

Role of Social Coherence in the Economic Development of Pakistan

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Abstract

Pakistan is probably going through the worst period of its history. The law and order situation and the absence of societal coherence are two of the chief reasons of current economic meltdown in the country. Even the law and order situation can be termed as a result of erosion in the social cohesion. This study has tried to see the relationship between social disparities with respect to economic growth in Pakistan. Basically this phenomenon portrays the political economy aspect of a society. Because social cohesion is quite dependent upon the policies of different political regimes. And if policies are not in favour of society's welfare then it will lead to social unrest in society. Social cohesion can be measured through many ways. But in this study it has been measured with the help of education inequality, gender inequality, and poverty. Time period has been taken from 1972-2008. Ordinary least square method has been applied. Results show that there is an inverse relationship among economic growth and all independent variables i.e. Education Inequality, Gender Inequality and lastly, Poverty.

Keywords: Poverty, Education, Government policy, Time series analysis

1. Introduction

Social cohesion is a term used to describe those factors which are used to bring people together in a society, particularly citing the cultural multiplicity. It is a concept that covers many aspects of society. Defining social cohesion has always been a problem, and it is quite difficult to present a general definition that is agreeable to all. It has been a subject of curiosity and due to its importance in many fields like political science, sociology, psychology, etc. Two of the most important factors that can play a significant role in measuring this phenomenon, are economic inequality and disparities in economic opportunities. Another factor that can further the cause of social cohesion, is encouragement and fostering of those aspects that play their part to strengthen the bonds between the people and the society. Social cohesion is a phenomenon that can unite people in a society through economic parity, educational and gender equality and also through minimizing poverty. The economic parity signifies the income equality and the educational equality, gender equality and the minimization of poverty, point towards the economic opportunities that are to be provided by the society. There might be some objections for not introducing the ethnic or ideological factors in the definition, but the main contention of this study is to bring into limelight the importance of state policies for the factors mentioned above. That promotion of these factors will provide the means to foster the bonds between the people and the society.

The main objective is

- To find out the scale of social cohesion prevalent in Pakistan and its connection with the economic growth.

Hypotheses

- (i) Ho: Gender inequality does not have statistically significant implications on the economic growth of Pakistan.
H1: Gender inequality does have statistically significant implications on the economic growth of Pakistan.
- (ii) Ho: Poverty does not have statistically significant impact on the economic growth of Pakistan.
H1: Poverty does have statistically significant impact on the economic growth of Pakistan.
- (iii) Ho: Education Inequality does not have statistically significant implications on the economic growth

of Pakistan.

H1: Education Inequality does have statistically significant implications on the economic growth of Pakistan.

2.Literature Review

The literature on the fragmentation of the society and its relation with the economic performance is categorized into two different kinds. The first category is that in which it is linked to the social capital and it can be determined through micro level variables in the society like civic participation, volunteer activities. In this regard works done by Putnam, R. (93), Helliwell, J. and Putnam, R. (95), Knack, S. and Keefer, P. (97), Woolcock, M. (98), Whiteley, P.F. (2000) are very prominent.

The second category is linked to some societal issues like poverty, social inequality and income inequality in order to measure the social cohesion in a society. Easterly, W. (2001b), Easterly, W., Ritzen, J. and Woolcock, M. (2006), Marco, F., Mercedes, M. and Mark, P. (2007) are linked with this phenomenon.

Poverty is one of the most important factors when it comes to the social cohesion, even of a greater significance than the so called heterogeneity. The social fabric of the society is more dependent on poverty rather than this heterogeneity, although the latter is cited as the major reason most of the occasions (Letik 2007). Galor and Zeira (1993) also asserted that inequality results in a low income on part of the larger portion of the society, and as a result there will be a decrease in the human capital leading to lower economic growth.

Equal income distribution can create a better level of nutrition, a higher level of employment and a greater output (Dasgupta and Ray 1987). Alesina and Rodrik (1994) discuss the negative impacts of disparity in income distribution. The idea behind these discussions is that such societies, where there is a disparity among rich and poor will contemplate for the redistribution of income, which can prove to be counterproductive in the sense that a constant redistribution will harm the economy by hampering the investment in physical and human capital. Income inequality has severe repercussions in the form of turmoil in the society, and this turmoil will ultimately go on to hamper the economic growth in the society (Alesina and Perotti 1996). Perotti (1996) establishes relationship between unequal income distribution and a wavering society on empirically.

Barro (1999) suggests that Kuznets fails to take into account the various cross country growth rates. He then goes on to assert that inequality tends to diminish the growth rate in underdeveloped countries, and gives impetus to growth in already developed countries. This inequality in income is also supposed to be associated with a significant decrease in the economic growth resulting from social unrest (Fajnzylber et al. 2000).

Some studies have also taken into account the impacts of human capital on the economy, citing the reason that only income inequality and social inequality can not reflect the true extent of this problem (For instance; Saint-Paul and Verdier 1993 and Castello and Domenech 2002).

The role of institutions in shaping the economic growth is very important and it has been observed through many studies like (Knack, S. and Keefer, P. 1995, Olson, M.1996, La Porta, R., Lopez-de-Silanes, F. and Shleifer, A.1998, 1999, Hall, R. and Jones, C. 1999 and Chong, A. and Calderon, C. 2000).

A country striving for development has to undergo several stages. The earlier stages signify the abundance of land and a scarcity in the physical capital. Education is known to be one of the most important factors that contribute to the development of the physical capital. The role of the landlords is somewhat controversial in this regard, citing their denial to pay for the education of the society. This is done in order to ensure that their dominance over the society is preserved. Consequently this denial on part of the landlords to pay taxes for the education of the masses leads to a lack of human capital and a below par economic growth (Easterly, 2001a).

The gender inequality also constitutes an important part in this regard. The studies conducted on gender inequality have shown mixed tendencies. Some of them have shown the relation between gender inequality and growth as positive, while others have shown a negative relationship between the two. Gender inequality, as far as education is concerned, diminishes the human capital and consequently the growth of an economy (Klasen, S.1999). On the other hand, the wage gap of gender has shown as providing an impetus to the economic growth (seguino, 2000). One can

conclude that gender inequality signifies the fact, that not only a considerable portion of the society is barred from participating in some healthy economic activities, but also it hampers the possibilities of economic growth. The male dominance is quite evident in Pakistan and the male will want it that way, in order to maintain the status quo. This is done partially because of the fear that if women are to be educated, they will consequently demand their right for equal treatment Easterly (2001a).

3. A review of Pakistan'economy

Pakistan, since its inception has been facing the problem of a dominant elite. All the governments whether they were dictatorships or of people have served to this purpose. They have been preoccupied by advancing their own interests, thus hampering the cause of good governance. They have failed to transfer the benefits to the major portion of the society (Husain, 1999).

This very phenomenon of inequality has torn the nation into two, and is still threatening to do so. The disparities that are present in all parts of the country have contributed to the worsening of the law and order situation. People in desperation are turning to violent means to make ends meet. The situation in Khyber Pakhtunkhwa and Baluchistan is evident of this fact. The political zealots are doing nothing, but exploiting this situation in order to maintain their hegemony over the society. Their sole motive thus, is to bolster their own strength in the National Assembly. It is important to mention here, that all this is being done because of a lack of social cohesion. Moreover, the heterogeneity of the country has provided them the opportune factor to establish their hegemony on ethnic and linguistic basis.

Women are one of the most underprivileged segments of the society in Pakistan. In the women development ratio Pakistan stands at very low position, 149th out of 157 nations to be very precise (UNDP, 2007). This marginal development of particularly this segment is a big hindrance in the economic development of Pakistan since it loses a significant portion of its population that can certainly contribute to a great deal. Education plays a significant role in the development of every nation. Its role is manifold. On one hand, it contributes to the human capital development and on the other hand it can prove to be a mobilizing force for the society. In this sense its impacts are far reaching for the economy. Education not only provides the society means to conflict resolution, but also can curb other undesirable phenomena as well. Apart from all that, it furthers the cause of social cohesion in the society. The government has never tried to standardize the education in these madressahs and they have mostly remained unchecked. This phenomenon has divided the society into two major groups i.e. the radicals (taught mostly by madressahs) and the seculars (taught in quality institutions). So it can be said that educational inequality in Pakistan, is one of the major causes that has fragmented the society into various groups and classes.

4. Data and Methodology:

4.1. Methodology

For estimation purposes ordinary least square (OLS) method has been used. The advantage of using OLS method is this that estimates obtained from b_0, b_1, b_2, b_3 will be non-biased and linear in nature.

The variables for this investigation are:

4.1.1. Model

$$Y = f(EI, GI, POV)$$

Where,

$$GDP = Y$$

Educational Inequality = (EI)

Gender Inequality = (GI)

Poverty = (POV)

Equation:

$$Y_t = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \varepsilon$$

Where,

t = time period

Y_t = GDP Per capita in Pak rupees in time t .

X_1 = Educational Inequality

X_2 = Gender Inequality

X_3 = Poverty

4.2. Definition of Variables:

4.2.1. Gender Inequality

Gender inequality refers to the fact that males are dominant and the females are underprivileged segment of the society. There is a disparity between the two segments in almost all the spheres of social life. This variables has been taken from Ahmed, N. and Bukhari, S. (2007). A catalog has been constructed through using 8 different factors. The details for this information have already been given in the table 3.1 of chapter 3.

4.2.2. Education Inequality

Education is another factor that contributes to the social cohesion of any country. It is fundamentally the most important part of any society because it is the means to develop the human capital, which, in turn is important for the growth of an economy. *EI* marks the difference between those segments who have access to quality education and those who have no access at all. Figures for *EI* have been obtained from Castello, A. and Domenech, R. (2002).

4.2.3. Poverty

It is the factor that determines the position of an individual in a society. It gravely affects the availability of the basic necessities of life including health and education. Creating a sense of deprivation, poverty at large scale implies that a larger proportion of population is denied of these basic necessities. As far as poverty is concerned the figures for it, have been taken from Jamal, H. (2006).

4.2.4. GDP

It is defined as gross domestic percapita income in Pakistan and has been collected from World Development Indicators.

5. Estimation Results

The equation through regression thus becomes:

$$Y_t = 104190.5 - 17120X_1 - 479.62X_2 - 121.16X_3 + \varepsilon$$

It can be seen that there is a negative relationship between GDP per capita and *EI*. An increase in the *EI* will result in a decline in the GDP. It can also be seen that all the other factors or variables are also presenting the same picture. Like the *EI*, *GI* and *POV* too are posing a negative correlation with the *GDP* per capita. Table 2 provides the results of the model.

Table 1 Dependent variable: GDP per capita

Variables	Coefficients
Intercept	104190.5 (18.88)*
EI	-17120 (-3.84)*
GI	-479.623 (-8.16)*
POV	-121.76 (-3.56)*

* , ** , *** , **** , level of significance at 1% , 5% , 10% respectively

The t-statistics have been presented in brackets. Educational inequality(EI) can be seen to have a significant negative relationship with economic growth. Other variables like Gender Inequality(GI) and Poverty (POV) too have inverse relationship with the *GDP* per capita, and significant at level of one percent. It can be seen that a 1% hike in the Gender Inequality can bring down the Gross Domestic Product per capita with a percentage of 479.62. The third factor that is poverty again has an inverse relation with the Gross Domestic Product per capita. As a result, a 1% increase in this factor would bring down the Gross Domestic per Capita with a percentage of 121.75.

All the results lead to the rejection of null hypothesis and prove that all these three variables have statistically significant impact on the economic growth. Following statistics shows the that model is a good fit. About 96 % of the variation in dependent variable has been explained by these independent variables. Moreover no problem of autocorrelation has been found in this model. Table 3 shows the overall goodness of the model.

Table 2

R-square Value	96.10
F-statistics Value	263.5
Durbin-Watson Value	1.65

6. Conclusion & Recommendations

This study has tried to see the relationship of social disparities with respect to economic development in Pakistan. Basically this phenomenon portrays the political economy aspect of a society. Because it is the believed now that politics affects policies much as compared to growth. And if policies are not in favour of society's welfare then it will lead to social unrest in the society. Social disparities can be measured through many ways. But in this study it has been measured with the help of education inequality, gender inequality, and poverty. Time period has been taken from 1972-2008. Ordinary least square method has been applied. Results show that there is an inverse relationship among economic growth and all independent variables i.e. Education Inequality, Gender Inequality and lastly, Poverty proving that such social disparities become hurdle for building a cohesive nation. On the basis of the results from, there are few suggestions.

- One of the most important steps in this regard is to remove disparity in the society through broadening of the tax net. Currently, there are many sectors in the economy that are not considered as liable to tax. One of these is the agricultural sector. The administration, instead of adopting proper tax measures, has been deliberately found to tax those goods and services that can be burdensome for the common people. Apart from that the privileged class has always found the means to avoid taxation. It is conceded, that adopting these measures will require a

strong will on part of the administration, but adopting these measures is the only way if the social cohesion in the society is to be bolstered.

- Concerning education it can be said that there should be a single and uniform education system throughout the country. Such tendencies that are fostering the parallel education should be out rightly discouraged. If private institutions can provide quality education to the masses, then the government can also manage such type of education. The results will be encouraging in the sense that this step will promote educational equality. There will be no discrimination between the rich and the poor.
- The gender inequality is the other factor that needs to be corrected. Women have their rights and snatching these rights from this segment of the society will be highly unfair to them. The government needs to run an awareness campaign on mass level, promoting the gender equality. People, especially in the rural areas, should be made aware of the rights of the women as well as the benefits of the gender equality.
- Poverty is another big hurdle to the cause of social cohesion. Poverty is and has been a main problem to the cause of social cohesion in Pakistan. In order to correct this menace, such measures as redistribution of wealth are necessary. The government should also make available the opportunities and means to achieve these opportunities. This will not only strengthen the society, but also, result in the economic growth of the country.

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