

Unravelling the shocking impact of Income Inequality in Pakistan

Income inequality refers to the disproportionate distribution of income, earnings or wages among individuals or households within a particular society or economic system. Income inequality poses a significant challenge to Pakistan's domestic and economic conditions, undermining social cohesion and harmony, aggravating poverty in areas already under the lowest of standards, and hindering sustainable development to meet international goals.

Income inequality has many deep-rooted causes. Limited access to quality education hinders skills development and perpetuates income disparities, while inadequate job opportunities further exacerbate the gap between the rich and the poor. If looked at carefully, the latter is the result of a chain-reaction of the former, with both being antagonists in Pakistan's success story. Corruption erodes trust in institutions and diverts resources away from necessary programs. Moreover, the absence of robust social protection systems leaves vulnerable populations without adequate support to escape poverty and raise their living standards. A lack of trust in the quality of products from local businesses, and actions like promoting child labour often face opposition from the international community, reducing demand of some of its most important products. This poses an immense threat to Pakistan's GNP and Income per Capita.

Pakistan's Gini coefficient, a measure of income inequality, stood at 33.5 in 2020 according to the World Bank. The high value indicates a substantial income gap in Pakistan, reflecting a significant concentration of wealth among a few individuals. For example, large conglomerates in the manufacturing sector, such as the textile industry, control a significant portion of the national wealth, while small-scale businesses and marginalized communities in the form of cottage industries in rural areas struggle to access resources and opportunities. Such a situation has been prevalent since the 1970s. This disparity adds fuel to the fire that is already increasing the fragility of the economy, making entrepreneurial success difficult for the low-income groups. Resultantly, this creates inefficiencies in standard working procedures, constrains aggregate demand, and limits the overall economic potential of the nation.

Income inequality in Pakistan gives rise to a stark educational divide, limiting access to primary and secondary education and hindering the development of human capital necessary for socio-economic mobility. Students from different areas have varying access to the latter, that amalgamates with a lack of qualitative improvement in the sector. This, as a result, antagonises inter-

generational poverty. The Disparities between elite schools and rural centres speaks for itself: Well-trained Staff against local people, abundance of finance against constrained budget capacities, amazing facilities against lack of necessary infrastructure.

Students from affluent backgrounds are more likely to have access to extracurricular activities, and specialized educational programs, helping them to rise above others that are denied the right to equal education. In contrast, students from low-income families face overcrowded classrooms, and a lack of educational support from the government. Consequently, individuals from disadvantaged backgrounds face significant barriers in securing well-paying jobs, and are often involved in unstable, volatile primary occupations that generate insufficient incomes.

Income inequality in Pakistan leads to worrying healthcare disparities, depriving rural populations of access to the best healthcare services. This hinders the overall social well-being of the communities, as members of such groups often become victims of dangerous diseases, that cannot be treated by local clinics and dispensaries which lack the proper medical supplies. Due to the very inequality, they often can't afford a better treatment such as surgical intervention, thus undermining the quality of life. There is an urgent need to expand the reach of medical hospitals and better-equipped clinics to stop the amplification of such socio-economic inequalities.

Income inequality undermines economic growth by severely restricting consumer spending, and stifling investment opportunities. The impact of income inequality on businesses can be observed by comparing the sales and profits of luxury brands and high-end retailers targeting the affluent segment of society with businesses catering to low-income communities. Luxury brands thrive due to the high purchasing power of the wealthy, which then stimulates more economic activity in that sector while businesses serving low-income communities struggle due to limited disposable income, increasing the disparities between the sections. Consequently, the fiscal and social imbalance impedes economic uplift on a large-scale.

To help mitigate the negative effects, Pakistan should ensure a more stable environment for investment. This includes ideas like targeted poverty alleviation programs, tax reforms to ensure a fairer distribution of wealth, and support for small and medium-sized enterprises (SMEs) in low-income communities through organisations like SMEDA. Additionally, promoting financial literacy and providing access to microfinance schemes can empower individuals from low-income backgrounds to start businesses and contribute to the economy. As of 2021, the top 1% of income earners in Pakistan accounted for approximately

20% of the total income. Therefore, only with willpower can these policies help foster a prosperous nation, that has an important stake in the international market, because such internal problems directly impact its GDP (Gross Domestic Product).