land holdings are uneconomical and, as such, a sizable proportion of the extremely poor and the poor rent out the land and undertake non-agricultural activity.⁶ The others rent-in the land both on share-cropping and cash rent basis and increase the operated holdings to around three acres (see Table 11). While this does help in increasing the production levels, their incomes would not necessarily rise proportionately, through increasing operated holdings. The increase in income would largely depend on the share-cropping arrangements.

Instead of buying land, the poor were forced to sell their land. As many as 76.5 per cent of the extremely poor and 38.9 per cent of the poor sold their land over the last ten years. Even more important, the poor had to sell land for urgent consumption needs, marriage expenditure and health expenditures (see Table 12). In the process, the productive assets of the poor get depleted, adversely impacting their future streams of incomes and reducing the probability of getting out of poverty.

Table 10 Reasons for not Applying and Reasons for not Getting the Job

	Extremely Poor	Poor	Non-Poor	Total
Reasons for not getting a job				
High merit/competition	11.1	3.6	6.8	6.0
No Safarish/Money	83.3	91.1	86.4	88.0
Others	5.6	5.4	6.8	6.0
Total	100	100	100	100
Reasons for not applying				
Low Marks/High merit	15.4	2.6	6.6	7.2
No Safarish/Money	50.0	47.4	16.4	32.8
Had to work in family enterprise	—	7.9	16.4	11.2
Lack of information	7.7	10.5	4.9	7.2
Others	23.1	31.6	55.7	41.6
Who helped in getting Employment				
No one	44.4	54.8	59.7	56.8
MPA/MNA/Chairman	11.1	11.9	9.0	10.2
Relative/Friend	11.1	9.5	4.5	6.8
Person already in the Department	22.2	2.4	6.0	5.9

Source: NHDR/PIDE Survey 2001.

Table 11 Land Owned and Operated by Economic Status (Rural Farm Households)
(in acres)

	Extremely Poor	Poor	Non-Poor	Total
Land owned	1.07	2.06	6.09	2.72
Land rented out	0.11	0.37	1.19	0.49
Land rented-in on share-crop basis	1.85	0.99	0.92	1.22
Land rented-in on cash rent basis	0.04	0.14	0.71	0.25
Any other land	0.08	0.26	0.11	0.17
Total land	2.93	3.09	6.65	3.88

Note: There are non-farm households who own land and because of that total land exceeds the land owned.

Source: NHDR/PIDE Survey 2001.

Table 12 Land Obtained and Sold by Economic Status

	Extremely Poor	Poor	Non-Poor	Total
Made any plan to buy land (Proportion)	1.7	4.6	7.5	3.9
If yes, reasons for not buying				
Too expensive	90.9	93.1	83.3	89.7
Land not available	9.1	6.9	—	5.2
Did you sell any land (Proportion)	2.5	5.0	10.4	4.9
Acres of land sold	2.0	4.3	13.6	7.03
Reasons for selling land				
Urgent consumption need	46.2	23.5	29.2	29.6
Marriage expenditure	30.8	26.5	12.5	22.5
Health expenditure	23.1	17.6	4.2	14.1
To purchase other property	—	11.8	20.8	12.7
To return debt	—	17.6	25.0	16.9
To establish business	—	2.9	8.3	4.2
Sold any land during last few years as well (Proportion)	76.5	38.9	42.3	48.1
Money received from land sale last year	1522	1458	6126	2261

Source: NHDR/PIDE Survey 2001.

IV.2 POVERTY AND UNEQUAL ACCESS OVER THE LAND RENTAL AND CREDIT MARKETS

As table 13 shows, the average farm size of owner-cum-tenant households is higher compared to any other category of tenurial status. This is true for all the income classes, the extremely poor, the poor and the non-poor. This suggests that, ceteris paribus, the ability of farm households to increase their farm size and income depends upon the ability to rent-in additional land. It is interesting that the average farm size of owner-cum-tenant operators amongst the non-poor is more than twice that of poor households. This indicates that the non-poor are able to rent-in more land than the poor to enlarge their operated holdings and incomes. It also suggests a certain asymmetry in the rural land rental market as between the poor and the non-poor households, as also the relative shortage of working capital amongst the former arising from unequal access over the credit market. Yet it is precisely the poorest farm households with an average farm size of only 2.3 acres (compared to 7.03 acres for the non-poor households) who have a greater need for renting-in land than the non-poor.

IV.3 POWER, ECONOMIC DEPENDENCE AND POVERTY

Table 15 shows the impact of the landlord's power on the disposal of produce by the poor farm households, and its direct consequence for their consumption. Under asymmetric tenurial arrangements, the extremely poor farmers are obliged to pay a larger proportion of their farm produce

compared to the poor and the non-poor categories. For example, the extremely poor have to pay 28.21 per cent of their production value to the landlord, compared to 13.39 per cent by the poor households and only 8.41 per cent by the non-poor households. Consequently, the extremely poor households are forced to keep only 39.59 per cent of their crop output for household consumption, compared to 48 per cent by poor households and 54 per cent by non-poor households. This suggests that the extremely poor and the poor households are likely to run out of their household stock of food grain and would be obliged to purchase grain in the market near the end of the year when market prices are relatively higher.⁷ Such households are then faced with the necessity of borrowing for food consumption. Where this is not possible the peasant household faces starvation. This is also suggested by the evidence in table 1, which shows that the extremely poor households borrow for food consumption. Poor farm households are placed under a double squeeze: First by the power of the landlord, who obliges them to hand over a relatively larger proportion of their crop output as a crop share to the landlord. A second squeeze is placed by the seasonal variation in the market price of grain, which obliges the extremely poor households to purchase a relatively larger proportion of their food consumption requirements from the market when prices are high (see chapter 2 for an analysis of how this phenomenon emerged in the agrarian structure).

Given their food budget deficit, many tenant households in the poor and the extremely poor categories are obliged to supplement their incomes by working part

Under asymmetric tenurial arrangements, the extremely poor farmers are obliged to pay a larger proportion of their farm produce compared to the poor and the non-poor categories

The resultant leverage and additional social control acquired by the landlord obliges many poor households to work for the landlord without any wage at all

Box 2 Wage Labourer on Landlord's Farm

Muhammad Ibrahim: This case study was carried out in a village, Bajori Kallan, some 40 km away from district Khuzdar. Muhammad Ibrahim is 35 years old. He is married and has four children. He is the only earning member of the household.

He works as a labourer on the farm of the local landowner and also cultivates his own small piece of barani land.

Relations with the landlord are tense, because he makes unfair demands on Ibrahim in terms of giving him a wage much below the

market rate when he works on the landlord's farm. His annual income is about Rs.12,000 which is not enough to cover his consumption needs. There are also other expenditures on buying seeds, fertilizer and other inputs. He manages his expenditures by taking loans from the landowner and some relatives.

Ibrahim also took a loan of Rs.75,000 from his relative to establish his own tea shop on the RCD (Regional Cooperation for Development) highway. However, his business failed. He is now paying his debts in installments.

time on the landlord's owner-cultivated piece of the land holding. Such poor tenants thereby constitute a convenient source of tied labour supply to the landlord. It is convenient not only in the sense that their labour is easily accessible during peak seasons when many farmers experience a temporary labour shortage. Perhaps equally important, landlords are able to pay a lower than market wage rate to their dependent tenants.⁸ Table 14 for example, shows that a substantial proportion of the poor households work as wage labourers for the landlord and that the wage rates of the poor and the extremely poor households are almost half the wage rates at which the non-poor households are able to sell their labour in the market.

Apart from the income loss of the poor households emanating from adverse crop sharing contracts, an additional squeeze on their income results from *loan* dependency on the landlord. Table 14 shows that as many as 50.8 per cent of the extremely poor farm households borrow a loan from the landlord.

The resultant leverage and additional social control acquired by the landlord obliges many poor households to work for the landlord without any wage at all. For example, table 14 shows that 57.4 per cent of extremely poor households worked for the landlord without wages. Similarly amongst poor households, as many as 29.4 per cent have borrowed a loan from the landlord and 38 per cent are obliged to work for the landlord without wages.

IV.4 IMPACT OF ADVERSE CHANGES IN TENANCY ARRANGEMENTS ON INPUT COSTS OF THE POOR

The incomes of households depend on the proportion of the land owned, tenurial status and productive use of assets. Majority of the extremely poor (52.5 per cent) and the poor (30.6 per cent) are tenants. Any deterioration in the tenancy arrangements for the tenant would therefore tend to increase poverty. As shall be seen later, the tenants over time have to bear a higher proportion of the cost of inputs thereby reducing the incomes of the poor. No doubt, 36.2 and 56.4 per cent of the extremely poor and the poor are owner-operators but because of very small land holdings they

Table 13 Farm Size by Tenurial Status

	Extremely Poor	Poor	Non-Poor	Total
Farm Size (Acres)				
Owner Operator	2.32	3.43	7.03	3.92
Tenant	3.28	3.38	3.66	3.34
Owner Operator-cum-Tenant	3.68	4.11	8.94	5.92
Others	1.07	6.59	19.08	7.30
Total	2.85	3.62	7.67	4.16
Percentage of Households				
Owner Operator	41.1	58.6	58.3	51.7
Tenant	45.8	25.5	10.3	30.3
Owner Operator-cum-Tenant	9.8	11.9	27.6	14.3
Others	3.4	4.0	3.8	3.7

Source: NHDR/PIDE Survey 2001.

Table 14 Loan Dependence on the Landlord and Labour Exploitation of the Poor Peasantry

	Extremely Poor	Poor	Non-Poor	Total
Loan from landlord (%)	50.8	29.4	11.7	34.4
Work for landlord against wages (%)	14.0	24.3	5.1	16.9
Daily wages (Rupees)	28.0	43.6	60.0	40.0
Work for landlord without wages (%)	57.4	38.5	25.4	43.5

Source: NHDR/PIDE Survey 2001.

Chart 1 Loan Dependence on the Landlord and Labour Exploitation of the Poor Peasantry (%)

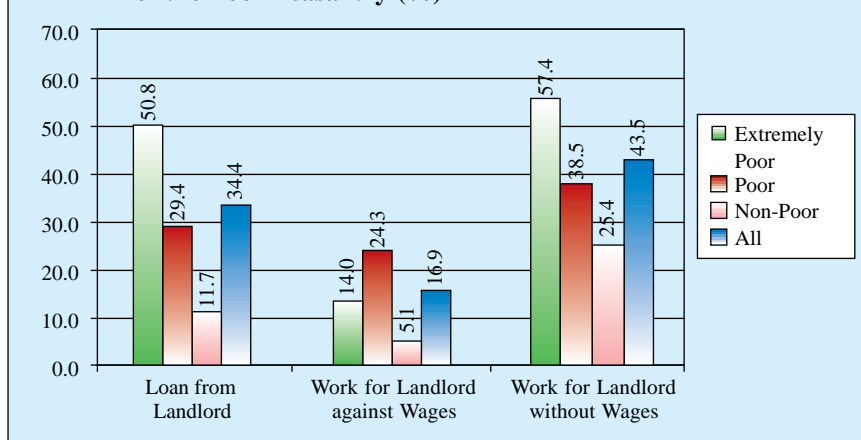


Table 15 Disposal of Crop Harvest by Income Class

	Total Production Value	Paid in kind to labour (Value)/Total Production Value* 100	Paid as rent (Value)/Total Production Value* 100	Paid to landlord under share cropping agree- ment (Value)/ Total Production Value* 100	Given to Relatives (Value)/Total Production Value* 100	Crop Sold (Value)/Total Production Value* 100	Crop Kept for Own Use/Total Production Value* 100
Extremely Poor	13864	1.45	1.10	28.21	0.09	29.57	39.59
Poor	22538	2.76	1.40	13.39	1.06	33.27	48.12
Non-Poor	37626	4.70	0.83	8.41	1.61	30.02	54.43

Source: NHDR/PIDE Survey 2001.

Table 16 Contribution of Tenants in Inputs

	1990-91				2000-2001				(%)
	Tractor	Labour	Seeds	Fertilizer	Tractor	Labour	Seeds	Fertilizer	
Wheat									
Extremely Poor	58	43	45	43	70	51	56	50	
Poor	55	45	52	48	75	65	72	60	
Non-Poor	93	59	62	57	84	69	75	64	
Total	63	47	51	47	74	60	67	57	
Cotton									
Extremely Poor	41	20	24	24	52	28	34	34	
Poor	21	8	15	15	46	31	41	38	
Non-Poor	21	15	21	19	42	32	42	36	
Total	30	15	20	20	48	30	38	36	
Rice									
Extremely Poor	24	17	16	20	29	20	19	25	
Poor	22	14	13	18	25	15	14	19	
Non-Poor	28	18	22	21	32	18	25	25	
Total	24	16	16	19	28	18	18	23	
Sugarcane									
Extremely Poor	22	15	14	17	23	15	15	18	
Poor	20	8	11	17	19	11	11	19	
Non-Poor	17	11	10	12	20	12	13	13	
Total	20	12	12	16	21	13	13	17	
Total									
Extremely Poor	36.3	13.8	24.8	26.0	43.5	28.5	31.0	31.8	
Poor	29.5	18.8	22.8	24.5	41.3	30.5	34.5	34.0	
Non-Poor	39.8	25.8	28.8	27.3	44.5	32.8	38.8	34.5	
Total	34.3	22.5	24.8	25.5	42.8	30.3	34.0	33.3	

Source: NHDR/PIDE Survey 2001.

are confronted with persistent poverty. This suggests that contrary to the general belief that poverty of a household is a short run phenomenon, the fact is that the tenants are generally poor and the ancestors of existing tenants have also been tenants. As many as 78.7 per cent of the existing tenants' fathers were also tenants. This suggests that rural poverty may be endemic to the agrarian structure rather than a transient phenomenon.

Changes in tenancy arrangements with respect to the financial contribution of the tenants to input use on the tenant operated farm have become a significant factor in generating poverty. The contribution of tenants to input costs in the case of tractor rental, labour, seeds and fertilizer has increased during the period 1990-91 to 2000-2001. For example as table 16 shows, in the case of wheat, the contribution of the tenants in the provision of tractors increased

Table 17 Percentage Loss in Prices of Inputs Used for Selected Inputs by Economic Status

	Input Type						Total
	DAP	Urea	Potash	Nitrogen	Pesticide # 1	Pesticide # 2	
Extremely Poor	7.11	14.65	—	4.23	18.57	28.57	11.78
Poor	7.98	9.74	2.86	6.67	20.29	—	9.03
Non-Poor	8.27	10.56	—	6.67	4.76	—	9.41
Total	7.81	11.32	2.86	5.45	16.84	28.57	9.89

Source: NHDR/PIDE Survey 2001.

from 63 to 74 per cent, labour from 47 to 60 per cent, seeds from 51 to 67 per cent and fertilizer from 47 to 57 per cent. The increase in the proportion of tenant's contribution to inputs for cotton has been 30 to 48 per cent in the case of tractors, from 15 to 30 per cent in the case of labour, from 20 to 38 per cent in the case of seeds, and from 20 to 36 per cent in the case of fertilizer. For rice the tenant's share in input costs has increased in the case of tractors hiring from 24 to 28 per cent, labour from 16 to 18 per cent and fertilizer from 19 to 23 per cent.

The burden of financing input costs in percentage terms even in 1990-91 was higher for the extremely poor and poor categories compared to the non-poor (see Table 16). With the increase in this burden over the decade of the 1990s, the squeeze on tenant income has been intensified.

While the financial burden and input costs on the poor tenants has increased, their lack of control over timing of water application, combined with adulterated inputs, keeps the yield per acre of poor peasants at a low level, thereby reducing their net income.

IV.5 INCOME LOSS RESULTING FROM UNEQUAL ACCESS OVER INPUT MARKETS

The source of input procurement also impacts adversely the cost of production and hence on incomes of the poor. As many as 28.2 per cent of the extremely poor have to buy the inputs from the landlords and the proportion falls to only 8.7 and 2.7 per cent in the case of the poor and the non-poor. On average, the poor have to pay 11.8 per cent more than the actual amount which they would have to pay in case these inputs were procured from the least cost sources. Compared to the extremely poor, this

proportion for the non-poor is only 9.41 per cent (see Table 17).

Irrigation is basic to the productivity in the agriculture sector. As many as 54 per cent of the extremely poor households do not have any source of irrigation and the proportion falls to 45.8 per cent in case of the poor and 30.3 per cent in case of the non-poor. Whereas the proportion of households using canal as the only source of irrigation is not much different, it is significantly different in the case of other irrigation facilities. Moreover, most of the extremely poor households are at the tail end of the irrigation channel.

IV.6. INCOME LOSS RESULTING FROM UNEQUAL ACCESS OVER OUTPUT MARKETS

As we have seen in the preceding Section IV.5, unequal access over input markets squeezes the income of the poor since the inputs they purchase have a higher price and poorer quality compared to those which the more influential large farmers are able to acquire. Similarly the income of the poor farmers is further squeezed due to unequal access over markets for farm output. The government fixes the support prices for some of the major crops but the small farmers seldom receive these prices because government agencies procure output from commission agents rather than directly from small farmers. The following table 18 shows the distribution of four major crops sold in the market by type of buyer.

It shows that an overwhelming proportion of output sold in the case of rice, cotton and wheat, is sold to traders and landlords who constitute an important element in the local power structure in many areas, rather than directly to the government or semi-autonomous government organizations. It is

While the financial burden and input costs on the poor tenants has increased, their lack of control over timing of water application, combined with adulterated inputs, keeps the yield per acre of poor peasants at a low level, thereby reducing their net income

Table 18 Distribution of Four Major Crops Sold in the Market by Type of Buyer (Rural Pakistan)

To whom Sold	Rice	Cotton	Wheat	Sugarcane	Total
Trader	37.5	78.2	49.7	1.9	56.9
Relative/Friend	14.1	1.6	15.6	—	7.1
Neighbour	4.7	—	4.1	—	1.8
Mill Owner	28.1	0.4	—	88.5	12.8
Government	1.6	—	—	1.9	0.4
PASCO	—	—	1.4	—	0.4
Food Department	—	—	2.7	—	0.8
Landlord	7.8	18.1	13.6	5.8	14.2
Others	6.3	1.6	12.9	1.9	5.5
Total	100.0	100.0	100.0	100.0	100.0

Source: NHDR/PIDE Survey 2001.

Table 19 Income Loss due to Distortions in Output Markets by Economic Status

	Loss/Value Sold* 100
Extremely Poor	7.44
Poor	6.42
Non-Poor	5.65
Total	6.55

Source: NHDR/PIDE Survey 2001.

pertinent to point out that the traders and the landlords give a lower price than the official purchase price of the government, since, in most cases, either the poor peasants do not have direct access over government agencies, or are tied into various forms of dependence (on the landlord through tenancy and loans dependence, and on traders through loan dependence and protection rackets). For example of the total output sold, the percentage sold to traders and landlords is 45.3 per cent in the case of rice, is 96.3 per cent in the case of cotton and 67.3 per cent in the case of wheat. Only

in the case of sugarcane, as much as 88.5 per cent of the total output was sold directly to the mill owners. However even in this case, mill owners enjoy a virtually monopsonistic position *vis-à-vis* the farmers in the local area. They are able to push down prices of sugarcane simply by delaying purchase in a situation where delay in the opportunity to sell the sugarcane places the small farmer under intense pressure. This is partly because of his urgent requirements at harvest time and partly because the sucrose content of the sugarcane falls over time thereby reducing its value.

As seen in table 19, the income of the poor is reduced by 7.44 per cent of the total value of sales for the major crops because they were unable to get the minimum ruling market price. These four crops account for 85 per cent of the total output in the crop sector. If the loss of income in the other sub sectors resulting from such market distortions, is also taken into account, then the loss would be almost doubled. If the increase in the cost of input procurement is also taken into account, then the small

Table 20 Place Where Livestock Produce Sold by Economic Status

Where Sold	Extremely Poor	Poor	Non-Poor	Total
Milk				
Village	33.3	33.0	16.3	26.9
Town	21.2	19.1	16.3	18.4
Middleman	36.4	44.3	61.6	49.6
Others	9.1	3.5	5.8	5.1
Total	100.0	100.0	100.0	100.0
Butter/Ghee				
Village	100.0	100.0	—	80.00
Town	—	—	100.0	20.0
Total	100.0	100.0	100.0	100.0

Source: NHDR/PIDE Survey 2001.

Table 21 Livestock by Economic Status

	Currently Owned	Owned in the Start of Last Year	Value of Animals (Rs.)		Purchased during Last Year	Received as Gift during Last Year
			Sold during Last Year	Slaughtered/ Consumed during Last Year		
Extremely Poor	17048	12641	1106	51	1706	19
Poor	23990	19438	2114	163	2103	220
Non-Poor	47414	39631	3624	303	3118	206
Total	27268	22050	2165	163	2218	159

Source: NHDR/PIDE Survey 2001.

farmers are deprived of about 20 per cent of their potential income from crop production. If the income loss resulting from the pressure to bribe local administration officials through provision of milk and ghee is included, then as much as one-third of the potential income of small farmers is lost (see following sub-section, table 22).

IV.7 MILK AND MILK PRODUCTS AND INCOME LOSS TO THE LOCAL POWER STRUCTURE

Besides land, livestock is another major asset of the farming community especially of the poor. It plays a major role in providing nutrition to the farming community. Whether the farmers are poor or extremely poor, they do own some animals; ownership of animals is less skewed than the ownership of land. Value of animals owned by the extremely poor and the poor ranges between Rs.17,000 to

Rs.24,000, compared to Rs.47,400 for the non-poor. It is noteworthy that the value of animals owned has increased over the years for all the three categories.

Milk is the major product, and the quantity produced per year varies from 702 litres of milk annually in case of the extremely poor to 2,463 litres in case of the non-poor (see Table 22). The extremely poor households consumed 84 per cent of the total milk they produced. The ratio declines to 76 and 66 per cent for the poor and the non-poor, respectively. Since the extremely poor have a small amount to sell, they are able to earn from the sale of milk only Rs.1,898 compared to Rs.5,980 by the poor and Rs.19,202 by the non-poor. Whereas production of the extremely poor and the non-poor has a ratio of 1 to 3.5, the sales ratio is 1 to 10. Another interesting feature is that whereas the extremely poor and the poor are pressurized to provide a relatively large proportion of their milk

Table 22 Production and Income from Livestock by Economic Status

	Extremely Poor	Poor	Non-Poor	Total
Milk				
Quantity produced (Litres)	701.85	1079.96	2463.72	1380.56
Quantity consumed from own production (%)	83.83	75.60	66.35	74.92
Quantity sold (%)	12.39	23.63	33.78	23.85
Sale value (Rs.)	1898	5980	19202	8672
Value of produce given to Patwari (Rs.)	0	0	8	2
Value of the produce given to other officials (Rs.)	72	197	7	116
Value of produce given to Imam Masjid (Rs.)	35	10	51	27
Butter/Ghee				
Quantity produced (Kg.)	24.89	47.42	73.00	51.21
Quantity consumed from own production (%)	94.12	89.24	95.80	92.49
Quantity sold (%)	5.88	11.07	3.33	7.47
Sale value (Rs.)	26	203	43	114
Value of produce given to Patwari (Rs.)	0	0	0	0
Value of the produce given to other officials (Rs.)	0	0	0	0
Value of produce given to Imam Masjid (Rs.)	0	4	0	2

Source: NHDR/PIDE Survey 2001.

In the relatively few cases where the extremely poor do engage in disputes, the cost of mediation (Rs.18,333) places a crippling burden on them since it is more than their annual household income

output to the officials in the area, it does not form a significant proportion in the case of the non-poor (see Table 22).

All the three income classes also produce butter and ghee. The annual quantity is 25 kg in case of the extremely poor and 73 kg in case of the non-poor. Most of this is consumed and it is only the poor who sell 11 per cent of the total quantity (see Table 22).

V. DISPUTES AND THE ECONOMIC COST OF SEEKING RESOLUTION

Given the powerlessness of the poor and their vulnerability to social and economic injustice within the local power structure, the poor are engaged in a variety of disputes. The NHDR/PIDE Survey 2001 has investigated the frequency and type of disputes for various income classes of the poor and the cost of mediation as well as the rate of successful resolution.

As table 23(a) shows, the highest frequency of reported disputes occurs in the case of the poor, while the extremely poor, perhaps due to their acutely constrained economic circumstances, are often not prepared to take on the burden of a dispute. Their disputes as a percentage of the total disputes is 17.1 per cent, with the figure for the non-poor being 34.2 per cent. In the relatively few cases where the extremely

poor do engage in disputes, the cost of mediation (Rs.18,333) places a crippling burden on them since it is more than their annual household income. Yet in spite of having spent such a large amount of money, usually by taking out loans or selling whatever few assets they have, the percentage of successful resolution of disputes in the case of the extremely poor is the lowest amongst the three income classes (38.5 per cent). In the case of the non-poor, the percentage of reported disputes resolved is much higher at (80.8 per cent) indicating the role of their relatively greater social influence in dispute resolution.

As table 23(b) shows, the greatest proportion of disputes related with money/credit occurs in the case of the poor (61.2 per cent) and to a much lesser extent in the other two income classes, being 22.2 per cent for the extremely poor and 16.7 per cent for the non-poor. In the case of land disputes, again the highest proportion occurs in the case of the poor (42.9 per cent) with the extremely poor also facing a substantial proportion of land disputes (21.4 per cent). In disputes related with honour or 'loss of face', again the greatest percentage occurs amongst the poor (47.1 per cent) with the figure in the case of the extremely poor being 17.6 per cent, and in the case of the non-poor being 35.3 per cent.

The data show that in all the three income classes, the poor by and large tend

Table 23 (a) Frequency of Disputes, Resolution and Cost of Resolution by Economic Status (Cases Reporting Disputes only)

Economic Status	Distribution of Reported Disputes	Amount Spent on Mediation (Mean)	Reported Disputes Resolved (%)
Extremely Poor	17.1	Rs. 18,333	38.5
Poor	48.7	Rs. 12,074	59.5
Non-Poor	34.2	Rs. 18,264	80.8
Total/Average	100	Rs. 15,123	63.2

Source: NHDR/PIDE Poor Communities Survey 2001.

Table 23 (b) Type of Dispute by Economic Status (Dispute Reporting Cases only)

Economic Status	Land Dispute	Water Dispute	Money/Credit Dispute	Honour Dispute	Other
Extremely Poor	21.4	—	22.2	17.6	13
Poor	42.9	—	61.2	47.1	47.8
Non-Poor	35.7	100	16.7	35.3	39.1
Total	100	100	100	100	100

Source: NHDR/PIDE Survey 2001.

to avoid involving the police. This is indicative not only of the perceived inefficiency of the police in handling disputes, but also the danger of harassment by them. This is quite apart from the bribe money that has to be paid to register and pursue a case with the police, whether it is theft, violence or kidnapping. As table 24 shows, the extremely poor involve police in only 1 per cent of the disputes, the poor to the extent of 2.8 per cent and the non-poor to the extent of 4.9 per cent. The relatively low involvement of police in the disputes of the poor is explained to some extent by the fact that a relatively large amount of bribe money has to be paid to the police just to register a case. In the case of extremely poor the bribe money paid to police, in cases where it was involved was Rs.16,171, in the case of the poor, it was Rs.14,517 and in the case of the non-poor, it was Rs. 35,558.

VI. POVERTY AND ILLNESS

The NHDR/PIDE Survey 2001 shows that the poor are not only afflicted by a high frequency of illness but also, the high cost of medical treatment constitutes a major factor in pushing people into poverty.

The poor due to inadequate nutrition and hence lowered immunity are relatively more susceptible to disease. Moreover the lack of access over safe drinking water as well as unhygienic conditions of production, storage and consumption of food would be expected to result in a relatively high frequency of disease amongst the poor. It is not surprising that our data show that 55 per cent of the poor and 65 per cent of the extremely poor in the NHDR/PIDE 2001 poor communities survey, were ill at the time of the survey (see Table 25). The high prevalence of poor health amongst the poor is also borne out

Table 24 Police Involvement in Disputes and Amount of Bribe Money Paid by Economic Status

Economic Status	Police Involvement in any Dispute (%)	Bribe Money Paid to Police
Extremely Poor	1	Rs.16,171
Poor	2.8	Rs.14,517
Non-Poor	4.9	Rs.35,558
Average	2.5	Rs.22,648

Source: NHDR/PIDE Survey 2001.

Box 3 Moving into Deep Poverty

Shehnaz Bibi: She lives in Mohalla Shampura which is an impoverished urban neighbourhood (Lahore). Her husband, Niamat felt pain in his kidneys a few years ago. He took medicine from a local private practitioner irregularly. With the passage of time, his kidney problem became serious and he was admitted to a hospital for two months last year. When he recovered from the kidney problem he returned home. After some days, he was struck by an unknown disease and had to be carried to the Mayo Hospital. In the evening of the second day, a little blood came out of his mouth and he passed away.

Shehnaz spent sixty thousand rupees on her husband's treatment. Twenty

thousand rupees were household savings while forty thousand rupees were borrowed from relatives. Besides the loss of her husband, Shahnaz had also to bear the loss in goods which Niamat had sent to other cities for sale. Now, she is in debt of nearly forty thousand rupees and is worried about paying it back.

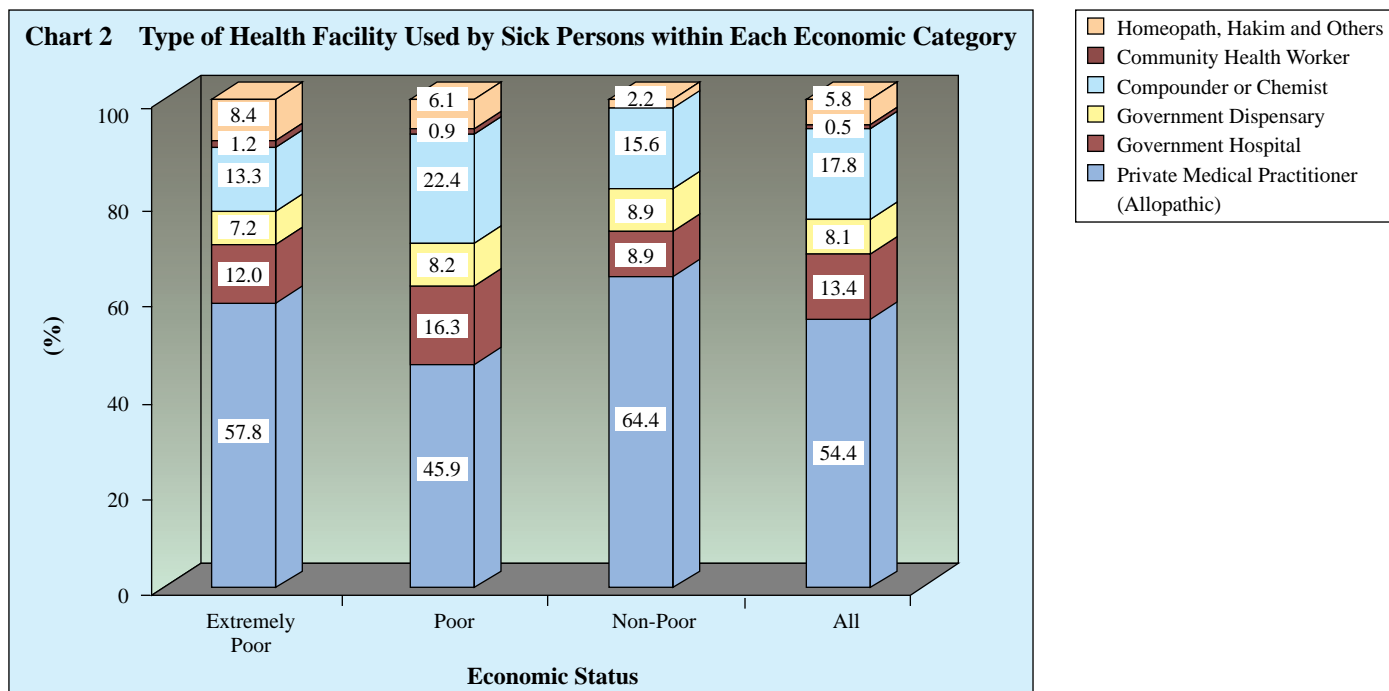
She is living in this household with her six children, three sons and three daughters. At present, Shehnaz Bibi, is earning a livelihood for her family. She takes a few goods from the mandi (market) and then carries them on her head in a wicker basket for sale. She earns sixty to seventy rupees daily.

by the National Health Survey of Pakistan. It shows that in rural areas, amongst low income women of 45 years age and above as many as about 45 per cent suffer from poor health and over 80 per cent suffer from poor to fair health.⁹ Amongst men in rural areas, almost 60 per cent suffer from poor to fair health. Similarly children under 5 years of age in rural Pakistan have on average six episodes of cough and fever during the year.¹⁰

Table 25 Percentage of Poor Who are Sick, Number of Days of Sickness, Treatment Expenses and Distance Travelled for Medical Consultation (Head of Household only)

Economic Status	Sick at the Time of Survey (%)	Number of Days in Current Sickness (Mean)	Treatment Expenses (Rs.)	Patients Travelling over 6 kms. (%)
Extremely Poor	65.1	94.9	1885	49.4
Poor	55.6	27.4	497	29.5

Source: NHDR/PIDE Survey 2001.



The NHDR/PIDE Survey 2001 shows that not only 65.1 per cent of the extremely poor respondents were sick at the time of the survey but that they had on average suffered from their current sickness for the last ninety-five days

The NHDR/PIDE Survey 2001 shows that not only 65.1 per cent of the extremely poor respondents were sick at the time of the survey but that they had on average suffered from their current sickness for the last ninety-five days (see Table 25). The NHDR/PIDE Survey shows that rather than going to homeopaths, *hakims* or even government hospitals and dispensaries, the poor predominantly go to private allopathic medical practitioners. This is reflective of the desire of the poor to get the best possible medical treatment for their loved ones. It is also reflective of the poor quality of most government medical facilities and of the lack of access of the poor over the better ones. As table 26 and chart 2 show, of the poor in the various income classes, on average, 54 per cent go to private medical practitioners, 13.3 per cent to government

hospitals, 8.0 per cent to government dispensaries and only 5.6 per cent to homeopaths, *hakims* and others.

Ironically, a large number of private allopathic medical practitioners who are conducting private practices in the rural areas, are poorly trained and have grossly inadequate diagnostic facilities. The result is that when the poor fall ill they suffer for a protracted period and get locked into a high cost source of medical treatment. As table 25 shows, the extremely poor spend Rs.1,885/ on their current illness and 49.4 per cent of the patients have to travel over six kilometers for their medical consultation. Given the high cost of medical treatment and protracted illness due to inadequate diagnostic facilities, in many cases the poor are forced to sell whatever few assets they have and to finally borrow money to finance

Table 26 Type of Health Facility used by Sick Persons within each Economic Category

Economic Status	Distribution of sick persons by type of Health Facility Used						ROW TOTAL
	Private Medical Practitioner (Allopathic)	Govt. Hospital	Govt. Dispensary	Compounder or Chemist	Community Health Worker	Homeopath, Hakim and others	
Extremely Poor	57.8	12.0	7.2	13.3	1.2	8.4	100
Poor	45.9	16.3	8.2	22.4	0.9	6.1	100
Non-Poor	64.4	8.9	8.9	15.6	—	2.2	100
Average	54.0	13.3	8.0	17.7	0.4	5.6	100

Source: NHDR/PIDE Survey 2001.

the treatment of their loved ones. The poignancy of the human condition of the poor in this context is that as they undertake the noble act of providing succour to their family members, they get pushed deeper into poverty.

VII. MICRO-ENTERPRISES AND POVERTY ALLEVIATION

Whereas land ownership has been a major factor in determining the probability of being poor in the farm sector, productivity of micro-enterprises would be important for the large proportion (42.7 per cent) of the work force that is engaged in the non-agricultural sector [see annexure 3(e)]. In general, productivity of micro-enterprises in which most of the poor work, is low, and therefore, the employees have low incomes and tend to fall below the poverty line.

VII.1 OCCUPATIONAL STATUS OF THE POOR IN THE NON-AGRICULTURAL SECTOR AND THE TYPES AND PROFITABILITY OF MICRO-ENTERPRISES

Whereas non-agriculture enterprises account for almost 40 per cent of the total enterprises in the rural areas, almost all the labour force (in our sample) in the urban areas, is engaged in non-farm enterprises. In the rural areas, as many as 57.2 per cent of the extremely poor are farmers and another 32.4 per cent are absorbed in the household establishments employing less than ten persons, or carry out other manual work [see annexure 3(f)]. Most of the poor in small establishments are employees rather than employers, and as such, the probability of falling below the poverty line is quite high.¹¹ Similarly, in the urban areas, most of the extremely poor and the poor are in micro-enterprises; the proportion being 57.0 and 52.1 per cent respectively. Location of these enterprises also plays an important role in determination of income levels. Most of the enterprises of the extremely poor and the non-poor are located in the house itself or in a small shop. A large proportion of them are also street vendors. None of the extremely poor run a micro-enterprise unit of their own in the industrial sector. Enabling the poor to set up their own micro enterprise units

Table 27 Duration of Operation, Sale and Net Profit of Non-Agricultural Enterprises by Economic Status

	Extremely Poor	Poor	Non-Poor	Total
All Pakistan				
Duration of Operation (Months)	11	11	11	11
Sales (Rs.)	76438	121698	173261	12922
Net Profit (Rs.)	43670	29689	63160	42673
Urban				
Duration of Operation (Months)	11	11	11	11
Sales (Rs.)	93930	169470	198355	154161
Net Profit (Rs.)	55395	36686	53373	44147
Rural				
Duration of Operation (Months)	12	11	10	11
Sales (Rs.)	32125	46999	164897	102574
Net Profit (Rs.)	13185	19131	66422	41102

Source: NHDR/PIDE Survey 2001.

would be an important factor in poverty reduction.

Non-farm enterprises are about two-fifth of the total enterprises. [See annexure 3(f)]. The poor and the extremely poor are associated with those organizations which employ less than ten employees. The productivity levels and employment generating capacity of these enterprises are significant determinants of the poverty levels. Whereas the households involved in operation of these enterprises reported operations of eleven months, effective work seems to be much less when their sales and net profits are taken into consideration. The enterprises run by the extremely poor (all Pakistan) have annual sales of Rs.76,438 and net profit of Rs.43,670 (see Table 27). The sales volume in the rural areas of micro enterprises run by the extremely poor is only Rs.32,000 and profits merely about Rs.13,000 annually (Table 27). The volume of business is rather small. Enhancing sales and net profits of enterprises run by the poor could contribute significantly to poverty reduction.

VII.2 PROBLEMS IN RUNNING MICRO-ENTERPRISES

Most of the enterprises have not reported any specific problem out of a sense of utter frustration. However, little less than half of the extremely poor have been able to voice their problems which relate to lack of funds,

Enhancing sales and net profits of enterprises run by the poor could contribute significantly to poverty reduction

Table 28 Type of Help Needed to Expand Business/Enterprise by Economic Status

Location of Enterprise	Extremely Poor	Poor	Non-Poor	Total
Pakistan				
Credit	62.5	65.3	65.5	64.7
Better Location	25.0	18.4	20.7	20.6
Recovery Loan	—	2.0	—	1.0
Transport	12.5	6.1	10.3	8.8
Others	—	8.2	3.4	4.9
Urban				
Credit	63.2	72.4	71.4	69.1
Better Location	26.3	17.2	14.3	20.0
Transport	10.5	6.9	—	7.3
Others	—	3.4	14.3	3.6
Rural				
Credit	60.0	55.0	63.6	59.6
Better Location	20.0	20.0	22.7	21.3
Recovery of Loan	—	5.0	—	2.1
Transport	20.0	5.0	13.6	10.6
Others	—	15.0	—	6.4
Total	100.0	100.0	100.0	100.0

Source: NHDR/PIDE Survey 2001.

high costs, police harassment, Municipal Corporation/Committee harassment, uncertainty in supply of inputs, uncertainty of earnings, sale on credit, government disturbance, transportation problems, locality problems and others [see Annexure 3 (a)].

Lack of funds has been reported as a major problem by both the rural as well as the urban enterprises. The problems were similar in all the three categories, as were reasons given for the decline in business. An overwhelming proportion felt that enhanced availability of credit would be helpful in the business. Better location has been the second most important factor and lack of transport facilities as the third. The last two in fact are related to marketing problems (see Table 28).

VII.3 MICRO-ENTERPRISES, LOCAL POWER STRUCTURE AND CORRUPTION

Running a small business without social influence over the local power structure is problematic. The police, tax departments, municipal committee staff etc. often do not allow unhindered functioning unless the officials are bribed. It is significant that 16.7 per cent of the extremely poor, in comparison with 6.7 per cent of the non-

poor, reported to have paid bribes (see Table 29). In the rural areas, the incidence of bribe is greater than in the urban areas. The average amount of bribe in case of the extremely poor is Rs.6,833, in the case of the poor Rs.6,060 and the non-poor, Rs.9,257, respectively. If this is added to the cost already indicated earlier due to marketing problems, the poor may have been deprived of at least one-third of their earnings. Moreover, in the case of the urban areas, the extremely poor had to pay the highest rate of bribe to run the business but the pattern in the rural areas reverses.

The NHDR/PIDE Survey data provide support to the frequent allegations of corruption in obtaining loans for small businesses. In our Survey data, about 17 per cent is the rate of bribery as a percentage of the loan. Interestingly enough, the extremely poor have to pay 14 per cent, poor 16 per cent and the non-poor 19 per cent. Whereas in the urban areas the ratio is rather small, in the rural areas it is quite large.

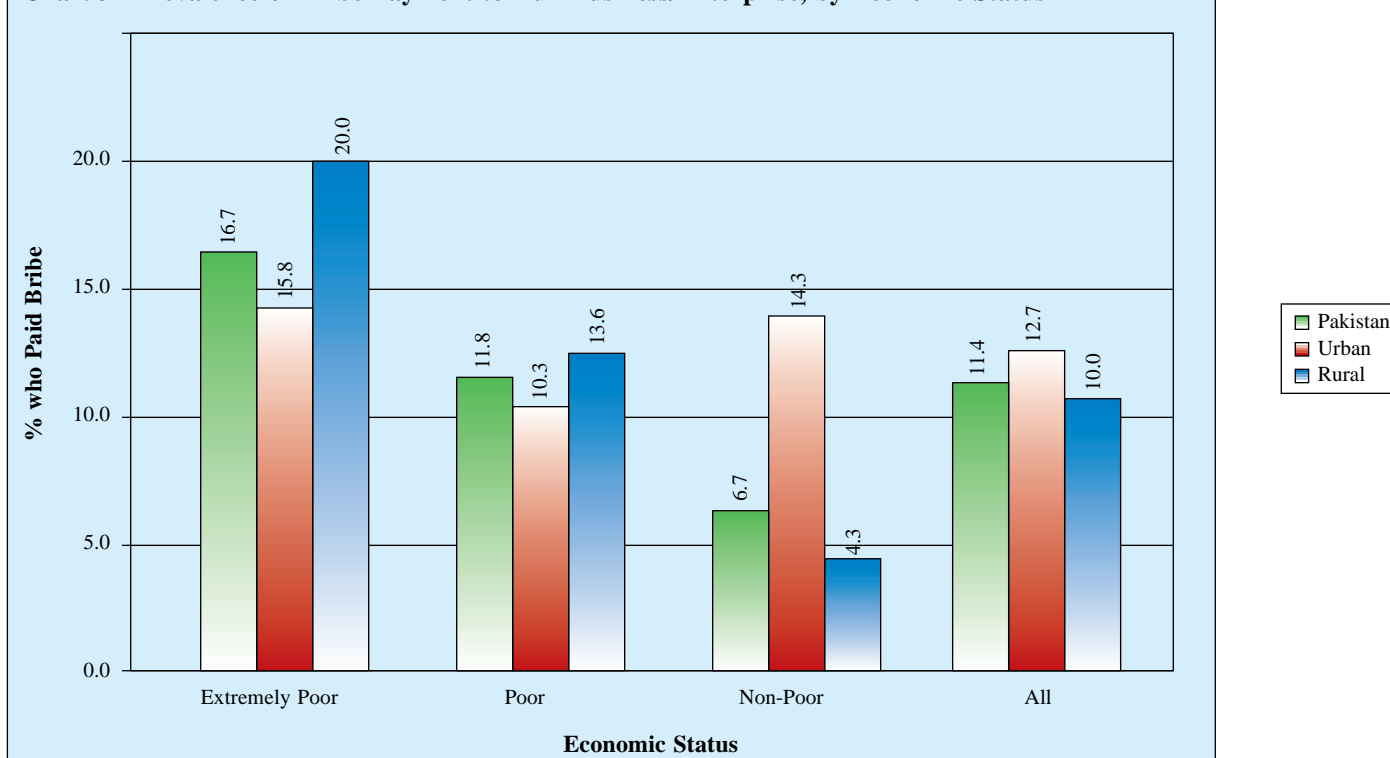
Delay in the loan delivery also impacts on business activities and is one indicator of corruption. The households have to make frequent visits, which also involves expenditure and bribe to obtain the loan. The reasons cited for delay are, complicated procedures, lack of collateral, unacceptable lending source and non-availability of funds. As much as 41.4 per cent of the borrowers in the urban areas and 9.7 per cent in the rural areas, complained about the delay.

A significant aspect of loans received by micro enterprises is the high default rate. Only 4.9 per cent of the loans received have been repaid on time [see annexure 3 (g)]. The reasons given for delay in repayment of loans are crop failure and losses in micro enterprises. Another factor in the failure to repay loans is due to the fact that they have been used for purposes other than those for which they were borrowed.

VIII. CREDIT FOR THE POOR: WHERE DOES IT COME FROM, WHERE DOES IT GO?

Since credit has been one of the major factors constraining the growth of the micro-enterprises, as well as the productivity of the small farm sector, the issue of credit availability needs to be analyzed. In this section, we will examine the following

Chart 3 Prevalence of Bribe Payment to Run Business/Enterprise, by Economic Status



questions: to what extent do poor households in various categories receive loans? for what purpose are they used? how are the total loans provided to them distributed amongst various loan giving sources? and what is the average size of loan disbursed by various sources to different categories of the poor? In this context, we will also examine the relative importance of the NGOs as a credit source for the poor, and their relative effectiveness in targeting their claimed beneficiaries.

VIII.1 EXTENT OF BORROWING AND SOURCES OF LOANS

According to our survey (see Table 30), only 35.6 per cent of households have had access to loans and the proportion does not vary substantially across the categories of extremely poor and poor households. However, the proportion is significantly lower in the urban areas, where only 16 per cent of the households have been able to receive loans. However, the proportion is similar across all the income categories. For the rural areas the proportion of households receiving loans is lowest in the case of the extremely poor, i.e., 37.3 per cent compared to 44.7 per cent and 47.7 per cent for the

poor and the non-poor households, respectively.

The amount borrowed not surprisingly rises with the income level. It rises from Rs.12,925 for the extremely poor to Rs.18,152 for the poor and Rs.36,642 for the non poor categories (see Table 31). The credit as percentage of the income is 82.1, 46.4, and 36.4 in the extremely poor, the poor and the non-poor categories, respectively. The percentage of households receiving loans amongst the non-poor is lower in the urban areas than in the rural areas. Overall, the reliance of the rural households on credit has been higher,

Only 35.6 per cent of households have had access to loans

Table 29 Bribe Payment to Run Business/Enterprise by Economic Status

	Extremely Poor	Poor	Non-Poor	Total
Proportion who paid bribe				
Pakistan	16.7	11.8	6.7	11.4
Urban	15.8	10.3	14.3	12.7
Rural	20.0	13.6	4.3	10.0
Amount of bribe (Rs.)				
Pakistan	6833	6060	9257	6879
Urban	8700	5664	1200	5594
Rural	3100	6544	15300	8420

Source: NHDR/PIDE Survey 2001.

Table 30 Percentage of Households Which Received Loans during Last 12 Months by Economics Status

	Extremely Poor	Poor	Non-Poor	Total
All Pakistan	32.1	36.4	41.9	35.6
Urban	17.6	14.5	18.4	16.2
Rural	37.3	44.7	47.7	42.3

Source: NHDR/PIDE Survey 2001.

First, NGO intervention is relatively insignificant. Of the total number of loans received by all the three income classes, from all the sources, the NGOs provided only 1 per cent of the loans in the urban areas and 0.8 per cent of the loans in the rural areas [see annexure 3(h)]. Second, the NGOs cater to the non-poor households to a much greater extent than to the poor households

48.7 per cent, compared to 39.8 per cent in the urban areas.

While the rural areas have received more loans, that does not mean that more institutional credit has been made available to them. As much as 80.3 per cent of the total loans are obtained either from the shopkeepers or from friends and relatives [see annexure 3(h)]. In the extremely poor households, shopkeepers account for 39.1 per cent of the total loans and the relations account for another 39 per cent. As regards the ADBP, only 1.0 per cent households of extremely poor have received a loan from the ADBP. The proportion rises slightly to 5.1 per cent in the case of the non-poor. Moreover, whatever the loan provided by ADBP, the extremely poor who are 40 per cent of the total rural households constitute only 13.6 per cent of the total ADBP recipients, the poor 50.0 per cent. The non-poor, by contrast, who are less than 20 per cent of total households, have received as much as 36.4 per cent of the ADBP loans. This suggests that the institutional credit tends to flow to relatively richer sections of society. In the urban areas, the commercial banks do not provide any loans to the extremely poor.

Whereas much is being made about NGOs providing credit, two aspects of empirical evidence in this regard are

noteworthy. First, NGO intervention is relatively insignificant. Of the total number of loans received by all the three income classes, from all the sources, the NGOs provided only 1 per cent of the loans in the urban areas and 0.8 per cent of the loans in the rural areas [see annexure 3(h)]. Second, the NGOs cater to the non-poor households to a much greater extent than to the poor households. For example, of the total number of loans received from the NGOs, in rural areas as much as 50 per cent have been received by the non-poor households, 33.3 per cent by the poor households and 16.7 per cent by the extremely poor households [see annexure 3(h)].

VIII.2 THE PURPOSE OF LOANS, RATE OF INTEREST AND THE PROBLEM OF INDEBTEDNESS

The loans taken by all the three types of households in the urban, as well as the rural areas have been predominantly for meeting consumption needs (see Table 32). The proportion of loans used for consumption purposes is 56.8 per cent in case of the extremely poor and 65.1 per cent in case of the poor, in the urban areas, and 69.0 and 57.5 per cent, respectively, in the rural areas. Since institutional creditors would not officially provide loans for consumption purposes, friends and relatives are the major lenders.

Data on the annual mark ups provide interesting insights: average mark-up is only 2.1 per cent and even lower for the poor and the extremely poor (see Table 33). However, this is because they receive loans from relatives which are interest free. By contrast, the average mark-up by the money lender is around 48 per cent. It rises to 58.8 per cent in the case of the extremely poor and 60 per cent in the case of the poor, but falls sharply to just 17 per cent for the non-poor. In the very few cases where NGOs are providing loans to the extremely poor, they are interest free. The interest rate rises to 19 per cent for the non-poor. The same pattern is observed in the case of ADBP. Here the rate of interest for the extremely poor is 8 per cent, which rises to 17 per cent for the non-poor. However, access to a public sector development bank such as the ADBP or even NGOs is rather limited. The commercial banks on the other hand do not

Table 31 Credit Received During Last 12 Months by Economic Status

	Extremely Poor	Poor	Non-Poor	Total
All Pakistan	12,925	18,152	36,642	19,591
Urban	14,045	25,084	26,870	20,281
Rural	12,699	17,096	37,496	19,483

Source: NHDR/PIDE Survey 2001.

provide any loan to the extremely poor. The rate for the poor is 19 per cent and for the non-poor only 10 per cent. The mark-up charged by factory/mill owners is 13.0 per cent for the extremely poor, but it falls to 3.0 and 5.1 per cent in the case of the poor and the non-poor (see Table 33).

That 70 per cent of the rural households never applied for any loan is significant and may be mainly the result of a lack of collateral. While 75.0 per cent could not provide the collateral, the lack of awareness relating to the procedure of obtaining loans has been another problem. At least one-quarter of the extremely poor households reported that their loan application was rejected because they did not pay any bribe. [see annexure 3(i)]. In some cases, however, the loan application has been rejected because the household has not returned the previous loan.

As was noted earlier, the loans have been a high percentage of their incomes especially for the poor. Since the loans have been used to meet the consumption needs by an overwhelming proportion, there is little likelihood that they will be repaid. Therefore, the indebtedness in both the rural and urban areas has increased sharply. The extremely poor persons on average (all Pakistan) are indebted to the extent of Rs.28,137 and the figure rises to Rs.57,780 in the case of the non-poor. Indebtedness as a proportion of income shows the acuteness of the problem. The indebtedness of the extremely poor is 276.1 per cent which declines to 75.8 per cent for the poor and 53.2 per cent for the non-poor (see Table 34). The high indebtedness is a major hurdle in poverty alleviation programmes based on credit alone.

CONCLUSIONS

In this chapter we have attempted to examine essentially two questions on the basis of the NHDR/PIDE 2001 Survey data: (1) Who are the poor? (2) What pushes them into poverty and what are the mechanisms which keep them poor? In this context we have analyzed the processes of poverty generation by showing how asymmetric access of the poor to local markets and the functioning of local power structures deprives the poor of a large proportion of their actual and potential income. We have

Table 32 Purpose of Loan by Economic Status

	Extremely Poor	Poor	Non-Poor	Total
All Pakistan				
Agricultural inputs	4.9	6.5	11.9	7.0
Purchase of any other property	4.6	7.8	7.0	6.5
Shop/Hotel/Other Non-Farm Activity	5.6	5.5	6.9	5.8
Consumption Purposes including Ceremonies				
	67.2	58.3	51.6	60.2
Others	17.7	21.9	22.6	20.5
Urban				
Consumption Purposes including Ceremonies				
	56.8	65.1	35.7	57.4
Shop/Hotel/Other Non-Farm Activity	4.5	4.7	—	4.0
Purchase of any other Property	4.5	2.3	—	3.0
Others	34.1	28.0	64.3	35.6
Rural				
Agricultural inputs	5.7	7.3	13.1	7.9
Purchase of any other property	4.6	8.0	7.6	6.7
Shop/Hotel/Other Non-Farm Activity	5.7	5.6	7.6	6.0
Consumption Purposes	69.0	57.5	53.1	60.6
Others	15.0	21.6	18.6	18.8

Source: NHDR/PIDE Survey 2001.

Table 33 Average Annual Interest/Mark-up Rate by Source of Loan and Economic Status

	Extremely Poor	Poor	Non-Poor	Total
ADBP	8.17	13.47	17.44	14.19
Commercial Bank	—	19.00	10.44	13.03
NGO	0.00	8.33	19.00	11.71
Input Supplier	8.33	4.55	30.00	8.42
Landlord	0.06	0.84	0.00	0.32
Profit Money Lender	58.83	60.50	16.67	47.64
Shopkeeper	0.53	0.10	0.25	0.30
Factory/Mill	13.00	3.00	5.08	5.25
Commission Agent	1.67	25.00	0.00	6.88
Friends/Relatives	0.55	0.73	2.93	1.07
Total	1.93	1.52	4.09	2.12

Source: NHDR/PIDE Survey 2001.

Table 34 Total Indebtedness (Mean) of the Sample Households by Economic Status

	Extremely Poor	Poor	Non-Poor	Total
Indebtedness				
All Pakistan (Rs.)	28137.24	29170.99	57780.83	34057.67
Urban (Rs.)	55825.00	33527.03	30350.00	43413.79
Rural (Rs.)	21785.28	28843.65	60800.00	32594.09
As a percentage of Income				
All Pakistan	276.09	75.84	53.17	142.82
Urban	166.10	58.71	33.61	104.49
Rural	298.55	78.28	54.95	148.70

Source: NHDR/PIDE Survey 2001.

also identified some of the major economic and social features of the poor population. This was specifically with respect to the sources of income of the poor, the sources of their loans and level of indebtedness, their major occupations, their health status, the types and costs of health facilities they use and finally the types of disputes they face and the costs of resolution.

Some of the major conclusions that emerge from our empirical analysis are as follows:

1. Poverty and Modes of Financing Consumption

- (i) The basic difference between the extremely poor and the poor categories is that in the former category, the total annual household income (Rs.15,350) is substantially less than the food consumption requirement (Rs.18,497), while in the latter, the annual total household income (Rs.40,566) is sufficient to fulfill the food consumption requirement. Consequently, the extremely poor are obliged to use loans to buy food. Since availability of loans to the poor is extremely limited, they suffer from acute nutritional deficiencies.
- (ii) Various forms of charity provide a significant source for financing the consumption requirements of both the extremely poor and the poor households. Two features emerge from the data in this regard: (a) Charity from the private sector is three times as large as that from the public sector. (b) The non poor are also significant recipients of the government's *Zakat* funds which are supposed to go exclusively to the poor. This indicates inefficient targeting of beneficiaries in the disbursement of *Zakat* funds.
- (iii) Remittances constitute a major source of supplementary income for poor households. An improvement in the education level and hence increase in the incomes of the migrants could significantly increase the remittances component of

household consumption. The data clearly show that the reason why the income of poor migrants is low is because 73.9 per cent of the migrants are illiterate or just have primary education. The income of non-poor migrants was higher because of their better educational status.

Clearly improved education and skill training of the poor can play a role in poverty alleviation by improving the incomes of migrant workers who send remittances to their families.

Policy Implications: Given the fact that the average total household receipts of the extremely poor are only 80 per cent of their minimum food consumption requirements, an increase in the volume of *Zakat* funds, improved targeting of beneficiaries and greater efficiency in the administration of *Zakat* funds is required.

2. Moving into and Out of Poverty

- (i) The data show that the employment status and income level of the second earner of a household is the key determinant of the probability of moving out or falling into poverty. Here again the income level of the second earner is influenced by her/his education level.
- (ii) A predominant proportion of the major earners in both rural and urban areas in poor households are unskilled workers engaged in low productivity and low income occupations. The mobility of such unskilled workers across occupations is also low.

Policy Implications: Vocational Training and apprenticeship programmes to impart technical skills after primary education to workers from poor households could contribute to poverty alleviation.

3. Local Power Structures and the Poverty Process

- (i) Our data show that due to the landlord's power over small tenants, the extremely poor tenant farmers are obliged to pay as crop share a

larger proportion of their farm produce compared to the non-poor tenant farmers. For example, the extremely poor have to pay 28.21 per cent of their production value to the landlord compared 8.1 per cent by the non-poor tenant farmers.

- (ii) Consequently, the extremely poor households can keep only about 40 per cent of their crop output for household consumption, compared to 48 per cent by poor households and 54 per cent by non-poor households. This evidence suggests that the extremely poor and poor households are likely to run out of their household stock of food grain and be obliged to purchase grain in the market at the end of the production cycle when market prices are high. Such households are forced to borrow for food consumption or face starvation. This is also suggested by our evidence that poor households borrow for food consumption.
- (iii) Given their food budget deficit many poor tenant households are obliged to supplement their incomes by working part time on the landlord's owner cultivated piece of the landholding. Given their power, the landlords, are able to pay a lower than market wage rate to their dependent tenants. The data show that a substantial proportion of poor tenant households work as wage labourers for the landlords and the wage rates of the poor are almost half the wage rates at which the non-poor households are able to sell their labour in the market.
- (iv) Due to inadequate access of the poor over institutionalized credit markets as many as 50.8 per cent of extremely poor households borrow from the landlord. The resultant increase in leverage and additional social control by the landlord, obliges many poor households to work for the landlord without any wage at all (57.4 per cent of extremely poor households worked for the landlord without wages).

- (v) The data show that the tenancy contracts of poor tenant households were not only more adverse than non-poor ones, but also during the last decade the tenancy arrangements for the poor have worsened. Since the majority of the extremely poor (52.5 per cent) are tenants, any deterioration in tenancy arrangements would therefore increase poverty. The data show that the financial contribution of tenants to input costs of production have increased substantially and have become a significant factor in poverty generation. For example in the case of wheat, the contribution of the tenants in the financing of tractor hiring costs has increased from 63 to 74 per cent, the labour cost contribution of poor tenants has increased over the period from 47 to 60 per cent, seeds from 51 to 67 per cent and fertilizer from 47 to 57 per cent.

Policy Implications: (i) NGOs engaged in human rights advocacy, Lawyers Associations, and apex organizations of development NGOs could form a consortium facilitated by the government to enable the poor tenants and farm labourers to form a Small Tenant and Farm Labourers Union, at the district, provincial and national levels. The purpose would be to negotiate within the existing legal framework to achieve fair wage and tenancy contracts for the farm sector. (ii) Facilitating the emergence of autonomous organizations of the poor and their institutional linkage with each tier of local government, could enable the poor to break out of the nexus of the local power structures and unequal access over markets, and thereby reduce their income losses (see chapter 5).

4. Income Loss Resulting from Unequal Access over Input Markets

As many as 28.2 per cent of the extremely poor peasants have to buy their inputs from the landlord. The data show that on average the poor have to pay 11.8 per cent more than the actual amount which they would have to pay in case these inputs were procured from least cost sources.

5. Income Loss Resulting from Unequal Access over Output Markets

The data show that an overwhelming proportion of output sold by the poor farmers in the case of rice, cotton and wheat, is sold to traders and landlords who constitute an important element in the local power structure in many areas. The data also show that the traders and landlords give a lower price to the poor farmers, than the official purchase price of the government. The income of the poor was reduced by 7.44 per cent of the total value of sales for the major crops because they were unable to get the minimum ruling price.

If the income loss resulting from market distortions in the output and input markets are taken into account then the small farmers are deprived of about 20 per cent of their income. If the income loss resulting from the pressure to give bribes and to provide local administration officials with free milk and ghee is included, then the income loss is as much one-third of the household income of the poor peasant.

Here again facilitating the emergence of autonomous organizations of the poor and giving them a greater influence over local government institutions could enable the poor to improve their access over local markets for inputs and outputs (see chapter 5).

6. Disputes and Poverty

The data show that 48.7 per cent of reported disputes occur in poor households and 17.1 per cent in extremely poor households. The average cost of mediation is Rs.18,333 which is higher than the annual household income of the extremely poor. Yet despite bearing this crippling burden (usually financed by borrowing or selling livestock) the percentage of successful resolution of disputes is only 38.5 per cent.

7. Poverty and Illness

Frequency of illness and often its protracted nature with resultant high costs of treatment is an important factor pushing marginal households into poverty and poor households into deeper poverty. On average

62 per cent of the respondents in the NHDR/PIDE 2001 Survey, were ill at the time of survey. These findings are supported by the National Health Survey of Pakistan data, which show that amongst low income persons of 45 years and above, as many as 45 per cent suffer from poor health and 80 per cent suffer from poor to fair health. Our NHDR/PIDE data also show that most of the ill respondents had been suffering for a protracted period. As many as 54 per cent go to private medical practitioners, 49.4 per cent travel on average over six kilometers for their medical consultation, and the extremely poor had spent Rs.1,885 on their current illness. In many cases the poor are forced to sell whatever few assets they have and then borrow to finance medical treatment of their family members.

Policy Implications: Improving the nutrition, preventive hygiene, provision of safe drinking water, improving the service delivery of basic health units, public transport, and improved diagnostic and treatment capabilities of Tehsil and District Hospitals are urgent imperatives to deal with the crisis of health and poverty.

8. Micro-enterprises and the Poor

In general the productivity of micro-enterprises (in which 42.7 per cent of the workforce in the non-agriculture sector are employed) is low. In the urban areas most of the poor are employed in micro-enterprises. The enterprises run by the poor have low annual sales and even lower net profits. The poor households who run micro-enterprises have reported a number of problems as possible causes of their low profits. These include, lack of funds; high costs; police harassment, municipal corporation/committee harassment and inadequate transport facilities.

Policy Implications: Enabling the poor to improve the productivity, sales and net profits would contribute significantly to poverty reduction. An overwhelming proportion reported that enhanced availability of credit, better location and transport facilities would help to increase their incomes from micro-enterprises.

9. Microcredit and NGOs

According to our NHDR/PIDE Survey data only 35.6 per cent of households have had access to loans from any source. An overwhelming proportion of the loans taken by poor households were obtained from non-institutional sources including shopkeepers, friends and relatives.

With regard to NGOs the data show two important facts:

- (i) NGO intervention is relatively insignificant. Of the total number of loans received by all three income classes, from all sources, the NGOs provided only 1 per cent of the loans in the urban areas and 0.8 per cent of the loans in the rural areas.
- (ii) NGOs as well as public sector development banks such as the ADBP cater to non-poor households to a much greater extent than to the poor households. For example, of the total number of loans received from NGOs in rural areas, as many as 50 per cent have been received by the non-poor households, 33.3 per cent by the poor households and 16.7 per cent by the extremely poor households. (These broad conclusions are reinforced by the spot survey data on impact of NGOs. See chapter 4).

Policy Implications: (i) The volume of microcredit through institutional sources needs to be increased hundred fold. (ii) Monitoring and Evaluation Institutions need to be established to conduct an independent, systematic and regular impact assessment of microcredit disbursed through NGOs and other institutional sources. (iii) Existing apex institutions providing microcredit (For example, PPAF and the new Khushali Bank) need to carefully examine the organizational structure and operational procedures of partner organizations through whom microcredit is disbursed. The purpose would be to suggest institutional improvements in their partner organizations for better targeting of the poor.

NOTES

1. Aristotle proposed that it is *human functioning* that is the real object of value. The implication of this formulation for public action today in the context of poverty, is: Maximizing value in society would require enabling the maximum number of people to actualize their human potential. See, *Nicomachean Ethics*, Book 1, Section 5, D. Roos (ed.), Oxford University Press, 1980.
2. For an elaboration of this perspective, see, Akmal Hussain, 'Pro-Poor Growth, Participatory Development and Decentralization: Paradigms and Praxis,' 19 January 2002, Wignaraja, Sirivardana (eds.), *Pro-Poor Growth and Governance in South Asia—Case Profiles of Participatory Development and Decentralization Reforms*, Zed Press London (Forthcoming).
3. In the urban areas, the consumption of the extremely poor exceeds their total receipts by 14 per cent, and the ratio of net credit to consumption is 17 per cent. Remittances have been rather low in the two urban communities and the total transfers are just around 6 per cent of the total receipts. In the rural areas, the remittances in the total receipts of the extremely poor accounted for 17.2 per cent and other transfers for another 4 per cent. The consumption exceeds total receipts by 35 per cent, financed by credit to the extent of 17 per cent and sale of land by about 5 per cent. The poor received 6.7 per cent in the form of remittances and 1.3 per cent from other transfers. On average they could finance their consumption levels through net credit and sale of land by 15 per cent and 3 per cent of the consumption level respectively.
4. However, for total receipts that include both incomes and transfers, the ratio falls to 9.4. At the district level also, the ratio improves across all the districts (see Table 3).
5. Whereas 89.3 per cent of the non-poor households owned the land, the proportion was 48.2 and 70.9 per cent amongst the extremely poor and the poor.
6. The land rented out is 10.3 per cent and 18.0 per cent of the landownership of the extremely poor and the poor.
7. An analysis of the mechanisms of poverty generation in the rural areas, (with special reference to the Punjab) was first conducted on the basis of a 1978 field survey. See, Akmal Hussain, *Strategic Issues in Pakistan's Economic Policy*, Chapter 5, pp. 101 to 176, Progressive Publishers, Lahore 1988.
8. This was first investigated over two decades ago in a small sample survey for a doctoral thesis. See, Akmal Hussain, *Impact of Agricultural Growth on Changes in the Agrarian Structure of Pakistan, with Special Reference to the Punjab Province*, D. Phil. Thesis, Sussex University, 1980.
9. National Health Survey of Pakistan, Pakistan Medical Research Council, 1998. (This survey was conducted by the Medical Research Council in collaboration with the Department of Health and

Human Services, Washington, USA and the Federal Bureau of Statistics, Islamabad), p. 129, Figure 57.

10. Ibid., p. 109, Figure 48.

11. Only 1.4 per cent of the extremely poor are engaged in large scale industries or financial institutions, or are public servants, and even there,

they are doing low paid jobs. The plight of the poor is little better where 42.7 per cent work in the farm sector, 33.4 per cent in household establishments, 7.8 as servants and menial workers, 5.8 per cent are engaged in large scale enterprises, and 8.2 per cent in the public sector.

References

- Addison, M.W., 1996. 'Setting Environmental Priorities'. (Mimeo) Draft.
- Asian Development Bank, July 2002. 'Poverty in Pakistan'.
- Brandon, C., 1995. 'Valuing Environmental Costs in Pakistan: The Economy-Wide Impact of Environmental Degradation'. Asia Environment Division, World Bank.
- Burki, Shahid Javed, 1999. *Pakistan: Fifty Years of Nationhood*. Vanguard, Lahore.
- _____, 1998. 'Governance, Corruption and Development: Some Major Obstacles to Growth and Development'. *The Banker*, Lahore.
- Canfield, Catherine, 1984. 'Pesticides Exporting Death'. *New Scientist*, 16 August 1984.
- Ghaus, Aisha, Pasha, Hafiz A. and Ghaus, Rafia. 'Social Development Ranking of Districts of Pakistan'. *The Pakistan Development Review* (Winter 1996), Volume 35, No. 4, Islamabad.
- Government of Pakistan, 2001. 'A Debt Reduction and Management Strategy—Summary Report'.
- _____, 2001. Interim Poverty Reduction Strategy Paper.
- _____, February 2002. 'Interim Population Sector Perspective Plan 2012'.
- _____, Finance Division. Economic Survey. Islamabad
- _____, Planning Commission, 2001. Ten Year Perspective Plan and Three Year Development Programme. Islamabad.
- _____, Planning Commission. The Third Five Year Plan, 1965-70. Karachi.
- Griffin, K. and Khan, A.R. 'Growth and Inequality in Pakistan'. Macmillan, London.
- Hamid, N. 'The Burden of Capitalist Growth, A Study of Real Wages in Pakistan'. *Pakistan Economic and Social Review*, Spring 1974.
- Hamid, Naved and Hussain, Akmal. 'Regional Inequalities and Capitalist Development'. *Pakistan Economic and Social Review*, Autumn 1974.
- Herald*, Monthly. Karachi.
- Hussain, Akmal, 1980. 'Impact of Agricultural Growth on Changes in the Agrarian Structure of Pakistan with Special Reference to the Punjab Province'. D. Phil Thesis, University of Sussex.
- _____, 1985. 'Squeezed Out by Progress', Development, Seeds of Change.
- _____, 1986. 'Economic Growth, Poverty and the Child'. Paper presented at the Harvard Conference on Who Speaks for the Child, Harvard University, Cambridge, Mass., 11-12 August 1986.
- _____, 1988. *Strategic Issues in Pakistan's Economic Policy*. Progressive Publishers.
- _____, 1989. 'Labour Absorption in Pakistan's Rural Sector'. ILO/ARTEP.
- _____, 1992. 'Child Workers in Construction and Related Industries in Pakistan'. ILO/ARTEP, Geneva, 1 October 1992 (Mimeo).
- _____, 1994. *Poverty Alleviation in Pakistan*. Vanguard Books.
- _____, 1999. 'A Medium Term Strategy of Economic Revival'. Paper presented to the Federal Finance Minister of Pakistan.
- _____, 1999. 'Employment Generation, Poverty Alleviation and Growth in Pakistan's Rural Sector: Policies for Institutional Change'. Report prepared for the International Labour Organization, Country Employment Policy Review, Pakistan, ILO/CEPR.
- _____, February 1991. 'Women, Environment and Development'. Paper presented to the Centre for Research and Management, Islamabad.
- Jillani et al. 'Labour Migration'. PIDE Research Report No. 126.
- Kemal, A.R., 1999. 'Patterns and Growth of Pakistan's Industrial Sector'. Included in Khan, Shahrukh Rafi, *Fifty Years of Pakistan's Economy*. Oxford University Press, Karachi.
- Khan, Akhtar Hameed. *Orangi Pilot Project: Reminiscences and Reflections*.
- Khan, Shahrukh Rafi, 1999. *Fifty Years of Pakistan's Economy*. Oxford University Press, Karachi.

- Majid, Nomaan. 'Pakistan: An Employment Strategy'. ILO/SAAT, December 1997.
- Mian, Alim and Mirza, Yasin, 1993. 'Pakistan Soil Resources, National Conservation Strategy'. Sector Paper IV, Environment and Urban Areas Division, with IUCN.
- Naqvi and Zareen. 'Poverty in Pakistan: Review of Recent Literature'. South Asia Poverty Reduction and Economic Management Unit, The World Bank, Islamabad.
- Naseem, S.M., 1977. 'Rural Poverty and Landlessness in Asia'. ILO Report, Geneva.
- National Health Survey of Pakistan, Pakistan Medical Research Council, Federal Bureau of Statistics, Pakistan and the Department of Health and Human Services, USA, 1998.
- Newsline*, Monthly. Karachi.
- Nishtar Medical College, Multan, 1990. 'Discover the Working Child'. UNICEF, Islamabad.
- Noman, Omar, 1988. *The Political Economy of Pakistan, 1947-85*. Routledge, Kegan and Paul, London.
- Overcoming Poverty: The Report of the Task Force on Poverty Eradication, May 1997.
- Pasha, Hafiz, 1999. 'Fifty Years of Finance in Pakistan: A Trend Analysis' in Khan, Shahrukh Rafi (ed.) *Fifty Years of Pakistan's Economy*.
- Postel, Sandra, July 1999. 'Pillars of Sand: Can the Irrigation Miracle Last?' W.W. Norton & Company, New York.
- Punjab Rural Support Programme. Summary Field Report.
- Qureshi, Ata and Iglesias, 1992. 'Implications of Global Climate Change for Pakistan Agriculture: Impacts on Simulated Wheat Production'. Climate Institute, Washington, DC USA.
- Rahim, Sikander, February 2001. 'Myths of Economic Development'. Lahore School of Economics, Occasional Paper No. 10.
- Reyes, Socorro L. 2002. 'Gender Budgeting: A Concept Note', UNDP, Mimeo
- Roos, D. (ed.), 1980. *Nicomachean Ethics*. Oxford University Press.
- Rosegrant, Mark W. and Evenson, Robert, 1993. 'Agricultural Productivity Growth in Pakistan and India: A Comparative Analysis'. Paper presented at Pakistan Institute of Development Economics, Ninth General Meeting, Islamabad.
- Rupasinghe, K. and Mumtaz, K. (ed.), 1996. *Internal Conflicts in South Asia*. Zed Books, London.
- Sathar, Zeba A. and Kazi, Shahnaz, 1997. 'Women's Autonomy, Livelihood and Fertility'. PIDE.
- Social Policy and Development Centre, 2002. *Social Development in Pakistan, Annual Review 2002*. Oxford University Press, Karachi.
- Soligo and Stern, J.J., 1965. 'Tariff Protection, Imports Substitution and Investment Efficiency, The Pakistan Development'.
- Streeten, Paul et al., 1981: *First Things First: Meeting Basic Needs in Developing Countries*. Oxford University Press, New York.
- Syed, Najam Hosain, 1986. *Recurrent Patterns in Punjabi Poetry* Second Edition. Punjab Adbi Markaz, Lahore.
- The Economist*, Weekly. London
- The World Bank Group, March 2001. 'Pakistan's Reform Programme: Progress and Prospects Report'.
- Tinker, Anne G., 1998. 'Improving Women's Health in Pakistan'. Human Development Network, The World Bank.
- UNDP, Human Development Report 2002, Deepening democracy in a fragmented world, OUP, 2002.
- UNDP, Pakistan, 1986. 'Government/Donor/NGO Collaboration: Lessons Learnt and the Action for the Future'.
- UNICEF, 1992. 'Situation Analysis of Children and Women in Pakistan'.
- White, L.J. 'Industrial Concentration and Economic Power in Pakistan'. Princeton University Press.
- Wignaraja, P. and Sirivardana, S. (Forthcoming). *Pro-Poor Growth and Governance in South Asia*. Zed Press, London.
- Wignaraja, Ponna, Hussain, Akmal, Sethi, Harsh and Wignaraja, Ganeshan, 1991. *Participatory Development, Learning from South Asia*. United Nations University, Oxford University Press.
- World Bank, 1990. 'Women in Pakistan: An Economic and Social Strategy'.
- _____, March 1994. 'Pakistan Irrigation and Drainage: Issues and Options'. World Bank Report No. 11884-PAK.
- _____, May 2002. 'Poverty in Pakistan: Vulnerabilities, Social Gaps, and Rural Dynamics'.
- _____, November 1994. 'Pakistan: A Strategy for Sustainable Agricultural Growth'. World Bank Report No. 13092.
- _____. 'Governance and Development'. Washington DC.

CHAPTER 3

Annexure I

Survey Design

ANNEXURE I

SURVEY DESIGN

The survey was designed to generate both quantitative and qualitative data sets. The quantitative component was generated through the NHDR/PIDE 2001 Survey covering eight poor communities of the country; of which two were urban while the rest of the six communities were rural. The fieldwork for the NHDR/PIDE 2001 Survey was carried out in July-August 2001. It can be said that this survey was a complete census, since it covered all households located in the sampled communities.

Two stage stratified sample design was adopted for the survey. At the first stage, seven districts of the country, Lahore and Muzaffargarh in Punjab, Badin, Mirpur Khas and Karachi in Sindh, Dir in NWFP and Khuzdar in Balochistan, were selected. In each district, a poor community was selected randomly at the second stage, except Lahore district where two communities, one rural and one urban were included in the sample. Karachi and Lahore were included in the sample because large slum areas have developed over time in these two largely urban districts of the country. There are more than 500 *Katchi Abadis* in Karachi alone. It is believed that an overwhelming majority of households situated in slum areas are poor and live in unhealthy conditions.

The rest of the five districts (Muzaffargarh, Badin, Mirpur Khas, Dir and Khuzdar) were selected for the rural sample; they are among the poorest districts of the country, as revealed by the last available ranking of districts, carried out by A.F. Aisha Ghaus, Hafiz A. Pasha and Rafia Ghaus.¹ This ranking was based on eleven indicators related primarily to education, health and water supply. While this study focuses on social indicators rather than poverty profiles as the basis of district ranking, nevertheless it provides valuable insights into differential between districts with respect to their social development.

In Punjab, the least developed districts, according to the above study, were Rajanpur, Pakpattan, Muzaffargarh, Lodharan, D.G. Khan, Vehari and Layyah. All these districts are located in South Punjab region.

In Sindh, Jacobabad, Mirpur Khas (Tharparkar), Badin, Sanghar, Thatta and Dadu were ranked as the least socially developed districts of the province. The results of a few recent studies are also in line with the above-mentioned ranking. For example, a survey done by the School of Nutrition Programme of Aga Khan University in seven districts of Sindh (including Badin, Thatta, Mirpurkhas and Dadu located in both regions of Sindh) indicates that 70-80 per cent of the rural households were poor.

In NWFP, the identified least developed districts were Kohistan, Dir and Mansehra. All districts of Balochistan except Quetta, Sibi and Ziarat were grouped in the least developed category.²

It appears from these regional (as well as district) differentials that poverty is concentrated in certain regions of the country. Within Punjab, based on both regional level poverty indicators and district ranking, southern Punjab appears to be a relatively poor area. In Sindh certain districts seem to be poor while in NWFP, Dir, Kohistan and Mansehra are the poor districts. The whole province of Balochistan is poor by all indicators of poverty and development. By taking into account these regional variations, five districts, Muzaffargarh, Badin, Mirpur Khas, Dir and Khuzdar, were selected for the NHDR/PIDE 2001 rural sample in order to generate data on different poverty indicators at the household as well as community level. As pointed out earlier, in each of these five districts, one community was selected randomly.

The size of villages in terms of population varied across and within the selected districts. It was therefore inappropriate to select villages which varied substantially in size. A medium-sized village comprising approximately 300 households was selected randomly from each of the above-mentioned five districts by using the village level data given in the 1998 district census reports. For the urban sample, two poor communities consisting of approximately 300 households were selected from the slum areas of Karachi and Lahore. Moreover, by way of comparison, a rural community from Lahore district was also included in the sample.

The size of the NHDR/PIDE Survey 2001 sample by community is reported in Table 1. In total, 2,240 households were covered; of which 1623 households were from rural areas, while the urban sample consisted of 617 households. The total number of households in seven communities ranged from 267 in Muzaffargarh to 344 in Lahore. In Khuzdar, however, a village with only 183 households was included in the sample. In Balochistan villages are relatively small in terms of population.

Since the NHDR/PIDE Survey 2001 is a sample survey of seven districts of Pakistan, it cannot be claimed that it is representative either for rural or for urban areas of the entire country. However,

systematic and careful selection of poor communities from all provinces of the country does provide a rich source of data to examine the nature of poverty and the processes of poverty generation.

TABLE 1
THE SIZE OF THE PCSP SAMPLE BY PROVINCE, DISTRICT, COMMUNITY
AND URBAN/RURAL

Province	District	Community	UrbanRural	Sample
Punjab	Muzaffargarh	Kotla Afghan	Rural	267
	Lahore	Shamapura	Urban	310
	Lahore	Aasulpur	Rural	344
Sindh	Karachi	Quaid-i-Azam Colony	Urban	307
	Badin	Jharkandi	Rural	282
	Mirpur Khas	Ghamau Kalvoo Deh 322-A	Rural	273
NWFP	Dir	Shah Alam Baba	Rural	274
Balochistan	Khuzdar	Bajori	Rural	183
			Total: Urban	617
			Rural	1623
			Total	2240

For the qualitative component of the study, data were generated through in-depth interviews and focus group discussions.³ In each sampled community, 10 to 15 households were selected for in-depth interviews. This selection was made with the consultation of key informants of the respective areas. An anthropologist worked in each community for more than one month to carry out the in-depth interviews and to moderate focus group discussions. Finally, the community level data for limited variables was also collected through administering a structured questionnaire to a key informant in each sampled community.

The NHDR/PIDE Survey 2001 used a structured questionnaire that was a multidimensional instrument for gathering comprehensive information on socio-economic characteristics of the target population. It was divided into several sections including household composition, education, employment and income, land utilization, non-farm activities, consumption, transfer income, credit, household assets, dispute resolution, health status of all individuals and housing conditions (see Annexure 2).

Notes:

1. A.F. Aisha Ghaus, Hafiz A. Pasha and Rafia Ghaus, 'Social Development Ranking of District of Pakistan,' *The Pakistan Development Review* (Winter 1996), Vol. 35, No. 4, Islamabad, pp. 593-614.
2. Ibid.
3. A few clarifications regarding these qualitative methods seem to be in order. In current social sciences research there are three basic uses of qualitative methods. Firstly they are used as a self-contained method in studies in which they serve as the principal source of data. Secondly they are used as a supplementary source of data in studies that rely on some other primary source. Thirdly, they are used in multi-method means of gathering data in which no primary method determines the use of others. In this study, qualitative methods are used as part of a supplementary source of data. The qualitative data is presented in chapter 5.

CHAPTER 3

Annexure II

Variables Contained in Questionnaires

ANNEXURE II

VARIABLES CONTAINED IN QUESTIONNAIRES

I. Household Composition

Relationship to the head of household
Sex
Age (in completed years)
Religion
Marital status
Literacy and level of education
School enrolment
Type of school and medium of instruction
Vocational/technical education

Employment and Earnings

Activity status
Employment status
Industry status
Occupational status of main job
Occupational status of secondary job
Number of hours worked on main job
Number of hours worked on secondary job
Total work experience
On the job training
Labour market earnings from first job
Labour market earnings from the second job
Earnings from other activities

II. Household Expenditure

Food
Clothing and Footwear
Fuel and Lighting
Transport
Housing
Household Effects
Personal Effects
Recreation
Medical
Education
Miscellaneous Items
Durable Goods

Ownership of Durable Items of the Household

Bicycle
Radio
Television
Video Cassette Recorder
Sewing Machine
Knitting Machine
Washing Machine
Electrical appliances
Camera

Refrigerator
Gas stove
Car / Jeep
Motorcycle/scooter
Personal Computer
Air-conditioner
Other items

Transfer Income

Zakat, Ushr, Nazrana, or Fitrana
Domestics and Foreign Remittances
Assistance from Government / other Sources
Grants / Inheritance
Pension

Ownership of Land and Property

Rent from Property and Land
Value of the Property Sold
Value of the Property Purchased
Money spent on renovations
Value of the Property or Land Received as Gift
Value of the Property or Land Lost

Financial Assets and Liabilities

Total bank Deposits
Total savings
Total Interest / Profit Received
Total Withdrawal
Total Securities, Types and Value
Profit / Interest on Securities
Total Loans to Pay
Amount Paid
Amount Remains
Time Period for payment and Interest Rate
Purpose and Institution From which Loan Received
Life Insurance
Annual Installments and Duration
Total Payment Made
Provident Fund
Annual Contribution
Balance

III. Balance Sheet

Total Income
Total Expenditure
Income / Expenditure Ratio

IV. Health Information and Housing Facilities

(i) Illness

Illness in the last two weeks
Type of illness
Consultations with health attendant
Recovery time from the illness

(ii) Housing

Present occupancy status
Number of rooms
Source of drinking water
Sanitation system
Type of toilet facilities
Garbage collection

Agricultural

Agricultural landownership
Land rented out
Land rented in
Harvesting of different crops during the last year
Livestock
Agricultural operating expenses during the last year
Persons working and labour costs

Non-Agricultural Establishment

Major activity of the business
Persons working during the last working month
General operating expenses and revenues
 Manufacturing
 Mining and quarrying
 Service related business
 Transport
 Wholesale and retail trade
 Hotels and restaurants
 Construction
Land, building, equipment and other items owned

Migration

In-migration
Out-migration

Annexure III

- (a) Micro-Enterprises and Profitability**
- (b) Distribution of Transfer Incomes**
- (c) Outmigrants by Economic Status**
- (d) Employment Status**
- (e) Percentage Distribution of Agricultural and Non-Agricultural Workers by Economic Status**
- (f) Type of Enterprises in Rural and Urban Areas**
- (g) Timely Repayment of All Loans by Economic Status**
- (h) Sources of Loans by Economic Status**
- (i) Reason for Rejection of Loan Application**

ANNEXURE III (a)

MICRO-ENTERPRISES AND PROFITABILITY

CAUSES REPORTED FOR THE DECLINE IN PROFIT BY ECONOMIC STATUS

Problem Faced in Running Business	Extremely Poor	Poor	Non-Poor	Total
ALL PAKISTAN				
Less Demand	6.5	64.5	29.0	100.0
Transport Problems	—	80.0	20.0	100.0
Inflation	12.0	64.0	24.0	100.0
Police Disturbance	—	100.0	—	100.0
Change in Locality of Shop	—	100.0	—	100.0
Other Shopkeepers Disturbance	33.3	55.6	11.1	100.0
Lack of Funds	33.3	44.4	22.2	100.0
Decline in Purchasing Power	3.8	50.0	46.2	100.0
Too Old	4.3	70.0	25.7	100.0
Health Disturbance	11.1	77.8	11.1	100.0
Municipal Committee Disturbance	—	—	100.0	100.0
Input Price Increased	25.0	50.0	25.0	100.0
Business split	—	3.8	2.9	3.2
GST	—	—	100.0	100.0
Location	—	—	100.0	100.0
Increase in Petrol Prices	—	66.7	33.3	100.0
Others	8.7	56.5	34.8	100.0
Total	17.7	125.8	60.5	204.0
URBAN				
Less Demand	21.7	65.2	13.0	100.0
Transport Problems	60.0	40.0	—	100.0
Inflation	22.7	63.6	13.6	100.0
Police Disturbance	—	100.0	—	100.0
Change in Locality of Shop	—	100.0	—	100.0
Other Shopkeepers Disturbance	42.9	42.9	14.3	100.0
Lack of Funds	40.0	60.0	—	100.0
Decline in Purchasing Power	25.0	70.0	5.0	100.0
Too Old	47.7	45.5	6.8	100.0
Health Disturbance	25.0	75.0	—	100.0
Municipal Committee Disturbance	—	100.0	—	100.0
Input Price Increased	40.0	40.0	20.0	100.0
Business split	—	50.0	50.0	100.0
Increase in Petrol Prices	—	100.0	—	100.0
Others	37.0	51.9	11.1	100.0
Total	68.2	116.5	18.8	203.5
RURAL				
Less Demand	12.5	37.5	50.0	100.0
Inflation	—	66.7	33.3	100.0
Police Disturbance	—	100.0	—	100.0
Other Shopkeepers Disturbance	50.0	50.0	—	100.0
Lack of Funds	25.0	25.0	50.0	100.0
Decline in Purchasing Power	—	16.7	83.3	100.0
Too Old	7.7	42.3	50.0	100.0
Health Disturbance	100.0	—	—	100.0
Input Price Increased	—	66.7	33.3	100.0
Business split	—	100.0	—	100.0
GST	—	—	100.0	100.0
Location	—	—	100.0	100.0
Increase in Petrol Prices	—	—	100.0	100.0
Others	10.15	26.3	63.2	100.0
Total	20.5	74.4	110.3	205.1

ANNEXURE III (b)

DISTRIBUTION OF TRANSFER INCOMES

	Average Receipts of the Group			Total	Respective Share		
	Extremely Poor	Poor	Non-Poor		Extremely Poor	Poor	Non-Poor
ALL PAKISTAN							
Boarders or Lodgers	7904	18364	65000	13827	63.6	31.8	4.5
Zakat from Government	897	908	917	904	44.6	46.2	9.2
Zakat from Private Sources	2337	673	1000	1792	66.7	30.6	2.8
Ushr, Fitrana	765	1750	—	952	81.0	19.0	—
Nazrana	445	750	—	492	84.6	15.4	—
Remittances from within Pakistan	20245	30280	48882	28303	51.6	31.3	17.2
Remittances from outside Pakistan	55545	73042	181944	83864	40.0	43.6	16.4
Gifts Assistance	10608	5519	1833	8285	59.5	33.3	7.1
Pension	7950	9334	69100	24103	12.5	62.5	25.0
Total	13050	21934	72044	22235	53.7	36.2	10.1
URBAN							
Boarders or Lodgers	1533	12000	—	4150	75.0	25.0	—
Zakat from Government	300	3333	—	2575	25.0	75.0	—
Zakat from Private Sources	3971	400	1000	3244	77.8	11.1	11.1
Ushr, Fitrana	1300	—	—	1300	100.0	—	—
Nazrana	500	1000	—	667	66.7	33.3	—
Remittances from within Pakistan	1900	24000	—	5583	83.3	16.7	—
Remittances form outside Pakistan	—	10000	—	10000	—	100.0	100.0
Gifts Assistance	5875	5875	1833	5237	42.1	42.1	15.8
Pension	9900	2533	—	4375	25.0	75.0	—
Total	3397	5895	1625	4144	57.4	35.2	7.4
RURAL							
Boarders or Lodgers	8668	18854	65000	14795	62.5	32.5	5.0
Zakat from Government	919	639	917	795	45.9	44.3	9.8
Zakat from Private Sources	1665	700	—	1307	63.0	37.0	—
Ushr, Fitrana	600	1750	—	871	76.5	23.5	—
Nazrana	433	500	—	440	90.0	10.0	—
Remittances from within Pakistan	23521	30611	48882	30653	48.3	32.8	19.0
Remittances form outside Pakistan	55545	75783	181944	85231	40.7	42.6	16.7
Gifts Assistance	12835	5043	—	10803	73.9	26.1	—
Pension	6000	12249	69100	30678	8.3	58.3	33.3
Total	14920	24704	80847	25551	52.8	36.5	10.6

Source: NHDR/PIDE Survey 2001.

ANNEXURE III (c)

OUTMIGRANTS BY ECONOMIC STATUS

	Extremely Poor	Poor	Non-Poor	Total
ALL PAKISTAN				
Average age of migrants (Years)	31	25	28	28
Sex of the migrants (%)				
Male	100.0	87.1	92.2	93.2
Female	—	12.9	7.8	6.8
Marital Status				
Married	65.2	47.3	68.6	58.9
Unmarried	32.6	50.5	31.4	39.4
Others	2.2	2.2	—	1.7
Education level of outmigrant (%)				
No education	48.9	44.1	27.5	42.4
Upto Primary	25.0	17.2	15.7	19.9
Middle	7.6	11.8	7.8	9.3
Matric	10.9	15.1	17.6	14.0
Higher education	7.6	11.8	31.4	14.4
URBAN				
Average age of migrants	39	26	—	36
Sex of the migrants				
Male	100.0	66.7	—	93.8
Female	—	33.3	—	6.3
Marital Status				
Married	76.9	—	—	62.5
Unmarried	23.1	33.3	—	25.0
Others	—	66.7	—	12.5
Education level of outmigrant (%)				
No education	76.9	66.7	—	75.0
Upto Primary	23.1	—	—	18.8
Middle	—	—	—	—
Matric	—	—	—	—
Higher education	—	33.3	—	6.3
RURAL				
Average age of migrants	29	25	28	27
Sex of the migrants				
Male	100.0	87.8	92.2	93.2
Female	—	12.2	7.8	6.8
Marital Status				
Married	63.3	48.9	68.6	58.6
Unmarried	34.2	51.1	31.4	40.5
Others	2.5	—	—	0.9
Education level of outmigrant (%)				
No education	44.3	43.3	27.5	40.0
Upto Primary	25.3	17.8	15.7	20.0
Middle	8.9	12.2	7.8	10.0
Matric	12.7	15.6	17.6	15.0
Higher education	8.9	11.1	31.4	15.0

Source: NHDR/PIDE Survey 2001.

ANNEXURE III (d)

EMPLOYMENT STATUS

Average of Sample	Extremely Poor	Poor	Marginally Non-Poor	Total
ALL PAKISTAN				
Employees				
Regular paid employee with fixed wage	13.4	19.1	30.0	18.6
Casual paid employee	36.9	22.5	13.8	26.6
Paid worker by piece rate of service performed	17.4	14.4	8.9	14.7
Paid non-family enterprise	0.1	0.3	—	0.2
Total	67.8	56.3	52.7	60.1
Employers				
Employer employing less than 10 persons	0.3	0.5	1.8	0.6
Employer employing >= 10 persons	—	—	0.6	0.1
Total	0.3	0.5	2.4	0.7
Independent Workers				
Own account non-agriculture worker	12.5	17.4	19.3	15.8
Own Cultivator	6.3	15.3	19.9	12.6
Share Cropper	11.9	8.2	3.7	8.9
Contract Cultivator	0.5	0.6	0.9	0.6
Total	31.2	41.5	43.8	32.9
Unpaid Family worker	0.3	1.3	1.2	0.9
Others	0.5	0.3	—	0.3
URBAN				
Employees				
Regular paid employee with fixed wage	6.3	9.6	17.4	9.2
Casual paid employee	33.9	28.7	33.3	31.3
Paid worker by piece rate of service performed	31.8	26.3	15.9	27.3
Paid non-family enterprise	0.4	—	—	0.2
Total	72.4	64.6	66.6	68.0
Employers				
Employer employing less than 10 persons	26.4	33.4	30.4	30.3
Employer employing >= 10 persons	—	0.3	2.9	0.5
Total	26.4	33.7	33.3	30.8
Independent Workers				
Own Cultivator	0.8	1.4	—	1.0
Share Cropper	—	0.3	—	0.2
Total	0.8	1.7	—	1.2
Others	0.4	—	—	0.2
RURAL				
Employees				
Regular paid employee with fixed wage	16.4	23.3	33.3	22.5
Casual paid employee	38.3	19.9	8.5	24.8
Paid worker by piece rate of service performed	11.2	9.2	7.0	9.6
Paid non-family enterprise	—	0.4	—	0.2
Total	66.9	52.8	48.8	57.1
Employers				
Employer employing less than 10 persons	0.4	0.6	1.6	0.7
Employer employing >= 10 persons	—	—	0.8	0.1
Total	0.4	0.6	2.4	0.8
Independent Workers				
Own account non-agriculture worker	6.5	10.4	16.3	10.0
Own Cultivator	8.7	21.4	25.2	17.3
Share Cropper	17.0	11.6	4.7	12.4
Total	32.2	43.4	46.2	39.7
Contract Cultivator	0.7	0.9	1.2	0.9
Unpaid Family worker	0.4	1.9	1.6	1.3
Others	0.5	0.4	—	0.4

Source: NHDR/PIDE Survey 2001.

ANNEXURE III (e)

PERCENTAGE DISTRIBUTION OF AGRICULTURAL AND NON-AGRICULTURAL WORKERS BY ECONOMIC STATUS

	Extremely Poor		Poor		Non-Poor		Total	
	Agri.	Non-Agri	Agri.	Non-Agri	Agri.	Non-Agri	Agri.	Non-Agri
Total	62.0	38.0	59.1	40.9	48.2	50.8	57.3	42.7
Male	60.8	39.2	53.5	46.6	46.3	23.0	53.6	46.4
Female	72.1	27.9	85.5	14.5	72.9	27.1	80.2	19.8

Source: NHDR/PIDE Survey 2001.

ANNEXURE III (f)

TYPE OF ENTERPRISES IN RURAL AND URBAN AREAS

Average of Sample	Extremely Poor	Poor	Non-Poor	Total
PAKISTAN				
Farm	40.4	30.3	28.6	33.9
Non-financial, non-farm employing <10 persons	39.8	39.1	29.9	37.9
Non-farm, non-financial establishment employing >= 10 persons	3.7	8.2	11.9	7.0
Financial institutions (banks, insurance company, pension fund)	—	0.1	0.6	0.1
Federal, provincial or local government or defence forces	0.4	6.8	14.5	5.5
Non-profit institutions	0.6	0.5	0.3	0.5
Household (servants)	2.3	1.3	0.6	1.6
Others	12.8	13.8	13.5	13.4
URBAN				
Farm	1.3	1.7	1.5	1.5
Non-financial, non-farm employing <10 persons	57.0	52.1	46.3	53.4
Non-farm, non-financial establishment employing >= 10 persons	8.9	13.4	14.9	11.8
Financial institutions (banks, insurance company, pension fund)	—	0.3	—	0.2
Federal, provincial or local government or defence forces	0.4	3.1	3.0	2.0
Non-profit institutions	1.7	—	—	0.7
Household (servants)	4.6	1.7	3.0	3.0
Others	26.2	27.6	31.3	27.4
RURAL				
Farm	57.2	42.7	35.9	47.0
Non-financial, non-farm employing <10 persons	32.4	33.4	25.5	31.7
Non-farm, non-financial establishment employing >= 10 persons	1.4	5.8	11.2	5.1
Financial institutions (banks, insurance company, pension fund)	—	—	0.8	0.1
Federal, provincial or local government or defence forces	0.4	8.4	17.5	6.9
Non-profit institutions	0.2	0.7	0.4	0.5
Household (servants)	1.3	1.0	—	1.0
Others	7.1	7.8	8.8	7.7

Source: NHDR/PIDE Survey 2001.

ANNEXURE III (g)

TIMELY REPAYMENT OF ALL LOANS BY ECONOMIC STATUS

	Extremely Poor	Poor	Non-Poor	Total
Pakistan	3.3	4.4	9.2	4.9
Urban	—	—	10.0	1.1
Rural	4.0	5.0	9.1	5.4
REASONS				
Pakistan				
Crop Failure	27.6	17.3	17.8	21.1
Enterprise/Shop not making profit	13.8	7.6	4.7	9.3
Expenses on wedding, death, births, etc.	30.0	22.4	23.4	25.3
Business Expansion	5.5	4.7	7.5	5.5
Insufficient funds to repay loan	54.8	49.8	57.0	52.9
Others	15.7	12.6	8.4	13.0
No Response	152.5	185.6	181.3	172.9
Urban				
Crop Failure	5.1	—	—	2.4
Enterprise/Shop not making profit	17.9	10.8	22.2	15.3
Expenses on wedding, death, births, etc.	51.3	45.9	55.6	49.4
Business expansion	7.7	8.1	11.1	8.2
Insufficient funds to repay loan	61.5	59.5	66.7	61.2
Others	23.1	29.7	11.1	24.7
No Response	133.3	145.9	133.3	138.8
Rural				
Crop Failure	32.6	20.0	19.4	24.2
Enterprise/Shop not making profit	12.9	7.1	3.1	8.3
Expenses on wedding, death, births, etc.	25.3	18.8	20.4	21.3
Business expansion	5.1	4.2	7.1	5.0
Insufficient funds to repay loan	53.4	48.3	56.1	51.6
Others	14.0	10.0	8.2	11.0
No Response	156.7	191.7	185.7	178.5

Source: NHDR/PIDE Survey 2001.

ANNEXURE III (h)

SOURCES OF LOANS BY ECONOMIC STATUS

	The loans obtained from various agencies				Distribution of loans of agencies by various categories			
	Extremely Poor	Poor	Marginally Non-Poor	Total	Extremely Poor	Poor	Marginally Non-Poor	Total
ALL PAKISTAN								
ADBP	1.0	2.7	5.1	2.5	13.6	50.0	36.4	100.0
Commercial Banks	—	0.2	3.2	0.7	—	16.7	83.3	100.0
NGO	0.3	0.7	1.9	0.8	14.3	42.9	42.9	100.0
Input Supplier	1.9	3.0	4.5	2.9	24.0	48.0	28.0	100.0
Landlord	10.9	4.7	5.1	7.0	55.7	31.1	13.1	100.0
Profit Money Lender	2.2	0.5	1.9	1.4	58.3	16.7	25.0	100.0
Shopkeeper	39.1	37.2	26.1	35.9	39.1	47.8	13.1	100.0
Factory/Mill	0.3	0.7	3.8	1.1	10.0	30.0	60.0	100.0
Commission Agent	1.0	0.5	1.9	0.9	37.5	25.0	37.5	100.0
Friends/Relatives	40.4	49.1	45.9	45.4	31.9	49.9	18.2	100.0
Others	2.9	0.5	0.6	1.4	75.0	16.7	8.3	100.0
Total	100.0	100.0	100.0	100.0	35.9	46.1	18.0	100.0
URBAN								
NGO	—	2.3	—	1.0	—	100.0	—	100.0
Input Supplier	2.2	2.3	—	1.9	50.0	50.0	—	100.0
Profit Money Lender	6.7	4.5	7.1	5.8	50.0	33.3	16.7	100.0
Shopkeeper	8.9	—	14.3	5.8	66.7	—	33.3	100.0
Factory/Mill	—	—	7.1	1.0	—	—	100.0	100.0
Commission Agent	—	—	7.1	1.0	—	—	100.0	100.0
Friends/Relatives	73.3	90.9	64.3	79.6	40.2	48.8	11.0	100.0
Others	8.9	—	—	3.9	100.0	—	—	100.0
Total	100.0	100.0	100.0	100.0	43.7	42.7	13.6	100.0
RURAL								
ADBP	1.1	3.1	5.6	2.9	13.6	50.0	36.4	100.0
Commercial Banks	—	0.3	3.5	0.8	—	16.7	83.3	100.0
NGO	0.4	0.6	2.1	0.8	16.7	33.3	50.0	100.0
Input Supplier	1.9	3.1	4.9	3.0	21.7	47.8	30.4	100.0
Landlord	12.7	5.3	5.6	8.0	55.7	31.1	13.1	100.0
Profit Money Lender	1.5	—	1.4	0.8	66.7	—	33.3	100.0
Shopkeeper	44.2	41.7	27.3	39.9	38.6	48.7	12.7	100.0
Factory/Mill	0.4	0.8	3.5	1.2	11.1	33.3	55.6	100.0
Commission Agent	1.1	0.6	1.4	0.9	42.9	28.6	28.6	100.0
Friends/Relatives	34.8	44.0	44.1	40.8	29.7	50.2	20.1	100.0
Others	1.9	0.6	0.7	1.0	62.5	25.0	12.5	100.0
Total	100.0	100.0	100.0	100.0	34.8	46.5	18.6	100.0

Source: NHDR/PIDE Survey 2001.

ANNEXURE III (i)

REASON FOR REJECTION OF LOAN APPLICATION

	Extremely Poor	Poor	Non-Poor	Total
Reasons for not Applying for Loan				
No need of loan (sufficient funds)	35.5	27.8	39.0	32.6
Don't want to pay interest for religious reasons	42.4	43.6	35.3	41.9
Don't know from where to get a loan form	48.2	44.4	26.6	43.5
Don't believe that people will give me loan	45.3	46.6	29.4	43.7
Service charges/interest rates too high	39.8	47.0	36.7	42.6
Others	15.2	14.3	15.6	14.9
Reasons for Rejection of loan application				
Don't have the collateral	60.0	66.7	75.0	66.7
Limited knowledge and no proper guidance	40.0	33.3	50.0	40.0
Officer/lender asking bribe	20.0	16.7	—	13.3
Previous loan was outstanding	40.0	16.7	25.0	26.7
Others	20.0	16.7	25.0	20.0
No Response	40.0	33.3	100.0	53.3
Total	220.0	233.3	300.0	246.7

Source: NHDR/PIDE Survey 2001.