



## Review Paper

# The Economic Policies for Elimination of Poverty: A Comparative Analysis between Pakistan and Malaysia

Syed Shahabuddin<sup>1</sup> and Lubna Ahsan<sup>2</sup>

<sup>1</sup>FUUAUST, Karachi, PAKISTAN

<sup>2</sup>Hamdard University, Karachi, PAKISTAN

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## Abstract

*This paper contains empirical findings, relating to the elimination of poverty in Malaysia, which can be implemented in Pakistan because more than sixty years have passed since the creation of Pakistan, yet Pakistan is in absolute contrast to other countries; Pakistan's economic growth rate is unsatisfactory due to unstable political conditions, inconsistent economic policies, prevalence of feudal system, illiteracy, and underdeveloped agriculture and industrial sector. Consequently Pakistan's growth rate is painfully slow. The sole purpose of this research article is nothing but to review government policies in the light of Pakistan's economic conditions and social problems, and to make a comparative assessment with another Muslim country Malaysia, whose socio-economic conditions to a large extent are the same as that of Pakistan.*

**Keywords:** Human resources, muslims, Pakistan, Malaysia, economics, poverty.

## Introduction

Pakistan is a developing country, where the standard of living of the people is lower than that of the developed countries. Residential, educational and medical facilities are inadequate. Rate of literacy is very low and the population growth rate is very high, while the corresponding resources are very low like other less developed countries. Pakistan is a poor and not a developed country. Though Pakistan abounds in natural as well as human resources, yet there exist some economic, social, and international hurdles such as low income which have declining savings, culminating in snail-pace investment. With the help of adequate planning, these economic hurdles can be wiped out. Benefiting from the highly fruitful experiences of Malaysia, Pakistan can also overcome its economic problems once for all. It seems a certainty because Malaysia's internal as well as political conditions, to great extents are congruent with Pakistan.

Malaysia's rapid advancement is not due to the foreign assistance, but due to existence, in great numbers of Multinational Companies and to Foreign Direct Investment. Malaysia greatly encouraged those Multinational Companies that showed keen interest in investing capital. They were given as relief fund which helped to produce goods cheaper than their own countries. Capital was, however, largely invested by the Japanese companies. A huge investment was done due to Malaysia's strong political system, consistency in economic policies, encouragement for foreign investment, friendly investment environment, suitable trained labor, best infrastructure, facilities for technical and modern education, best

utilization of human resources, long term economic policies and successful attainment of the set economic targets.

## Overview of Pakistan's Economic Policies

In 1856 when the sub-continent came under the British rule, they chalked out a policy which was exclusively detrimental for the Muslims in every walk of life, particularly the economic sector<sup>1</sup>. The Muslim dominated areas were intentionally thrown into economic backwardness.

The most import problems faced by the industrial sector of Pakistan are given as under: i. Shortage of financial institutions and insurance companies. ii. Shortage of skilled human resources. iii. Insufficient number of vocational educational and training center. iv. Insufficient industrial research work. v. Insufficient mineral resources. vi. Insufficient means of transportation because the agriculture produce and raw materials do not reach the factories on time, so is the case with raw material which can't reach the markets in time and losses are sustained. vii. Pakistan needs very huge reserves of foreign exchange because our exports are very low compared to our imports. viii. Pakistan suffers from inconsistent and ineffective planning resulting in unaccomplished goals. xi. The most important cause of industrial backwardness is the concentration of wealth within a few families. That is why economic conditions of the masses are very unsatisfactory and their standard of living is pathetic. x. Disinterest of feudal lords in the establishment of industries is also an impediment towards industrial progress.

Pakistan's volatile political conditions frequently overthrow the government's imposition of martial law, irresponsible attitude of the political parties, has severely crippled industrial sector and its progress.

In order to make speedy progress, eradicate poverty and create more and more employment opportunities after independence, the government of Pakistan has launched in five year plans in various periods with the following aims and objectives: i. To obtain new internal and external resources and fully consume the resources already available. ii. To encourage private sector participation in all development schemes and equitable distribution of the relations among the masses. iii. To ensure self-reliance in the fields of food, power generation, official funding and foreign trade. iv. To expand the sphere of civic sense and pay particular attention to the less developed areas. v. To take measures for the betterment of financial and administrative spheres. vi. To create more employment opportunities. vii. To obtain economic stability and become self-reliant. viii. To ensure protection of national resources and environment.

The problem faced during achievement of goals as envisaged in the plans, one of the important basic economic issues of Pakistan is very low standard of living. This fact has adversely affected the performance and efficiency of all the other sectors of our economic high standard of living services as an impediment to the physical and mental performance of the people. This in turn enables such people to perform exceptionally well in every walk of life. Unfortunately the standard of living of the masses is very low. According to the world ranking standard Pakistan occupies the 45<sup>th</sup> position. Pakistan's 43% population is living much below the poverty line<sup>2</sup>.

One of the major economic problems of Pakistan is that of overpopulation which is increasing at 1.9% per annum. Its means that the population is increasing by three million annually, where as the economy growth rate is just 4 to 6 percent<sup>3</sup>. This is the reason why our economy cannot progress. Population wise Pakistan is the sixth biggest country of the world.

Unemployment is yet another serious problem of Pakistan. Though agriculture sector provides nearly 44% employment, yet, this facility is available only for seven months. At the most, only 35% of the whole population takes part in the economic activities<sup>4</sup>. Due to national participation in economic, religious and cultural traditions, the women participation in economic activation is just nominal. Pakistan's 45% population consists of children less than fifteen years of age<sup>5</sup>.

In Pakistan the quantity of consuming goods is lesser than the finances in circulation. In such a situation, prices increase causing inflation. Inflation is another serious problem in Pakistan, thus, constantly dwindling the increasing power of the

masses. Static income and rapid increase in prices have caused acute inflation. Inflation also causes less export. This is a grave economic problem to cope with the circumstances, it is essential to cut the expenditure, invest more capital and increase national production.

For the economic progress of a country a highly developed industrial sector is essential for the development of its economy. Unfortunately, Pakistan's industrial sector is still in a developing stage. Its poor condition can be judged by the fact that industrial share in GDP is only 18% or so<sup>6</sup>. Ever after rigorous efforts of half a century, Pakistan has been able to become self-sufficient in cotton textile industry. Cement, sugar, chemical manure and woolen textile industries are still in the developing stage where as iron, steel, electronics and electronic chips are in initial stages and the idea of installing and establishing modern technical industries like genetic engineering, microchips and satellite technology is out of question.

Education brings about consciousness in the masses. It also improves the working ability of people. Pakistan has a literacy rate of 51% and it includes 48% of those who can only read or write their own names! In such a grave situation dearth of skilled vocational personnel and technological experts is natural. Even so, our skilled labour and experts go out of the country for better prospects<sup>7</sup>. Only a few of them return to their motherland, otherwise they settle there as immigrants, why is it so? Because in Pakistan they get poor returns of their services, moreover, prevalent corruption is unbearable.

In Pakistan imbalanced sharing of capital is a serious problem. On one hand there are billionaires and on the other hand there are the poor who can't fulfill their basic needs. In this regard the biggest sector of our economy which is the agricultural sector demands particular attention. To wipe out this inequality from 80% of the arable, land agricultural reforms were implemented but the feudal lords are so powerful and influential that no radical change can be effected<sup>8</sup>. More or less the same situation prevails in the cities where some big industrialists and their families are in control.

As a matter of fact Pakistan's economy depends on agriculture; hence our exports consist of raw goods and commodities like cotton and tobacco etc. while our imports consist of finished goods such as machinery, automobiles, railway engines electronic appliances and gadgets. The ratio of balance of payments is unfavorable for Pakistan economy as paucity of foreign exchange funds came to surface<sup>9</sup>.

It is a separate issue that we refer Pakistan away from political stability. Governments are toppled in quick succession and political turmoil is rampant. During the incidents occurring after the 1970 and 1977,<sup>10</sup> the country suffered the heaviest and irreparable loss in the form of almost zero foreign investment. The aftermath was that the country had been

dreaming to be an Asian industrial tiger in the sixties. As a result it became wretched economically, during the last decade of the 20<sup>th</sup> century! Korea, Malaysia and Thailand for whom Pakistan was a torch bearer, have become light houses and are showing Pakistan the path towards progress and prosperity. Political instability has wiped out Pakistan's long term economic plan; this has resulted in unreliable economic life. Due to this hurdle, capital investment has continuously suffered.

All economists agree that the secret of economic development is hidden in the developments of human resources, this development demands that the people are equipped with the precious virtues of education and training<sup>11</sup>. It should be ensured that people skilled in a particular profession get employment according to their physical and mental power, basic facilities should be provided, and unfortunately no proper planning has been made to improve these human resources. Only 2.5% of the national income is spent on most important sector-education<sup>12</sup>. It is criminal negligence that is shown in development of every human resource that along with increase in population, the non-production manual force is on the gradual increase also.

To get accelerated economic development it is necessary to gradually increase the facilities available in the financial structure of the country i.e. to continuously increase the facilities of communication; to increase the water and power resources so that these are available in plenty and at cheaper rates, moreover, financial facilities should be available, and postal and telephonic systems should also be available. It is sad to note that whole systems leave much to be desired. There are 59 industrial estates and four export processing zones in the country but they lack the requisite financial infrastructure,<sup>13</sup> hence their efficiency is very low.

A period of more than sixty years has gone by since creation of Pakistan, yet there is no visible progress in industrial sector. That is why it is termed as a developing country; the main reason for backwardness in industrial sector was due to Britain's discriminatory industrial policy for India, in neo colonial era<sup>14</sup>. The sole purpose of this policy was that there could be no industry in India. It should remain an agricultural country, so that its raw material was in adequate stock for industries in U.K. Then the finished products were exported to the developed countries for sale.

On the other hand, if we deeply study the economic conditions of Malaysia we can't ignore the fact that just after the independence, the officials chalked out by the two countries to tackle and wipe out the problems was similar in nature.

### **Review of New Economic Policy (NEP) of Malaysia**

Pakistan and Malaysia both are multi-racial countries both got independence from the British crown. Just after independence they had to struggle hard to eradicate the economic problems, the Governments of both the countries chalked out policies from

time to time, just after independence, Malaysia had to face internal, economic and political problems. The Chinese living in Malaysia, are mostly businessmen, or do small scale business in shops. It is but natural that they are well off as compared to the other people living around them. The Chinese comprise 30 % of Malaysia's total population. But during the 1960's the Chinese dominated nearly all of Malaysia's economic<sup>15</sup>. In these days Malaysians were 56% of Malaysia's total population. All of them were farmers and didn't have any interest in business or commerce<sup>16</sup>. In 1969, Malaysia was just an agricultural country.

Most of their activities were limited to tin mining. Cultivation of rubber foreign trade was just nominal. Industry and services sectors were non-existent. Water, power, telephone etc, were in state control. Their efficiency was so low that the country's economy did not benefit from it. Some Malaysians were indeed owners of small pieces of agricultural land but it was not enough to challenge the economic prosperity of Malaysian Chinese community. After ethnic confrontation towards the Government, it was clear that for economic progress and durable peace it was essential to reduce the huge economic gap among the various ethnic people living in Malaysia. It was, however, a big task to make the Malayan community a part of the main stream of the country's economic field because they lacked the requisite experience to invest, neither the capital nor expertise of the commerce and trade. In their opinion money had only one purpose; the more it is there, the more things could be purchased. There were very few educated Malaysians. Moreover, those who had professional skill and expertise were just a pinch<sup>17</sup>.

The Government of Malaysia presented such helpful suggestions, in the light of which a concrete policy to eradicate poverty from Malaysia, second to ensure economic equality among all the racial groups yet an aspect of the policy was to produce capital heavily, which was decided to be spread among the poor racial groups as far as possible. To produce more and more capital we had no other appropriate solution through which the capital could be distributed among the deprived members of the society, so the economic gap at the country level was to be contracted. This policy was initially drawn for twenty years and its main target was to raise the standard of living of Malaysians<sup>18</sup>.

It was decided therein that in the national wealth the share of Malaysians shall be increased from 24% to 30% and side by side, the ratio of other racial group shall be raised from 34.3% to 40 %. The share of foreigners would be lessened from 33% to 30%<sup>19</sup>. In educational field, secondary schools were established in rural areas Malayan children, on exclusive scholarships were given the facility of education in city schools<sup>20</sup>. Quotas were reserved for university admissions, so that the Malayan and other racial groups get equal opportunities for higher education<sup>21</sup>. To get more Government contractors and licenses the Malaysians were encouraged, so that they may go ahead in business and commercial field. This sector was hitherto

monopolize by Malayan took full advantage of the loads and other economic opportunities. This economic policy completed its twenty years in 1990. It could be said with assurance that it was a great success as till then poverty had nearly been wiped out<sup>22</sup>. The people were living in harmony, and their standard of living was envied by other Asian countries.

### **Recommendations to Improve Economic Conditions of Pakistan:**

i. To become a developed country, Pakistan will have to improve its social structure. Pakistani nation shall have to march forward, taking simultaneous progressive steps in each and every walk of life. They will have to bring positive changes in fields like economy, politics, spiritualism and civilization. ii. To wipe out feudal way of thinking, educational system of the same nature should be implemented, so that like Malaysia, even an ordinary citizen can easily receive the highest level of education. It will also help in eradicating such evils like poverty, illiteracy and quota system. iii. A democratic society should be formed with the base of consultation. So that religious extremism is eradicated, and society with strong ethical values can be formed. iv. Small industrial units should be encouraged so that such men are included in production industries then a network of such industries could be established all over the country. v. In Pakistan an institution namely economic equality, with branches all over the country should be established wherein people speaking their own language and dialect, relating to all races and sects should be given work according to their abilities will be able to offer their services for the betterment of the nation as well as the country. vi. Multinational Companies should be bound to take part in productive activities. They, however, should be extended all facilities, so that modern technical know-how could be transferred to Pakistani industries. Thus Pakistan's industry could be self-sufficient in modern research and production. vii. Steps should be taken to establish a prosperous society which should be strong and stable so that Pakistan could challenge developed countries at international level. viii. Before acting as vanguard against the war on terror, the other countries of the world should be compelled to waive off all the debts due along with the interest accrued thereon, so that the heavy burden on Pakistan economy could be reduced / wiped out. ix. Agricultural tax should be imposed to eradicate the arrogant feudal thinking and behavior and make the layman powerful so that a realistically democratic, liberal minded and progressive society emerges. Such a social system which should be able to share future progress of country. x. Pakistan should have such a social system which should not serve some vested interests or spin around the welfare of the state. It may be able to assist in large scale social welfare programs and establishment of a powerful family system.

### **Discussion**

The locals were now living in the cities and had become a part of the mainstream of national economy. Now they could reach the huge chunks of national wealth. It would not be gainsaying

that the New Economic Policy (NEP) had completely changed Malaysia's image. Now a look at the city inhabitants was enough to assess the whole structure of the country's population. Now in the cities along with Chinese, there resided people in great numbers, belonging to other races. Without New Economic Policy (NEP), it could not be possible for Malaysia to become so strong, both economically as well as financially as it was in 1990.

### **Conclusion**

In the light of above fact and figures, we can sum up that the implementation of New Economic Policy (NEP) of Malaysian Government proved a boon for its economy. It considerably raised the income of the people, unemployment perished, resources were utilized in the best possible way, higher level education for one and for all, eradication of poverty, sense of sorority among the races, suitable atmosphere for Multinational investment, eradication of sense of deprivation among the low-paid people, eradication of illiteracy and equitable distribution of national wealth, all these could be possible due to the New economy Policy. If such long-term economic policies are introduced and implemented faithfully in Pakistan, all the economic problems like unemployment, poverty, illiteracy, political uncertainty, terrorism, feudalism, heavy burden of foreign debts, religious extremism, irresponsibility in tackling national problems, corruption. Sense of mistrust among various sections of people, all these are causes of ruin that shall be there no more than a speedy industrial progress is possible, in turn they shall help Pakistan becoming self-sufficient in industrial production. An investment friendly atmosphere can turn Pakistan into a paradise for foreign investors. Now the twenty years of New Economic Policy (NEP) has ended. It was hoped that till the end of 20<sup>th</sup> century, the economic gap, prevalent among the various races would be nonexistent.

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