

Poverty Trap – Who Are Responsible and How to Get Release from It?

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Abstract

Issue of poverty is not confined to one country or to poor countries only; it has global undertones and relevance. Similarly, it is not merely an economic problem; it has administrative, social, political and moral aspects too. The phenomenon of poverty trap becomes graver as it makes almost impossible for the poor to get out from this imbroglio. In this context, one ought to study the phenomenon of poverty from a multidimensional viewpoint before one can think of taking corrective steps to make this world more equitable, humane and liveable. In this paper, the author has pointed out the salient causes of poverty with special reference to the situation in Pakistan and has suggested some workable solutions to this problem.

Keywords: Poverty; Inequity; Zakat; Usury; Population growth

Historical Background

Throughout the known history of mankind, poverty has remained present in almost all human societies. The main difference could be the level of human awareness of this scourge at different times. In today's world with universal availability of internet, cell phones, iPods and cable television networks, the issue of poverty and its effects on various sections of people has emerged prominently. Recently, Sustainable Development Policy Institute (SDPI) carried out a Multidimensional Poverty Index (MPI) in Pakistan by taking into account ten indicators to measure poverty from three dimensions, namely education, health, assets and living standards. In a newspaper article, 'Food for Thought', Dr. Abid Qauyum Suleri, Executive Director of SDPI says:

“Among the worst 20 districts in Pakistan with acute poverty incidence, 16 were located in the province of Baluchistan and four in Khyber Pakhtunkhwa. The report also revealed that Baluchistan is the poorest of all provinces with 52% population living below poverty line...In absolute numbers, 58.7 million

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people are living below the poverty line in Pakistan out of the total population of estimated 180 million.”¹

In the backdrop of this phenomenal public awareness, it is imperative that serious efforts be made to understand various facets of this issue, its apparent as well as the underlying causes and taking remedial measures to make this world worth living.

Aim

Aim of this paper is to understand the core issue of poverty with apparent as well as underlying causes and to recommend some workable measures.

Causes of Poverty

A good number of people find it convenient to consider poverty as ‘will of God’, thus absolving themselves of any responsibility for the miseries created by the impoverished conditions in the society. In this regard, they also draw one’s attention toward various references in the Holy Scriptures to make their point. Similarly, there are some people, who highlight the significance of charity and spending on the poor to alleviate poverty. In most of the Muslim societies, many believers assert emphatically that poverty cannot prevail if all affluent Muslims just pay their *Zakat* regularly. Some believers even go to the extent of claiming that the implementation of the Islamic system of *Zakat* would fetch so much resources that the state would not need to impose any other tax to run its affairs. However, such claims cannot be backed up by some research or reliable data.

Apart from the will of God scenario, several other causes of poverty can be identified as follows:

- Inequity
- Lack of Political Will to Uproot Poverty
- Lack of Representation in Decision Making Bodies
- Aversion to Pay *Zakat*
- Usury-based Economy
- Lack of Empathy and Concern for the Poor
- Population Growth
- Complacent Behaviour of the Poor
- Lack of Capacity/Will to Save
- White-collar Crimes
- Adverse Economic Policies
- Law and Order Situation

Inequity

One of the prominent causes of poverty in a society is lack of equity. Injustices in a society are not merely confined to legal framework; these are more visible as well as heart-wrenching in economic, social and political spheres. Economic inequities emerge when the economic system promotes and consolidates huge wage differences on the basis of education, experience, status, knowledge and expertise or skill. Hardly anyone bothers to see whether the lowest paid person would be able to satisfy the basic human needs in a dignified manner or not. Minimum wage in Pakistan at present is Rs. 8,000/-. Can any economist or the financial wizard make the domestic budget for a person earning just Rs. 8,000/-? On the other hand, people at the higher strata of our society get inflated salaries and perks, which enable them to lead a comfortable, even luxurious life. Such huge gaps between the haves and the have-nots ultimately lead to helplessness, frustration and anger among the poorer sections of the society. Story of wages of domestic servants, especially of women and children is more precarious. A few weeks ago, a domestic maid was seen complaining to the anchor person of a TV programme that she receives a paltry amount as wage from a 'Begum Saab' while she is required to work more. Is it not unfair and injustice? The fate of unskilled and un-organised workers is not much different from the above-quoted example. They too are forced to work long hours under inhuman conditions at exaggeratedly low wages. And all this is being done by the people, who are warned in the Holy Qur'an as under:

“Woe to those, who give short measure, who insist on being given full when they take from others, whilst when they measure or weigh for them, give less. Do they not think they will be raised (to life) again on a grievous day, the day all mankind will stand before the Lord of all the worlds?”²

At national level, a similar fraud is being orchestrated, when the prices of goods and services produced by the poor and less powerful sections of the society are deliberately kept at low level by the powerful individuals and big corporations. At international level, the phenomenon of lower prices for goods and services of the poor developing countries and higher prices for goods and services of rich and powerful nations has been going on since ages and is also a fundamental tool to further fleece poor countries of their resources.

Lack of political will to uproot poverty

At political level, lack of will and commitment to eradicate poverty makes the matter of poverty alleviation more confounding. Political leaders coax their poor voters that they are fighting for the rights of the poor and downtrodden; yet they make every effort to adopt anti-poor economic policies when in power. The editorial of the News International, 'Punishing the Poor', clearly substantiated the heartless behaviour of the last PPP government vis-à-vis the poor of this land:

*"In a secret decision taken at a federal cabinet meeting on October 11, it has been decided to pass on a bill for gas losses worth Rs. 9 billion to ordinary consumers, most of who rank among the country's poor. The decision was never made public. The poor are in fact being made to pay for revenue losses that took place due to gas theft by the wealthy, including industrial concerns or the non-payment of massive gas bills also by the rich who build up such costs."*³

This heartless attitude towards alleviation of poverty is not confined to a specific political party or ruling elite. Mubarak Zeb Khan highlights the anti-poor policies of the present government in the following way:

*"Like previous governments, the PML-N government has promoted the culture of tax exemptions and issued over 80 orders to reportedly benefit influential people in the first nine months (July to March) of the current financial year.... SRO1072 was issued to charge federal excise duty at the rate of 0.5pc as against the applicable rate of 8pc on local sale of sugar to benefit a handful of political families which owned sugar mills. The concession is in addition to Rs12bn-Rs20bn sales tax exemption."*⁴

The irony is that the ruling elite, who claim to be pious Muslims, feel no qualm at all in devouring the resources of the poor. This behaviour of the present rulers, who claim to be Muslims and boast to sacrifice even their lives for the sanctity of the prophet, Muhammad (SAW), is mind-boggling when we compare their actions with the life of the prophet. The following Hadith of the prophet must be an eye opener for all of us. The Prophet Muhammad (peace be upon him) said:

"O God, grant me life as a poor man, cause me to die as a poor man and resurrect me in the company of the poor. His wife asked him why he said that, and he replied: Because (the poor) will enter Paradise (before) the rich. Do not turn away a poor man...even if all you can give is half a date. If you love the poor

and bring them near you, God will bring you near Him on the Day of Resurrection.”⁵

Lack of representation in decision making bodies

The poor are usually kept out of the decision making processes, especially the economic decision making due to several factors. Representation in nearly all decision making bodies, whether in public or private sector, is based on certain academic achievement, experience, expertise or influence. The poor often lag behind in all these areas. Therefore, instead of formulating policies to ensure transfer of resources from the rich to the poor, they do exactly the opposite. For instance, equitable distribution of resources among citizens calls for progressive taxation to secure national revenues by imposing direct taxes like income tax, wealth tax, property tax, etc. Instead of implementing the regime of progressive taxation, regressive taxation has always been preferred by successive governments. According to Economic Survey of Pakistan 2011-12, tax-mix for direct-indirect taxes for year 2011-12 was about 37/63% respectively.⁶ With 63% reliance on indirect taxes for getting revenues, it is obvious that the burden of the taxation ultimately will be passed on to the poor.

Another worth-probing aspect of taxation policies is the Tax to GDP ratio, which has been suspending around 10% for the last so many decades. In this regard, Murshed says in his column, “Through the Eye of the Needle” in the News International:

“The reason is obvious. Agriculture accounts for 22 percent of the GDP but generates only one percent in taxes for the national exchequer. In contrast, industry which accounts for 25 percent of GDP, contributes 63 percent in revenues. This will not change because agricultural income tax will not be imposed so long as powerful landowning politicians are predominant in the federal and provincial legislatures.”⁷

Aversion to pay Zakat

The system of zak'at in Islam provides an excellent remedy to alleviate poverty in a society. Allah (SWT) declares it to be the poor's share in the incomes of the affluent people of the society. Like 'Salat', it is one of the fundamental pre-requisites of 'Imaan' and is obligatory on all affluent Muslims and not like charity, which one spends on the poor due to one's goodness. According to Subohi:

“Affluent individuals support several hundred charities but their aggregate share in the total donations seems to be stagnant despite best institutional efforts to increase it. However, the

quantum of the nationwide annual giving is expected to cross Rs 200 billion in 2012.”⁸

Usury-based economy

The economy of Pakistan, as most of other countries of the world, is based on usury (interest). While most of the poverty alleviation measures call for compassionate, magnanimous and abundance-minded citizenry; usury promotes the characteristics like, could-not-care-less attitude towards other peoples' needs or feelings, miserliness and scarcity mentality. On effects of the practice of usury in a society, Charles Eisenstein says:

“Usury is the very antithesis of the gift, for instead of giving to others when one has more than one needs, usury seeks to use the power of ownership to gain even more to take from others rather than to give...”⁹

Lack of empathy and concern for the poor

Empathetic behaviour of the affluent sections of population could have mitigated some of the miseries of the poor, but most of the rich hardly show any sympathy or concern for the poor. Many people are of the view that the poor themselves are responsible for their deprivation. The poor are often labelled as lazy and rarely willing to make efforts to come out of the poverty trap. In their own right, the lifestyle of most of the rich people displays vanity, extravagance and sheer heartlessness, not a good omen to undertake poverty alleviation steps.

Population growth

It is commonly known that average family size of most of the poor people is much larger than the national averages across the globe. The poor, some academicians and religious scholars justify large families by saying that every baby comes to this world with one mouth and two hands. Another argument in favour of large families is that the sustenance of life is promised by Allah (SWT) in the following verse from the Holy Qur'an: “Do not abandon your children out of fear of poverty. We will provide for them and for you. Killing them is certainly a great wrong.”¹⁰

Complacent behaviour of the poor

A fairly large number of the poor tend to accept their conditions as preordained; therefore, they consider it futile to strive harder enough to change their fate. They tend to accept their state as the Will of God. But, Allah (SWT) says in the Holy Qur'an: “...No

doubt, Allah does not change the conditions of a nation until [the people of that nation] first change that which is in their hearts.”¹¹
 At another place, Allah (SWT) says: “That man can have nothing but what he strives for.”¹²

Lack of capacity/will to save

Every student of economics is aware that individual savings are of paramount importance in uplift of the economic conditions of people. In order to enjoy a comfortable life, one would have to sacrifice some of the present consumptions to save resources for future investments; which would enable one to raise one’s income in the days to come. Unfortunately, capacity of the poor as well as their will to save for the future lags behind on both counts.

White-collar crimes

Since its inception in 1947, rate of white-collar crimes has been rising in Pakistan. The situation has reached to a level where no institution can claim to be free of such delinquency. The perpetrators of such crimes are so powerful that only a tiny percentage of cases of corruption are taken up for prosecution, with only a minuscule percentage of convictions. This situation encourages the culprits to devour national resources with impunity. When billions of rupees are siphoned away and deposited in offshore safe heavens, the country is left with substantially reduced resources to spend on welfare of the ordinary citizens. On the extent and gravity of corruption in Pakistan, Humayun Gauhar laments in his article, ‘Budget of the Bankrupt’,

*“And the amount we pay in bribes to tax collectors alone comes to more than our much-maligned defence budget. If you count all the amount that goes in bribes, kickbacks and commissions to our federal and provincial governments it will make your hair stand on end. If we could reduce corruption by half, the government would have enough revenue to meet its needs and be in surplus. Democracy Pakistani style, thy name is corruption...”*¹³

Alauddin Masood, quoting Transparency International Pakistan (TIP), mentioned in his article, ‘Up on the (Corruption) Ladder’, Pakistan stands at 33rd out of 176 countries on Corruption Perception Index (CPI) in year 2012. In 2011, it was at 42nd position. According to a retired Swiss banker, “Pakistan is a poor country but Pakistanis are not because they have 28 trillion of Pakistan rupees deposited in Swiss Banks.”¹⁴

Adverse economic policies

Inequalities occur everywhere in the world even when the economic systems work efficiently. Therefore, governments are required to take certain measures to reduce the gaps between the rich and the poor. Fiscal and monetary policies are two such tools to steer the economy and reduce disparities. These policies also reflect the political, social, economic, even moral fibre of the ruling classes. While fiscal policies focus on imposing taxes and spending national resources; monetary policies are formulated and implemented by the central bank to influence the rate of interest, rate of savings and investments, functioning of the banking sector and so on. In order to ensure equitable distribution of national resources, governments are required to tax their countrymen keeping in view their ability to pay. In other words, the rich ought to be taxed more than the poor and that too at a higher percentage. Second, the public resources ought to be spent in such a way that general public, especially the poorer sections of the society get the major share. In Pakistan, the government does exactly the opposite as Huzaima & Ikram say in their article, 'Finance Bill 2014: Main Maladies Remain Unaddressed' in Business Recorder:

*"Finance Bill 2014 again confirms that a handful of officers in the Ministry of Finance and FBR faithfully serve their political masters. They are pushing millions below the poverty line by enhancing regressive taxation. The poor are the victims of an extremely oppressive, inequitable, tyrannical and unjust tax system. The government, by taxing the poor and sparing the rich have resurrected the bygone days of East India Company that destroyed the indigenous industry of India to promote products of the Queen's England. In the same manner, our rulers are destroying local industries through cutting electricity and gas, and by blocking genuine refunds worth billions of rupees."*¹⁵

Law and order situation

Primacy of law-n-order situation of a country to facilitate smooth functioning of its economy cannot be over-emphasised. In safe and secure environment, businesses as well as other functions of a polity contribute to wellbeing of its citizens. Unfortunately, the state of internal security of Pakistan is far away from satisfactory. In this regard, Mughal says in his article, 'The Poverty Nightmare' in Pakistan Observer:

"Already the things have gone worst in the shape of break-down of Law & order, alarming street crimes, suicides, and kidnappings for ransom, parents selling their babies, not to mention the dacoities and petty thefts and extortion. Rulers and

government functionaries responsible for Law & Order should take an urgent note of this fast accelerating trend and take effective measures to safe guard the life and properties of its citizens which is its prime responsibility.”¹⁶

It cannot be over-emphasised that poor law & order hurts the poor the most, especially the daily wagers, whose families go without food for days in case of worsened security situation in cities and towns.

How to Get Out of Poverty Trap?

Life of prophet, Muhammad (SAW) is no doubt the best example to follow for solving myriad problems of the contemporary life. Let’s see how the Sunnah of the Prophet contributed towards poverty alleviation. In this regard, Salahi says:

“Prophet Muhammad steered away from all aspects of affluence. He preferred to live at the same level as the poorest in his community. His wife, Aishah, mentions that he never had his fill of food for three consecutive days. He knew that there were poor people in his community and they did not have enough to eat. He did his best to alleviate their poverty and shared in their life. Aishah reports: “I used to weep of sorrow for him, and I would put my hand on his tummy because I saw how hungry he was. I would say to him: I would sacrifice my life for your sake! If you would only have a reasonable standard of living so that you would not go hungry.” He replied: “Aishah! What care do I have for the life of this world? My brothers, God’s messengers who were most resolute in their dedication endured a much harder life and patiently persevered.”¹⁷

In today’s scenario, one must understand that poverty alleviation cannot be achieved merely by taking a few remedial measures here and there; rather it needs a multidisciplinary approach, which should combine and coordinate efforts by all stakeholders. Following policy imperatives ought to be taken in order to fight off this menace from our society:

- First and foremost, tackling the issue of poverty needs a paradigm shift. One would have to accept that poverty is not will of God, but a purely man-made peril, which has deep roots in factors like, exploitation by the rich and the powerful, higher population growth, complacent behaviour of the poor, adverse law-n-order situation, and so on.
- Provision of justice and equity in the society is solely the responsibility of the government. If any government fails

in ensuring provision of justice and equity, it loses the right to rule. Salient measures to ensure equity include:

- i). Reducing income differentials on the basis of education, experience, status, knowledge and expertise or skill.
 - ii). Raising the minimum wage to a level, where the lowest paid person can satisfy the basic human needs in a dignified manner.
 - iii). Ensuring the right price for the right goods and services produced by all and the sundry.
- Political elite would have to wake up from their complacent slumber and contribute their share in the shape of appropriate legislation and implementation of the same for poverty alleviation.
 - The government must make such policies, which facilitate transfer of resources from the rich to the poor. Following policy measures are recommended in this regard:
 - i). All sectors of the economy ought to be included in the tax net, including agriculture, real estate, professional services, etc.
 - ii). Present mix of direct-indirect taxation must be increased from 37/63 to 60/40 respectively.
 - iii). Rate of income tax must be proportional as well as progressive so that not only the affluent classes pay more tax, but that too at a higher percentage.
 - iv). A commitment must be made to enhance the tax-to-GDP ratio to 30 % within five years.
 - All-out efforts be undertaken to document the economy. Salient advantages of this measure are as follows:
 - i). The government would get sufficient financial resources to spend on various development as well as welfare projects leading to alleviation of poverty in the society.
 - ii). Tax base would be broadened. Further, due to registration of all enterprises with the tax authorities, black economy would be minimised, which would also result into dried-up funding for extremist/terrorist activities.
 - In order to reduce the white-collar crimes, the accountability process must include the following measures:
 - i). All types of amnesty schemes to convert black money into white ought to be disbanded.

- ii). Appropriate legislation must be introduced to enable the state to confiscate the assets, which do not match with the known and legal sources of income of a person.
- The poor of this country need to come out of their shells and raise their voice against injustices. Until now, the poor have mostly displayed complacent behaviour vis-à-vis inequities, negligence of a callous state, exploitation, etc. In order to come out of the poverty trap, the poor would have to take charge of their lives and play the role of change agent.

Conclusion

This write-up aims at understanding the true nature of poverty with apparent as well as underlying causes and suggesting some workable solutions. Major factors identified in this regard are inequity in the society, lack of political will, no representation in decision-making bodies, aversion to pay *Zakat*, lack of empathy for the poor, high population growth rate, complacent behaviour of the poor, white-collar crimes, adverse economic policies and poor law and order situation. In order to face the challenges posed by poverty trap, salient policy imperatives have been identified, which include equity and justice, reducing the wage differentials, raising as well as implementing the minimum wage act, right price for the right goods/services, introducing the appropriate economic policies to ensure transfer of resources from the rich to the poor, planning to raise the tax to GDP ratio to 30% within next five years, ensuring appropriate population programmes, controlling white-collar crimes, and encouraging the poor to assert their rights.

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