

The Impact of Economic Growth and Development on Poverty Level in Zimbabwe.A Case Study of Bindura District

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Abstract

the study seeks to establish the impact of economic growth and development on the poor people of Zimbabwe. Based on a case study of Bindura District, the Zimbabwe government has put economic growth and development as an important key to fight against poverty, creates more wealth through growth and development. Both primary and secondary data were used with questionnaires and personal interviews as research instruments to obtain data from the respondents. An analysis of the data was done and results were presented using tables, bar charts and pie charts.

The research findings showed that economic growth and development play an important role in improving the living standards of the people. The research also found that employment increase income and poverty reduction, these were sited as the major benefits brought by economic growth and development. There were also challenges faced by the poor, which included water, unemployment and accommodation.

The research concluded that poverty affects the physical and social environment in which people live in and compromise the wellbeing of the present generations and the future generations. The research recommended the increase on manufacturing sector investments in order to revitalize industry and to create employment opportunities for many citizens who are unemployed; this can be achieved by increasing the cooperation between the agricultural sector and the manufacturing sector.

Key words: poverty, Economic growth and development, Manufacturing sector, Zimbabwe

Introduction

The impact of economic growth and development on poverty has been an area of interest over the years in developing countries such as Zimbabwe. Poverty has a direct impact on the social and economic welfare of many especially the poverty-stricken rural people of Zimbabwe. The research is to focus on assessing the impact of economic growth and development on the poverty level in Zimbabwe for the period 2015 – 2020.

Poverty remains to be the biggest problem of the world and one—sixth of the global population or about one billion people live in extreme poverty World Bank, (2003). They suffer from a lack of nutrition, health, water and sanitation, shelter, and other basic needs. In order to end poverty, the 191 United Nations (UN) members signed the United Nations Millennium Development Goals (MDGs) in 2000. The first goal of the MDGs is to eradicate extreme poverty and hunger. To achieve this goal, a target has to be set, that is, to reduce by half the proportion of people living on less than a dollar a day by 2015. If the target can be realized, there will be an opportunity to end extreme poverty by 2025 World Bank, (2003). It means that poverty is the greatest challenge of a global society.

According to Central Statistics office (2016) about 75% of Zimbabwe's population is poor. The poverty level got to this alarming level in the period between 1992 and 2008. The introduction of Economic Structural Adjustment Programme (ESAP) in 1992 marked the beginning of rise of cost of living. Zimbabwe's poverty situation is witnessed by failure of people to meet the cost of their basic needs. The Central Statistics Office also found out that Primary School Net Attendance was 90%, but 70% of those not attending school gave financial problems for not doing so. This means that there are still some people in Zimbabwe who cannot afford to meet their children's primary educational skills. The infant mortality rate was 100 per 1000 births. This means the country is still impoverished.

Due to the economic disruptions, there is very limited up-to-date information on the well-being of Zimbabweans. The last national poverty assessment was the Poverty Assessment Study Survey (PASS) undertaken in 2003 and it revealed that 72% of the population was below the poverty line Ministry of Public Service, Labour and Social Welfare, (2006). An Income Consumption and Expenditure Survey were

conducted in 2007 to 2008, however information on poverty status was not released mainly due to the problems of dealing with validity of figures obtained in the hyper-inflationary environment that existed at the time. Consequently, since the 2003 PASS survey, there has not been any official survey on the levels of poverty in Zimbabwe but some estimates suggest that, by the time the economic crisis reached its high point in November 2008, up to 80% of the population survived on less than US\$2 a day Chimhowuet al (2010).

World Bank study (2001) argued that economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries. Both cross-country research and country case studies provide overwhelming evidence that rapid and sustained growth is critical to making faster progress towards the Millennium Development Goals and not just the first goal of having the global proportion of people living on less than \$1 a day. But under different conditions, similar rates of growth can have very different effects on poverty, the employment prospects of the poor and broader indicators of human development. The extent to which growth reduces poverty depends on the degree to which the poor participate in the growth process and share in its proceeds.

The economic growth after 1990, which averaged 3.2%, was accompanied by the adoption of a series of major market-oriented economic reforms, one of them being the Economic Structural Adjustment Programme (ESAP) of 1991. ESAP was succeeded by ZIMPREST (1996-2002), whose objective was to complete and consolidate all achievements of ESAP in a way that would impress the nation. However, by as early as 1998, the country started to experience effects of economic slowdown and subsequently entered into a recession in 2000.

Dollarization in early 2009 which allowed currencies such as the Botswana pula, the South Africa rand. and the US dollar to be used locally ended hyperinflation which had affected Zimbabwe for a decade and restored price stability but exposed structural weaknesses that continue to inhibit broad-based growth. Zimbabwe's economy recorded real growth of more than 9% per year in 2010-11, before slowing to 5% in 2012, due in part to a poor harvest and low diamond revenues. However, the government of Zimbabwe still faces a number of difficult economic problems, including infrastructure and regulatory deficiencies, ongoing indigenization pressure, policy uncertainty, a large external debt burden, and insufficient formal employment. It is vital to determine the root causes and explanations to the poverty levels in Zimbabwe. This intended project will furnish both government and society at large with relevant advice on how to overcome possible challenges on poverty and main eradication through economic growth.

Statement of the problem

Zimbabwe has been implementing several pro poor growth and development policies. However, poverty and suffering are still ravaging in Bindura district. This research is an assessment of the impact of economic growth and development on poverty level in Zimbabwe using a case study of Bindura district.

Research Objectives

The main purpose of this study was to asses the impact of economic growth and development on poverty levels in Zimbabwe.

- To assess the impact of economic growth on poverty reduction.
- To find welfare benefits brought by economic growth.
- To identify challenges being faced by the poor.

Theoretical literature

The minority group theory is a term which can be used to represent the attempts to identify the characteristics of certain groups of poor people Rowntree (1901). The immediate causes of primary poverty (or earnings insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency) postulated by Rowntree (1901) included death of chief wage-earner, large family and low wages.

The Sub-culture of Poverty

The 'sub-culture of poverty' is a concept which is derived from a variety of anthropological, sociological and eugenic studies. The poorest section of society forms a sub-society or a sub-culture which is distinctive and largely self-perpetuating Oscar (1966). The sub society has similarities in family structure, time orientations, value systems, spending patterns, and living in lower-class settlements. Other social and psychological characteristics included crowded quarters, lack of privacy, gregariousness, high incidence of alcoholism, frequent resort to violence in the settlement of quarrels, frequent use of physical violence in the training of children, wife beating, early initiation into sex, free unions or consensual marriages, a relatively high incidence of the abandonment of mothers and children, little ability to defer gratification and plan for the future, resignation, a belief in male superiority and a corresponding martyr complex among women, Valentine (1968).

Urban poverty

The real situation of urban poverty is complex and encompasses many kinds of information. The indicators of urban poverty are a measurement tool that can quantitatively simplify the complex reality to a few numbers of people that can be easily grasped or understood by decision makers, planners, private sectors and the general public, Baharoglu and Kessides (2001). There are some well-known indicators such as GNP (Gross National Product) which illustrates the economic performance of a country; HDI (Human development index) which is a composite index of life expectancy, adult literacy and purchasing to buy commodities for satisfying basic needs. The urban management programme of the World Bank (1996) has also created a comprehensive list of urban poverty indicators that not only measure the income aspects, but also capture economic, social aspects of poverty. This concurred with the findings of Baharoglu and Kessides (2001) that aggregated the indicators of urban poverty into five dimensions that are income, health, education, security and empowerment. According to the development of the indicators used in measuring urban poverty, the indicators can be classified into three major categories namely economic, social, and political. This study wanted to see if Bindura Urban is characterized by such urban poverty indicators.

Economic Growth, and Poverty Reduction

The analysis of economic growth and poverty reduction has gone through various phases in the literature on development. For example, an important premise of the very early theories of development was that the benefits of economic growth would trickle down to the poor. Since then, questions have been raised on the assumption of an automatic link between growth and poverty reduction, and attempts have been made to understand the mechanisms through which the benefits of growth may get transmitted to the poor. Economic growth, however, came back to fashion once there were studies casting doubt on the suggestion that higher growth could be associated with increased poverty, and re-asserting that growth, always, reduced poverty.

Winter McCulloch and McKay (2004), states that the alleviation of poverty is attained through long-term economic growth. They argue that faster economic growth increase income levels, which in turn allows governments more tax revenue to take redistributive measure. To understand the effects of economic growth on poverty reduction, it is important to separate the links between the openness of an economy and growth between growth and inequality.

The impact of economic growth on poverty reduction

Evidence from past studies on economic growth and development on poverty. The two most obvious and striking examples of successful economic growth and poverty reduction are the two city-states of Hong Kong and Singapore. Thus even in the mid- 1990s made no sense to consider them as "developing", while by 1997 Singapore and Hong Kong (China) were, on GNP per capita terms corrected for PPP (Purchasing power parities), the richest and fourth ranked countries of the world with, figures of US\$ 29,000 and US\$24,540 respectively (comparable UK figure is US\$20,050) World Bank, (1999). The majority of explanations of their success usually focus on national policy such as industrialization and the balance between exports and imports, and investments in physical and social infrastructure (education and health). The study points out that the pattern of growth is important from the point of view of its effectiveness in reducing poverty and mentioned explicitly the importance of labor-intensive growth, that is, economic growth that fosters the productive use of Labor can generate rapid reductions in poverty

World bank (2000) study on policy research has shown that the pace of poverty education will depend on the rate of average income growth, World Bank, (2000). In particular, poverty reduction will be fastest in countries where average income growth is highest and in situations where income growth is combined with falling inequality. Therefore is a pay off in poverty reduction from growth and reductions in inequality during the growth process,

It was also argued that the potential effect of economic growth on poverty rates is offset either entirely or in part by an increase in income inequality. The former assertion finds its roots in the Kuznets hypothesis (1955), positing that growth and inequality are related through an inverted "U" shaped function. The implication here is that if economic growth leads to increased inequality, then the economic growth effect on poverty would be tenuous at best.

Economic growth may reduce poverty by raising the incomes of everyone in society, Including the poor Dollar and Kraay (2001).

There is evidence that economic growth has reduced poverty in developing countries. Squire (1993) found that a ten percent increase in the growth rate reduced poverty across a sample of countries. In a similar study by Bruno, et al. (1998), a ten percent increase in growth was associated with a 21.2 percent decrease in the poverty rate for a sample of 20 countries over the period 1984-1993.

Furthermore, studies have also demonstrated that the pattern of growth will affect the extent of poverty reduction. Loayza and Raddatz (2006) find out that growth in unskilled intensive sectors contributes to poverty reduction arguing that growth in agriculture may reduce poverty.

Also poverty as well as growth in the industrial sectors may cause poverty to fall. But there remains a lack of consensus on which sectors are most important for poverty reduction or whether changes in employment or productivity will have the greatest impact.

One of the findings of the current research is that the economic expansion of the 1980s did not reduce poverty significantly. Formby, et al. (2001) found that poverty in the 1960s was more responsive to economic expansion than it was in the 1980s. One explanation given was the sluggish growth of U.S. real wages in the 1980s where real wages of low-income workers rose by only one and half of one percent during the 1980s expansion Formby, et al (2001). However, real wages can remain stagnant while real incomes increase due to improved employment opportunities. Real wages increased in the 1990s expansion by only one tenth of one percent, yet poverty declined by 3.7 %.

At independence, Zimbabwe inherited a highly polarised and dualistic society where the majority of the people in both rural and urban areas lived in abject poverty. Urbanisation occurred at a very fast rate, far exceeding the rate of industrialisation Kaseke, Gumbo and Dhemba (1997).The population in Harare was estimated to be increasing by between 5-6% and that of Bulawayo by between 6-8% populations Census, (1992).This led to overstretched infrastructure, straining of social services, unemployment and an acute shortage of housing.

Research methodology

The descriptive survey method was used on a population of 100 participants. A sample of 50households was randomly selected. The data collection was through questionnaires, and personal interviews. The study used cross sectional data drawings its sample from a survey carried out in Bindura district.

Data presentation and analysis

The extent to which the research objectives have been satisfied and research questions answered is shown in the discussion and interpretation of findings. Quantitative data was analysed and presented in tables, graphs and pie charts. The researcher also used content analysis of data, which could not be analysed statistically.

Table 1: Questionnaire response rate

Category	Questionnaires sent	Questionnaires received	Targeted response %	Response rate %
Households	50	49	100	98

Source: Survey data 2020

Table 1 shows that out of all the questionnaires sent only one were not completed giving a response rate of 98%, thus increasing the chances for validity and reliability.

Table 2: Age distribution

Age group	Frequency	Percentage
0 – 15	-	-
16 – 35	15	31
36 – 50	25	51
51 – 64	6	12
65+	3	6
Total	49	100

Source: Primary Data 2020

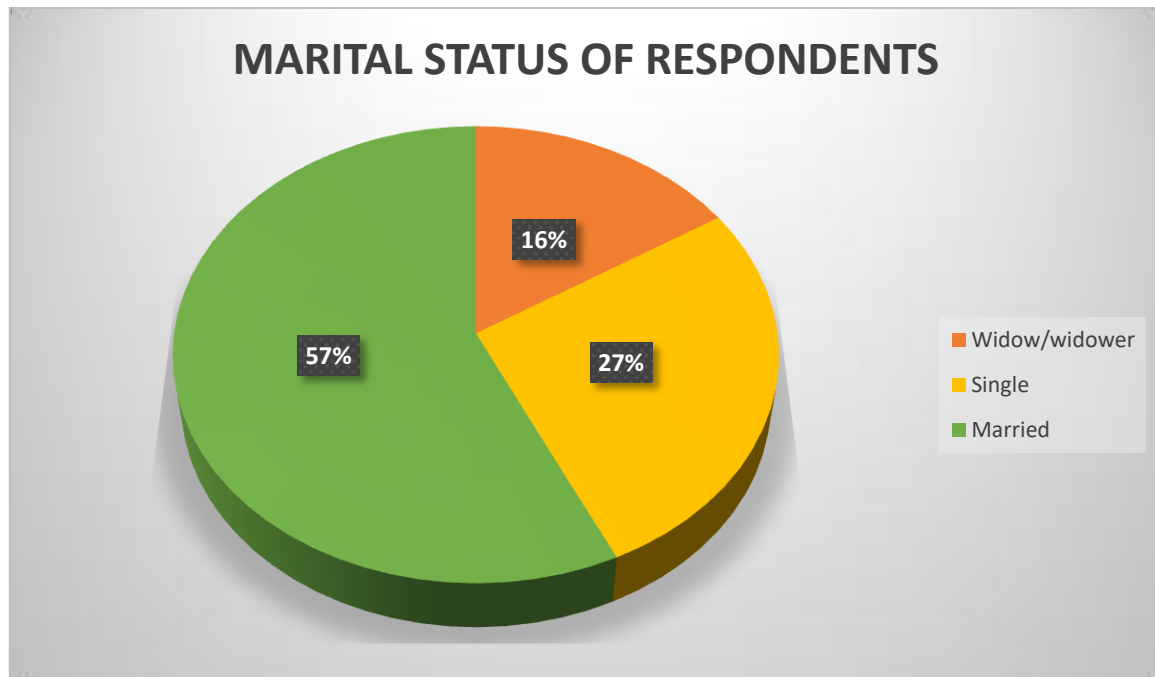
Table 2 above shows the age distribution in cluster areas in Bindura. The data indicated that there are no child headed families in the area and 31% of the area is constituted by the youths of age group 16 – 35 years. The age group with the most people in the area with a percentage of 51 are respondents with 36 – 50 years. Figures start to fall as age increases as indicated by the fall to 12% with the ages of 51 -64 and a further fall to 6% with the ages of 65 and above.

Table 3: Gender Distribution

Gender	Frequency	Percentage Distribution
Male	22	45
Female	27	55
Total	49	100

Source: Survey Data 2020

Table 3 above shows that there is gender imbalance with 45% of respondents being men and 55% women with frequencies of 22 and 27 respectively. All female headed families were either widow or single and statistics show that their families were most affected by poverty. Usually men are seen as hard workers as they can do some jobs which women cannot do and this limits ladies way of earning money to support families, thus poverty remains dominant in most female headed households.

Figure 1: Marital status of the respondents

Source: Survey Data 2020

The figure above shows that married respondents constituting 57% followed by single respondents constituting 27%. The widowed or widower were the least with 16% respectively. This shows that most households live as a family are poor hence the scarce resources must be efficiently distributed to meet family needs

Table 4: Number of meals per day

Number of meals	Frequency	Percentage
1 meal	1	2
2 meals	23	47
3 meals	25	51
Total	49	100

Source: Primary Data

Table 4 above shows that most respondents which constitute 51% afford 3 meals a day followed by 47% who afford 2 meals a day. However 2% of the respondents only afford I meal a day. According to international health institutions, affording 2 meals and below a day is considered to be poor condition, hence a total of 49% in this study are facing poverty.

Conclusions

This study has highlighted that the impact of poverty is far reaching. Poverty impacts individuals and everyone dependent on them. It also affects the physical and social environment in which people live. Poverty not only compromises the well-being of people today, but also the well-being of future generations. Any effort to address the situation of poverty should therefore strive to not only alleviate poverty but eradicate poverty. This is the only way that it will be possible to break the cycle of poverty begets more poverty.

This study demonstrates that economic growth and development appears to be one of the best ways to reduce poverty in Bindura. The poor do better in economies that grow quickly, even if income distribution deteriorates slightly. Countries which experienced rapid economic growth over the last thirty years, such as Hong Kong, Korea, Malaysia and Indonesia, saw the per capita incomes of the bottom 20% and 40% of the population grow significantly. While the evidence suggests that countries with more equal income distributions grow more quickly, the evidence also indicates that economic policy can compensate for

inferior initial income distributions. However, there are challenges being faced by the poor such as accommodation, food, water, education and unemployment.

Recommendations

The study recommended that government should improve the manufacturing sector investment in order to revitalize industry and to create employment opportunities for many educated citizens who are unemployed. This can be achieved by increasing the cooperation between the agricultural sector which provides raw materials and the manufacturing sector which processes the raw materials.

The government should empower people through the discovery of vast diamond reserves in Zimbabwe should be taken as an opportunity to attract foreign investors who have capital equipment to invest into the mining sector. Currently, revenues received from diamonds sales must also be used to import capital equipment to extract more mineral ore and develop value addition within the mining sector.

Government should also formulate and implement housing policies that provide affordable accommodation to achieve goal for shelter for all people living in poverty and household services charges should also be affordable. In this light government should conduct housing schemes to provide shelter for the majority.

Government should initiate small scale farmers social and economic welfare projects to facilitate their vital role in agriculture and rural development for the benefit of the nation be provided to other villages for the sustainable development.

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