Muhammad Masood Anwar [*] | Aftab Anwar [†] | Ghulam Yahya Khan [‡]

Inclusive Growth Measurement Under Different Political Regimes of Pakistan

Abstract
'Existing literature focuses on the determinants and ways to enhance economic growth. This, however, neglects the growth benefit to society. Distribution aspect of economic growth is ignored in the previous decades. As a result, the world cannot enjoy the benefits of economic growth. In this paper inclusive growth index (IGI) is used which is constructed by the Asian Development Bank, 2011 to investigate whether the economic growth in Pakistan creates opportunities for the entire population on an equal basis and how political regimes affect the inclusive growth. Performance of the sixteen indicators of inclusive growth index is assessed over the period of 1978-2014, under two Democratic and two dictators' regimes. The result of the study shows that inclusive growth in Pakistan is low. However, the trend of inclusive growth in Pakistan is positive. Inclusive growth can be increase by increase the pace of economic growth besides democratic culture.

Introduction

Economic growth remains a focus of economists. It is considered as to quantity the development of the countries. The nature and causes of economic growth theory have been addressed by many economists who concluded that there are many parameters which enhance the economic growth, Ricardo (1772-1823), Harrods (1939), Romer (1986), Domar (1946), Lucas (1988), Solow (1956) and Swan (1956), Mankiw *et al.,* (1992), and Rebio (1991). In spite of the remarkable contribution of this economist about the determinants of growth, aspect of the distribution of growth in the society is still addressable. It's not got as much space as determinants of economic growth.

Inequalities and poverty are widespread all over the world. Poverty and inequalities are multi-faced and effect differently on different regions of the world. Inequality and poverty affect the people lives, empowerment, interaction and capabilities. Economic development remains the key agenda of the development economist. Due to political and structural changes and to support the countries each other the potion of poor reduce in the world, regardless of this growth in some countries, inequality increase. During the past few decades, Asian countries grow remarkable and reduce poverty. In spite of this growth in many countries experience the problem of inequalities between rich and poor, income and no-income outcomes. These inequalities are a threat to sustainable growth. This problem shifts the focus of economists from growth to inclusive growth. It is a need to explore whether economic growth leads to inclusive growth. To understand, it is prerequisite to know the difference between GDP growth and inclusive growth.

Economic Growth

Rise in per capita income over a year is referred to economic growth. According to (Todaro, 2003) economic growth is the rise in the good and services of a country. GDP growth is an upsurge in the volume of the economy over a period of time. Economic growth can be in both term nominal (include

[*] PhD Scholar, Kashmir Institute of Economics, University of Azad Jammu & Kashmir Muzaffarabad, Pakistan.
Email: smasood_ajk@yahoo.com
[†]Assistant Professor, Department of Economics, University of Education, Lahore, Punjab, Pakistan.
[‡] Assistant Professor, Kashmir Institute of Economics, University of Azad Jammu & Kashmir Muzaffarabad, Pakistan.

inflation) and in real term (inflation-adjusted). It takes place when people arrange resources from less valuable to more valuable (Concise Encyclopedia of Economics, 2014).

Inclusive Growth

Inclusive growth has no general or universal definition; however, and it refers to "growth coupled with equal opportunities". The growth that creates economic opportunities for the society call inclusive growth. According to Rauniyar and Kanbur (2010) inclusive growth that causes to decline in income inequalities. Zhuang (2008) defined inclusive growth "growth with equal access to opportunities for all members of a society". Asian Development Bank (2011) defined Inclusive Growth Indicators, (i) reduction in inequality and poverty, (ii) gender equality, (iii) social safety nets, (iv) access to basic infrastructure utilities and services, (v) access to better health and quality education, (vi) employment and economic growth, (vii) key infrastructure endowments and (viii) governance and sound institutions.

Inclusive growth positively affects society and poor peoples. It provides opportunities on an equal basis to all in the phase of development and reduces poverty and inequality. It is a multidimensional phenomenon which ensures equal access to all to the socio-economic opportunities. The structure of production that is generated by the growth process must be the one in which all groups of the societies included.

Inclusive Growth Vs Pro-Poor Growth

GDP growth that reduces the no of poor is pro-poor growth (Ravallion, 1997). The growth that leads to a fall the poverty level the country is called pro-poor growth (Kakwani and Pin, 2008). These definitions of pro-poor growth is an absolute term to consider the living stander of the poor and address the inequalities. The positive relation between growth and poverty not always mean positive effect on inequalities. Inclusive growth is a broad concept and considers both inequality and poverty. Pro-poor growth can be as an indicator of Inclusive growth. In Asian countries, due to economic growth, poverty is decreasing, but the growth is not inclusive. The focus of the Pro-poor growth is poor people, but the inclusive growth is more general and benefits to all, poor, near to poor, middle and even rich (Klasen, 2010).

Growth in Different Political Regeims in Pakistan

Pakistan is a developing country and facing the problem of inequality. Poverty, the balance of payment, political instability from its beginning. These problems are still addressable. Growth performance of Pakistan remained poor throughout its history. The main reason for its political instability. Growth pattern fluctuated when the country shifted from one regime to others. (Zakaria and Fida, 2009). Pakistan experience both types of government, democratic and dictator.

Why Inclusive Growth for Pakistan

Now Pakistan facing the problem of ethnic poverty, inequality, education, health, provincial disparities. The solution of these problems is not only GDP growth but the inclusive growth. Shared growth can address the issue of equity. Unemployed people were creating social unrest and moving towards criminal activities. Equitable access to opportunities can solve this problem. Education and health stander in Pakistan is not only low but also the double standard. Education and health facilities for the poor are of low quality. The gap between rich and poor is increasing. Provincialism is increasing due to provincial disparities. Not only the economic growth but the inclusive grow this the solution of these problems.

Research Questions

Research Question 01: Does economic growth lead to inclusive growth?
Research Question 02: Whether political regimes affect inclusive growth.
Research Question 03: Whether democratic or dictator regime is good for inclusive growth.

Research Objectives

The present study is conducted to achieve the following objectives.

- To investigate the inclusiveness in the economic growth of Pakistan.
- To compare the democratic regimes to dictators' regimes in Pakistan through inclusiveness.
- To give policy recommendation for Pakistan future growth.

Review of Literature

In this chapter, a detailed literature review has been presented about inclusive growth, the role of politics in GDP growth and the relationships of inclusive growth and GDP growth.

Inclusiveness of economic growth was investigated by (Asghar and Javaid, 2008). They used equity and opportunity index for the time period of 1008 to 2008 in Pakistan. Education and health services were used as a proxy of inclusive growth. The results showed education and health facilities improved over time in Pakistan but not distributed equally. Access to education improved at a primary level more than secondary education. Health facilities also improved but the quality of these facilities was low, especially for the poor people. It needs to more facilitate the lower group of the society.

Anwar *et, al.,* (2018) investigated the inclusiveness in the economic growth of Pakistan over the period of 1974 to 2014. Employment growth, social sector growth, income growth poverty and inequality taken as an inclusive proxy growth. The results of the ordinary least square model showed the week relationship between these variable and economic growth. Inclusive growth has no direct relationship with GDP growth; it effects through different channels. The study suggests that to overcome the problem of employment, poverty, inequality and social security, not only the economic growth was not the solution. There was a need to take some other measure besides economic growth.

Ali and Son (2007) explored the relationship the inclusive growth and economic growth in the Philippines for the period of 1998 to2004. Education and health were used as an indicator of inclusive growth, the result of the opportunity and equity index showed that at secondary level the enrollment is low, but it is satisfactory at the primary level. Income inequality and quality of education were different from region to region within the Philippine. The study also finds out that only rich people can access to better education and health facilities, and it was away from poor people. The rich people heavily really on the private sector, which was good in quality; on the other hand, poor people rely on the public sector with was poor in quality. The study suggests that for balanced growth, it is a need to improve the quality of the public sector.

Min and Xiaolin (2010) investigated the inclusiveness of growth in China over the period of 1990 to 2009 through inclusive growth index. The result of the study indicates that inequality decline and inclusive growth indicator raised over time. During this period inequality declined from 14 to 5 percent in China. But the process of inclusive growth in china found to be low in the relative term. Employment in territory industry found to be low. During the period from 1190 to 2000, chines growth was more inclusive as compared to 2000 to 2009. In the last three-decade Chines, growth was remarkable, but the inclusive growth was not the same as GDP growth.

Pasha (2007) investigated the association between inequalities, poverty and GDP growth over the period of 1981 to 2004. The result of the growth elasticity of Asian countries showed that East Asian countries Like Thailand and Malaysia have a higher degree of inclusive growth, but the case is not same with other Asian countries. In Pakistan economic growth, inequality and poverty moved in the same direction in this period. It showed inclusive in economic growth in Pakistan was low.

Calderon and Serven (2005) investigated the relationship between inequalities, poverty and infrastructure investment over the period of 1960 to 2000 by using the sample of 100 countries. The results of the panel data showed a robust association between economic growth and infrastructure development. It is suggested that to achieve the desired level of inclusive growth need to improve the infrastructure and make it available to the deprived sector of society.

Thorat and Dubey (2012) investigated the relationship between monthly per capita expenditure and poverty incidence in India. In this study data of 1993 to 2010 was used. The result of the study

showed from the poverty reduction strategy of India the whole society was not getting benefits equally. It is good for some groups, but others were deprived, and inequality adversely affect poverty. It was happening mostly in urban areas of India.

Osmani (2008) investigated through cross country analysis that economic growth in South Asia had reduced inequality and poverty. It is investigated that in South Asia poverty and inequality move in the opposite direction. The author tries to found out why poverty and inequality move in the opposite direction, whether it was policy failure or due to some reasons. It was due to in the last few decades, rapid growths of Asia create a lot of opportunities, but these opportunities were not shared equally. Some groups got benefited from it, and others remain to deprive; it creates inequality. The reasons for the inverse relation of poverty and inequality in different South Asian countries were different.

Barro (1996) investigated the effect of GDP growth and democracy over the period of 1960 to 1990. The result of the panel data showed the negative impact of democracy on GDP growth but democracy at an optimal level good for economic growth.

Franciso and Batiz (2002) investigated the relationship between democracy and GDP growth through eminence of governance in the long run. The used the data of 59 countries over the period of 1960 to 1990. The result of the study showed that democracy had no direct impact on economic growth. Democracy was a determinant of total factor productivity, and though factor productivity, it affects economic growth. Democracy caused to improve the quality of governance, which lead to reduce corruption and increase economic growth.

Person and Tabellini (1992) investigated the impact of democracy and GDP growth for the period of 1960 to1990. In this study panel data of 150 countries were used. The results showed that democracy and economic liberalization were positively associated with economic growth. Democracy and economic liberalization put the economy in transition face that positively affect economic growth.

Cervellati and Sunde (2014) found out the relationship between economic growth democracy and violent conflicts. The study includes 166 countries and used panel data over the time period of 1960 to 2003. The result showed that democracy affects the economic growth, but it's up on the situation in which democracy prevail. Democracy was more effective for economic growth under peaceful environment and the situation was reverse against the peaceful environment.

Zakria and Fida (2006) investigated the effect of democracy on gdp growth of Pakistan. To investigate the impact of democracy on GDP growth dynamic growth equation used over the period of 1947 to 2006. The results showed that democracy is negatively associated with GDP growth of Pakistan. Democracy does not fulfil its basic requirements due to military rulers. Inefficient democratic governments failed to achieve the desired level of growth in Pakistan. Democracy only positively affects economic growth when it fulfills its basic requirements. In Pakistan its need time to be a fully democratic country.

Material and Method

To investigate inclusiveness in the economic growth of Pakistan under two democratic and two dictator regimes from the period of 1978 to 2014 is the main objective of the present study. Time series data is used for this study. To investigate the inclusiveness in economic growth (Ali and Son, 2007) (Asghar and Javed, 2008) used the method of social opportunity index. Social opportunity index depends on two factors, the first one is how much opportunities are available for the population and second, how opportunities are distributed in the population. Mainly it's cover the health and education sectors. These two sectors (education and health) are not able to present the true picture of inclusive growth. McKinley (2010) put forward the method to evaluate inclusive growth with an integrated index system. The index system built by McKinley is based on the index of the Asian Development Bank. in this paper proposed method of Mckinly is used. According to this method, income inequality and poverty reduction, creation and expansion of economic opportunities, equitable access to economic opportunities and the good governance are the core of inclusive growth index (IGI). The weight and target values of these indicators are set by the experts of the international

poverty reduction center of China (IPRCC). In this paper, it is used with small changes due to change in the structure of the economy of China and Pakistan.

Inclusive Growth Index (IGI) has the following steps.

The first step is the Dimension indicators of Inclusive Growth.

Evaluation dimension index is: $U = (u_1, u_2, ---- uj)$ (1)

Evaluation Area collection: $U = (uj_1, uj_2, uj_3 ---- uji)$ (2)

Evaluation index collection: $U = (u_{11}, uj_{21}, uj_{31} --- ujim)$ (3)

Evaluation dimension is represented by j, m is used for evaluation indicator, and evaluation area indicator is I.

The second step is to set a target weight.

Weight is given by the indicator according to the importance of indicators in the economy. It could be a difference in different economies.

The indicator of weight is w: $w = (w_1, w_2, w_3 --- wi)$ (4)

Next step is the conduction of the univariate standardization.

In the next step after the construction of evaluation indicators, need to determine the membership of indicators on various level. After this, we have R matrix.

$U r = [r_{111}, r_{112} ... r_{11}m]$ (5)

IGI=Formula:

$$IGI = \sum_{i=1}^{m} \left(\sum_{j=1}^{n} U_R \times W_J \right) \times W_i \qquad (6)$$

Standardized single index score is U_R.

Weight of single indicator is Wj.

Dimension layer weight is Wi

Inclusive growth index value varies from 0 < IGI > 100. IGI value of 100 means growth is perfectly inclusive and the vice versa. IGI values shows the degree of inclusiveness of economic growth. Dimensionless quantity method of positive indicators are.

$$V_{y,j} = \frac{X_{y,j}}{Z_{y,j}} \times 100 \qquad (7)$$

$V_{j,y}$ is the score of J index in year y, target value of J index is Zj, actual value of J index is xj and maximum value of the j index is max_j.

Reverse indicator method of dimension quantity.

Dimensionless quantity method of the reverse indicator.

$$V_{y,j} = \left(\frac{max_{y,j} - X_{y,j}}{Z_{y,j}} \right) \times 100 \qquad (8)$$

A score of J index in y year is Vjy, the target value of J index is z_j, and actual value of j index is x_j. and the maximum value of the j index is maxj.

The indicators of inclusive growth U111 represent GDP per capita growth rate, (Proportion of value-added industrial goods in GDP, U112), (Proportion of value added agri goods in GDP, U113), (Employment rate in industrial sector, U121), (Employment ratio of total population, U122), (Gini coefficient of the country, U211), (Female to male ratio in employment, U212), (Percentage of population below national poverty line, U221), (Percentage of population below international poverty line of $ 2.5 per person per day, U222), (Mortality rate of children under 5 among each thousand live births, U311), (Percentage of Doctors available to populations among 1000 individual, U312), (Percentage of bed available to populations among 1000 individual, U313), (Proportion of the expenditure of GDP on education, U321), (Enrolment rate of the student in primary secondary and higher education ,U322), (Tax to GDP,U431), (Public Investment, U432)

Results and Discussion

The result of the inclusive growth index shown below. It is calculated by the indicators of the inclusive growth index (IGI) proposed by Asian Development Bank, 2011.

Table 1. Values of the Inclusive Growth Indicators

Indicators	Weight	Dictator Regime (Zia, 1978–88)	Democratic Regime (BB& Nawaz 1988-99)	Dictator Regime (Mushraff, 1999-008)	Democratic Regime (Zardari&Nawaz, 2008-14)
(U_{111})	0.10	3.46	1.30	2.69	1.71
(U_{112})	0.05	1.66	1.73	1.67	1.53
(U_{113})	0.05	2.04	1.87	1.65	1.79
(U_{121})	0.05	1.43	1.33	1.43	1.49
(U_{122})	0.05	1.78	1.88	1.96	2.08
(U_{211})	0.10	3.40	3.18	3.09	2.98
(U_{212})	0.10	2.80	4.04	5.39	7.93
(U_{221})	0.05	1.62	2.46	3.69	4.37
(U_{222})	0.05	0.50	0.92	1.80	2.47
(U_{311})	0.05	4.23	4.36	4.48	4.56
(U_{312})	0.05	1.61	2.68	3.73	4.16
(U_{313})	0.05	2.88	3.20	3.77	3.5
(U_{321})	0.10	5.86	6.65	5.47	5.71
(U_{322})	0.05	2.57	2.59	3.93	4.64
(U_{431})	0.05	2.87	2.96	2.24	2.15
(U_{432})	0.05	3.10	3.12	2.97	2.56
Total	1.00	41.81	44.27	49.96	53.63

Source: Author calculation

The above analysis of the inclusive growth indicators shows that the overall value of the inclusive growth index is low. The economic growth in Pakistan is not inclusive. The economic growth in Pakistan is not equally benefited for the people of Pakistan, and the opportunities that growth created are not shared on an equal basis. Education and health standard in Pakistan is low to the desired level. Employment ratio of the female as compared to male is also low. Still, the problem of poverty and income inequality exist at a large scale. The performance of governance indicators shows poor results. Public investment and tax to GDP ratio are not satisfactory. These results are not different to the previous study of (Asghar and Javaid, 2008) used opportunity index and equity index on health and education sector in Pakistan and find on the basis of this index that growth in Pakistan is not inclusive. (Tirmazze and Haroon, 2015) also concluded by using social welfare function that economic growth is not inclusive in Pakistan. From the economic growth in Pakistan rich benefited more as compared to the poor.

The value of the inclusive growth index in first dictator regime (1978-1988) 41.81. According to it near about 42 percent people were getting benefit in the said regime. Forty-two percent people have the facilities and others were deprive. In the Ist democratic regime (1988-1999) value of the inclusive growth index rose from 41.81 to 44.27. This trend continue and inclusive growth index value reached at 49.97 in the second dictator regime (1999-2008). In second democratic regime (2008-2014) the value of inclusive growth index is 53.63. the inclusive growth values shows not difference in trend on the other hand gdp growth in democratic regime remain poor in democratic regime as compare to dictator regime. The indicators of inclusive growth behave differently in different regimes as shown in the table. The value of inclusiveness in economic growth remain low in all the regimes.

However, this study shows a positive trend in inclusiveness. It's encouraging for Pakistan point of view. People are getting more benefited from the growth process by the passage of time. Health and education facilities are improving and more people getting access as compare to previous regimes.

Mortality rate is decreasing. Living standard of the people improve. Results are similar to the study of Ananad, *et al.,* (2013). They find a positive trend of inclusiveness of growth in central Asia and Middle East over the period of time.

Conclusion

Inclusive growth is a broad base growth and economic growth always doesn't mean inclusive growth. For inclusive growth economic growth is a primary condition but it is not sufficient condition. Average growth rate of Pakistan is five percent which is less than the South Asian countries that are 7.5 percent. Inclusiveness in growth is less than half of the economic growth in Pakistan. Economic growth fluctuated under different regimes, but the inclusive growth increase in the same pattern. The benefit of economic growth not equally shared among the peoples. Few but powerful hands take major share, and other remains deprive. And this deprivation creates many problems in Pakistan. Politics play an important role in Pakistan. In dictators regime, economic growth is high, but the inclusiveness is low as compare to democratic regimes. At the end years of the dictator's regimes, economic conditions were worst that create a bad impact for the next democratic regimes—the policies of the previous regime effect the next regime. Pakistan changes policies from regimes to a regime that affect the sustainability of growth. Economic growth is positively associated with inclusive growth but to remove poverty and inequality, further steps are required than economic growth. The trend of inclusive growth in Pakistan is positive that good is a thing. People are better off with the passage of time. Not only facilities are improving, but more people are getting access to them. In all regimes, inclusive growth increase, but the case is not same with economic growth. Economic growth fluctuated, and inclusive growth remains the same pattern. It shows inclusive growth is a long term phenomenon. In the end, the study suggests to overcome the problem of poverty, inequality, and other social and economic problems in Pakistan also need to focus on other factors with economic growth. For the consistency in economic policies and sustainable growth, political stability is required. Democracy is the best for inclusive growth with the pace of economic growth. The proportion of inclusive growth is high in economic growth under democratic regimes. There is a need to enhance economic growth in democratic regimes.

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