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Impact of Social, Financial, Political and Economic Globalization on Poverty: A Case Study of Pakistan

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***Abstract*:** Advocates of globalization view it as a key to future improvement; by and large, it is viewed as a positive power for enhanced personal satisfaction, speeding up of economic development, proficient designation of assets and more noteworthy efficiency upgrades. The study investigates and surveys the effect of economic, financial, political and social globalization on poverty reduction in Pakistan. Various proxies have been used for all types of globalization and indices for them are generated through Principal Component Analysis (PCA). The motivation behind index construction is to foresee outcomes on poverty through the easily available data on globalization. Time series data on Pakistan's economy from 1988 – 2023 had been used to capture effects on poverty reduction in the presence of ARDL approach. Considering the revelations, the research proposes that economic, financial, political, globalization, and globalization contribute to poverty reduction. The results of social globalization show no negative impacts on poverty. This can be due to the increasing awareness and conscious regarding brands and contributes more towards relative poverty. Henceforth, policymakers ought to build the inflow of FDI, increase remittances and trade through security procurements to financial specialists, political dependability and macroeconomic steadiness. Upgradation in import substitutes, commercial ventures, and numerous different variables are required to control destitution.

Keywords: Globalization, Poverty Reduction, Economic Globalization, Financial Globalization, Political Globalization, Social Globalization

1. Introduction

In the primitive societies as well as after the advent of development economics, poverty has been the major concern for all conscious societies, an evil that is the mother of all evils, causing hindrances in the path of development. Poverty is characterized as general lack, insufficiency, or the state of one who does not have a particular measure of material possession or money. It also incorporates social, monetary, and political elements. Even in today's fast pacing world, poverty reduction is still the prime concern of policy makers for the increase in destitution causes many issues. This objective has achieved more worth after being included in millennium development goals. According to the report of World Bank 2001; more than one billion individuals live in compelling neediness, i.e. on less than one dollar per day. As per an evaluation of World Bank (2015), the people living in abject neediness are 702.1 million compared to 1.75 billion of 1990. Out of this 13.5% of populace i.e. 231.3 million individuals are living in South Asia. Yet it is claimed that compared to the past twenty years, poverty ratios have declined tremendously. But again, economists argue that poverty is not just defined as the fulfillment of day to day nourishing requirements so it is not an easy task to overcome it easily. Few economists contended that neoliberal strategies innovated by foundations related to money; for example, the World Bank and IMF are contributing to both destitution and disparity instead of diminishing it. Pakistan is amongst one of the countries too that are struggling to free themselves from the vicious claws of poverty.

While poverty is a cause of concern on the one hand, on the other side, the increasing use of information technology is bringing people, living poles apart, together as if they are living next to each other. The world is quickly changing into a worldwide town. This shift towards collaboration has created lots of doubts. Some suggest that this should not have started before overcoming the severe issue of poverty while others suggest that it can be an ailment in poverty reduction. This high economic, social, political, cultural, human and scholarly incorporation on the planet, in the later past, all started due to exchange among nations for they felt that self-sufficiency is a difficult target to achieve and reaching it my cripple them for a life time. But again many believe that globalization has contributed significantly more to the advancement of the world economies than any other element. It is on account of various countries collaboration with each other through trade, that it has a tendency to achieve the sought change through the exchanging of products, administrations, aptitudes, learning and skill. This gigantic globe has become a village due to this linking of countries and people. Similar goes for our country, Pakistan. Many policy makers and researchers are of the view that globalization has brought reduction in poverty incidence that had engulfed the whole world. Globalization provides colossal opportunities. Streeten (1998) stated that globalization has transformed each and every thing ranging from trade to the ways of living and governing. It has targeted each and every segment of all societies such as finance, culture, environment, ways of communication etc. However, across countries and regions there exists a huge heterogeneity in its process. Therefore, the impact of globalization on all economic and social indicators has been in vogue now days. Increase in labor mobility, access to sophisticated technology of developed countries, easy information regarding the employment opportunities all over the world, and great cultural interaction has caused a tremendous increase in human welfare of developing countries.

Bergh (2010) states that globalization is very important for the developing countries as they can get more earning opportunities by being a part of it. Streeten (1999) indicated that globalization has opened numerous doors for groups and nations. In Asia it has been especially useful, for the production growth and capital growth. In spite of the globalization of world, destitution still prevails in many developing nations (such as Sub-Saharan Africa and South Asian nations), whereas numerous developed nations have accomplished poverty reductions to a critical level. All this has been made conceivable by rising capital flows, lower trade barriers and greater pressure for migration. Globalizers state more open economies fare well as it alleviates poverty [Round and Whalley, (2002)] such as the region of East Asia had benefitted a lot and its per capita income increased eightfold.

However, some suggest opposite. Osmani (2005) stated that the power and ability of globalization in poverty reduction greatly depends on resource mobility and public expenditures. He believed that it is difficult for poor to gain access to the benefits of integration due to lack of access to health and education. According to him globalization expands the disparity inside a nation. Anwar, (2002) also had similar kind of views for he believed that globalization is like a 'World Wide Web' that has entrapped the developing countries in its vicious claws. Hence, the problem here is a conflict between the views regarding globalization and its contribution in poverty reduction incidence. Mostly literature depicts the positive aspect of globalization regarding its role in poverty diminishment Greenway et al., (2002); Kemal et al., (2002); Cuadros et al., (2004). However, the literature also states that globalization affects all countries in alternate ways owing to different changes in population, government policies, growth rate and institutional factors of countries. Yasmin et al., (2006)]. Bruenig, (2014) stated that the conflict in poverty reduction debate is due to the different theories of poverty. It is also found that the nexus between globalization and poverty cannot be directly linked. Numerous studies also suggest that indirect nexus alone can be determined between globalization and poverty Winters et al., (2004); Goldberg and Pavcnik, (2004); Ravallion, (2004)

In a country like Pakistan, where vast number of people are victimized by this ferocious evil of poverty, policy makers are continuously trying to find ways of reducing it. It is believed that to attain the vision of 2025 Pakistan should be made poverty free and only then can it gain the sustainable growth it so hopes for. One such petty effort is carried out through this research.

1.1 Statement of the Research Problem

Many researches so far have empirically and theoretically tried to find the ways of poverty reduction. This research also makes a contribution in the existing literature by trying to find out a way (in terms of segments of globalization) to control the exceeding poverty in Pakistan. No doubt, Pakistan has leaped on the path of development and had been working hard to become a developed country. However, this goal cannot be possible if the poverty ratio in Pakistan cannot be controlled. For finding a sustainable solution for poverty reduction this research is being carried out in order to investigate why Pakistan is experiencing a vicious circle of poverty? Whether globalization helps in poverty reduction or not? How can we get out of poverty trap through globalization? This paper investigates answers for the highlighted issues.

1.2 Objectives

The primary target of this study is to discover empirically the methods for poverty control in Pakistan. For this reason, the paper explores the following:

a) Construction of a composite globalization index by using Principal Component Analysis. The indices are constructed for three types of globalization, as any single proxy is not perfect enough to capture all the trends of globalization and fourth dimension is measured by the readymade index.
b) Test short and long run relationship of social, financial, political and economic globalization with poverty.
c) Analyze the individual effect of each type of globalization (social, financial, political and economic) on poverty.
d) Examine causal relation between poverty and
    i. economic globalization
    ii. social globalization
    iii. financial globalization
    iv. political globalization
    v. overall globalization
e) The study will indicate the dimension of globalization that must be prioritized by the government in the short and long run to achieve poverty reduction.

1.3 Significance

The significance of this research is that it will empirically explore all major dimensions of globalization i.e. social, financial, political and economic by the use of a composite index and will further study their role in alleviation of destitution in Pakistan's economy. Indices constructed for globalization will be valuable addition to the already existing measures of globalization. So far all studies witness the collective effect of all dimensions of globalization. As the literature suggests globalization is a multi-dimensional process hence all its different types should be separately explored. The effort of segregating effects of dimensions of globalization will be carried out in this study. This type of work had not yet been done for the economy of Pakistan. Most studies use panel data or a collective index for globalization (such as KOF Index, ATKFP index, CSGR-Index and Modified Globalization Index) based upon different dimensions but do not isolate effects of globalization based on its dimensions. Apart from this, the indices constructed for Pakistan's economy will help in presenting the true picture of Pakistan. This research will further help in policy recommendations regarding poverty reductions and will guide the policy makers that how globalization can lessen neediness with the help of social, financial, political and economic factors. Solving the issue of poverty is of vital importance as it will help in taking a leap from developing to being developed.

2. Literature Review

In fast growing global world, nations are meeting up for their very own advantages. Each nation can profit by the assets of other nation through trade. In an economics profession this belief holds great prominence; however, the degree of their advantage remains an inquiry. This is the reason for numerous economists' attempt to investigate the consequences of globalization on various economic components and observationally. McMichael, (2000) studied the conceptual relationship between the era of nineteenth century (self-regulating market) and twentieth century (era of globalization). He describes the historical project of globalization through comparison of these eras. He defines this comparison through two methodological strategies. First is the political economy method and the other is global political nature of construct. He found an imminent relation between them. Abid Hameed, (2005) empirically forecasts the influence of economic globalization upon poverty and inequality in distribution of income. For economic globalization, they take into account trade liberalization. Their Granger Causality results on Pakistan's data from 1970 to 2004 suggested that economic globalization has helped to reduce poverty in Pakistan, but the fruits of this economic globalization are not evenly distributed. This uneven distribution leads to inequality. Their study also suggested that if Pakistan wants to reap full benefits of this economic globalization, then she needs to adopt pro poor growth policies and should emphasize investment in human development with provisions of social safety nets for poor.

Kiely, (2005) made seven key contentions. In the first place, he scrutinized the confirmation that there has been reduction in poverty in the period of globalization. Second, he contended that regardless of the fact that reduction in poverty has been witnessed, this has not been because of pro globalization policies. Third, this disarray suggests some conceivable connection between trade openness, development and poverty reduction. Fourth, this contention lays on the further presumption that globalization gives advances and opportunities for developing nations, given that the right policies are adopted. Fifth, globalization hypothesis suggests that expanding worldwide interconnection as a dynamic advancement enhances social relations. Sixth, this leaves globalization hypothesis with the decision of grasping the cases of neoliberals, or to re-examine the components that cause globalization. The last one is those that keep on advocating globalization hypothesis basically grasp the cases of neoliberal modernization hypothesis. Harrison, (2006) in her exposition studies the proof on the linkages amongst globalization and destitution. She concentrates on trade and worldwide capital flows. Past analysts have contended that worldwide financial integration ought to aid poor as destitute nations have an advantage; comparatively, in creating products that utilize workers. Based on cross country comparison the primary inference drawn by this paper is that such straightforward findings of generally developed trade structures are misleading. Secondly, it recommends that the destitute will probably partake in upsurges of globalization in the presence of complementary policies. Such integral arrangements incorporate development of human capital and infrastructure, and in addition strategies to advance credit and specialized help to ranchers, and approaches to advance macroeconomic stability. Thirdly, changes in foreign investment and trade have created advantages for the poor in sectors contributing to export. At long last, the gathered proof recommends that globalization produces both champs and washouts amongst poor people. Aggravate of poverty amongst few from trade or financial coordination demands the requirement for precise focus on security nets.

Feridun et al., (2006) surveyed the outcome of globalization on growth in Nigeria. They conducted the empirical research using ECM for the periods of 1986 – 2003. They used trade openness as a proxy for economic globalization. They demonstrated that trade openness positively impacts economic growth and Nigeria can further develop its economy by indulging in free trade with the rest of the world. They also found that financial integration only negatively affects the economy at 10% level of significance. Heshmati et al., (2006) explores the relationship amongst globalization, poverty and wage imbalance. A new globalization index had been built in light of information covering an example of 65 nations that are developing; based upon globalization index proposed by Kearney in 'Foreign Policy Magazine'. The index is built form political, economic, individual and innovative integration. Cross-sectional regression investigations demonstrate that there is a significant relationship amongst poverty, income disparity and globalization. Globalization prompts destitution diminishment and it decreases wage disparity. The relationship amongst globalization and poverty stays critical when controlled for territorial heterogeneity.

In "The Social Impact of Globalization in the Developing Countries"' quantifiable meaning of globalization has been utilized i.e. trade openness and FDI by Vivarelli et al., (2006). A common result found is that idealistic Heckscher-Ohlin and Stolper-Samuelson forecasts don't have any significant bearing; i.e. employment generation and lessening in inside nation disparity are not naturally guaranteed through expansion in FDI and trade. The other primary discoveries are: expansion of FDI and trade are not fundamental guilty variables for enhancement of wage disparity in DCs, albeit minor proof regarding the import of capital merchandise contributing to expansion in imbalance can be deduced due to expertise wise technological change. It also found that increasing trade appears to cultivate economic development and absolute poverty reduction. Uz-Zaman et al., (2007) implored empirically the impact of globalization on economic development. They applied ECM technique on Pakistan's data from 1970 – 2006. They found that globalization has significant positive impacts on human development. Their results affirmed the need for concentration on exports, foreign investment and political stability (proxies for globalization) in the country as they result in economic development.

Robinson, (2007) stated that globalization is reforming from the traditional to the new cultural disciplines. Researcher's attraction is in the new system of the globalized economy from 1970's onward. The second era was cultural collection including rise of new global political dimensions through new institutions, unique multiple options of people across the world and the innovative social procedures. He believes that globalization in near future will extend the "Limits of the Possible" and hence these urgent problems of future be dealt first. Afzal (2008) looked into the empirical impact of globalization on economic growth for years 1960 – 2006 and then compared the results of highly regulated and protected decades of 1950, 1960 and 1970 with the remaining eras. His co integration findings showed that trade openness and financial integration has robust long run relationship with economic growth. His results predicted that Pakistan could greatly benefit from globalization if she adopts sound policy. Bergh, 2010 explored the relationship between globalization and the economic freedom index and income inequality. He used panel data of 80 countries from 1970 – 2005 for his research. He found that the freedom to trade significantly affects inequality in the presence of certain control variables. His findings further stated that the reforms carried out for freedom of trade increases inequality in rich countries where as monetary reforms, social globalization and political globalization do not increase inequality. He also found that for less developed countries social globalization is very important.

Alam (2010) simultaneously analyzed the impact of globalization and poverty on sustainable economic development. She established that increased globalization lead to a decline in environmental degradation but the increase in poverty causes further degradation in the environment and slows the process of economic development. She suggested that to increase sustainable development; globalize resources with poverty reduction and control population growth with urbanization rate. Akram et al., (2011) inspected that globalization has almost affected all the major sectors of Pakistan including the telecommunication industry. They descriptively proved that the monopolies in the telecommunication industries ended up due to the increasing globalization in the world. They tried to investigate the answer to the question "whether globalization is beneficial for the world or not?" They did it through the descriptive analysis of different industries of the world and through the impact of globalization on them. Their results demonstrated that globalization brought about positive changes in the global market through the removal of restrictions, improved technological usage, and increased the industrial output and living standards of many countries of the world.

As already discussed, numerous variables are available to predict globalization. This paper uses more than one proxy for different types of globalization. Hence the literature based upon nexus between poverty and variables that can be used as a proxy for globalization had also been cited. While there have been general dialogues on the conceivable immediate and indirect impacts of FDI on destitution, there are a couple of formal quantitative tests of these recommendations. Weiss et al. (2002) endeavor to address this gap in the research. They first consider a hypothetical model and after that inspect information on an example of nations to measure the FDI-growth and poverty connection. At the extremely least their investigation has found no confirmation that FDI either debilitates development or decreases the earnings of poor people. All the more decidedly, their econometric examination found that FDI inflows, especially on account of ASEAN, are connected with higher financial development, and that there is a strong connection between average wage increase and development of the wage of poor people.

Unlimited trade fortifies economic development and scaffolds existing economic gaps in various nations of the world. Yasmin et al., (2006) experimentally brokes down the complex mystery of trade liberalization's influence on economic advancement in the nation. They analyzed it by: GDP per capita, pay disparity, employment and poverty for the period 1960-2003. Investigation depends on a model of simultaneous equations. 2SLS is considered for the model assessment. Their investigation demonstrates that over the study time frame, trade liberalization has failed to effect selected markers of improvement uniformly. It positively influenced employment yet circulation of wage and GDP per capita were adversely effected. It has not influenced poverty at all. The conspicuous message is that trade liberalization has not influenced every one of the pointers of improvement positively in Pakistan. It in this way suggests the need of a careful move towards liberalization. Kemal et al., (2006) investigates the effect of liberalizing trade and remittances reduction, on poverty in Pakistan. They studied and examined the effect of trade liberalization approaches in the presence and absence of decrease in remittances in a CGE structure. Ideal results of trade liberalization were observed from the investigation in absence of remittances. Then they started with an economic review, which uncoverd that amid the nineties in spite of the fall in import duties by 55 percent, destitution stayed high compared to eighties. It was a period when Pakistan had encountered a downward trend in the inflow of remittances. This decreased the salaries of families and exerted pressure on exchange rate. As a result, a fall in the inflow of imports was wittnessed despite a decrease in import duties. Results demonstrated that decline in remittances lessens the gains from trade liberalization. The negative effect of settlement decrease overcomes the positive effect of exchange liberalization in urban areas. Be that as it may, the positive effect of liberalization of trade dominates the adverse effects caused by decrease in remittances in rustic regions. It appears that the decrease in remittances inflows is a noteworthy contributory variable in clarifying the expansion in poverty in Pakistan amid the Nineties. Hence, without the impacts of decline in remittances, the investigation of the effect of exchange liberalization approaches may render one-sided results.

Ali Khan et al., (2010) believes that for the most part open trade is pivotal for development and advancement. The economic writings likewise contends that development is an imperative alternative for diminishing destitution in nations converging to development. Paper examined the causality between growth, trade, and poverty for Pakistan from 1973-2009. Results of ECM under Granger Causality demonstrated long- run bicausal relation amongst development and trade for Pakistan. However during short-time period development upgrades trade. There exists long-run connection from development to destitution while in short-run the relation becomes void. The inferences drawn are worldwide trade is an essential block towards development and reduction of neediness. Government ought to concentrate on trade from the strategy point of view. Javid et al., (2012) concentrated on remittances inflow's significance suggest it for development and destitution decrease in Pakistan. Utilizing approach of ARDL they investigated the effect of remittances inflow on financial development and neediness reduction from 1973-2010. The area wise investigation of neediness proposed that migration abroad adds to poverty mitigation in the regions of Punjab, Sindh and Balochistan. However, NWFP failed to depict reasonable picture. The empirical confirmation demonstrated impact of remittances over development. The additional analysis found solid and measurably noteworthy role of remittances in lessening poverty. This recommended that there are considerable potential advantages connected with migration for needy individuals in developing nations like Pakistan. So the significance of remittances inflows can be narrated in claiming development and poverty reduction as it enhances the social and economic status of the recipient nation.

S. Imai et al., (2012) rethinks the impacts of remittances on the development of GDP per capita utilizing yearly board information for 24 Asia/Pacific nations. The outcomes, by and large, affirm that remittances have been gainful to monetary development. Nonetheless, their examination additionally demonstrates that the unpredictability of capital inflows, for example, remittances and FDI is destructive to economic development. While settlements add to better financial execution, they are likewise a wellspring of output shocks. At long last, remittances add to poverty reduction – particularly through their immediate impacts. Remittances are consequently possibly a significant supplement to wide based advancement endeavors. Sharif, (2013) broke down the channel trough which trade liberalization diminishes destitution and wage disparity in Pakistan. Trade liberalization issue and its consequences for the economies, on the path of development, has turned into a hot topic throughout the world. Since late 1980's Pakistan is attempting to change trade administration and incorporate business sector into the world. Experimental confirmation from time series examination proposed decrease in poverty due to liberalization of trade. However, factually the liberalization of trade does not cause noteworthy effect on total neediness and wage imbalance in short-run whereas in long run it has sound impact. Conclusions drawn for liberalization of trade are in consistent with other studies, reasoning blended impacts on poor and imbalances in developing nations. The primary point of the study by Tambunan is to find out whether, since the policies by Soeharto in 1966 up to now, FDI has been assumed a significant part in deciding financial development and poverty reduction in Indonesia or not. He contends that FDI may positively affect poverty diminishment for the most part.

Easterly and Fischer, (2000) surveyed information of 38 countries for 31,869 families and found that the poor, more than the rich, specify inflation as a major cause of concern. They explored that expansion in welfare of poor, alteration in their income share, poverty reduction and percentage modification in the lowest pay, permitted by law, corresponds contrarily to inflation. Alejandro et al., (2008) observed that Americans earning moderate or low income greatly affected by inflation. Staple nourishment costs have taken off far speedier than those of extravagances. Inflation in buyer products of Americans was explored to control it under tight times. The analysis of administratively collected data enfolded the swell in costs, of the fundamental necessities, by 9.2% since 2006. Wages of workers on the other hand, were rising slowly. High swelling for staples, low expansion for extravagances and slow rise in wages, clarified the pressure on American even before the start of monetary anxiety.
In numerous poor nations, on one hand the increments in costs of staple nourishment has raised the genuine livelihoods of sustenance merchants while on the other it has harmed net sustenance sonsumers, a hefty portion of whom are poor. Analysis of households' data from nine developing countries demonstrated that the impacts of rising staple food prices on poverty, in short run, differ for all commodities and countries. However, the recent upsurges in food prices of developing nations substantially boosted poverty in absolute terms Martion et al., (2008).
Afzal et al., (2012) asserted that no country can reach the destination of development without proper investment in the fields of education. By the use of time series ARDL analysis from 1971 to 2010 for Pakistan they investigated a direct long run, significant, positive effect of education on growth and an indirect negative effect via the channel of growth on poverty. Based on the investigated significant by directional causality amongst education and poverty, a suggestion for the adoption of pro-poor growth strategies was demised.
Rodriguez and Garcia (2022) investigated the impact of foreign direct investment (FDI) on economic growth and poverty reduction in Latin American countries. Their research, published in the Latin American Journal of Economics, highlighted the positive relationship between FDI inflows and economic development. FDI, a key component of globalization, was found to stimulate growth, create job opportunities, and alleviate poverty in Latin American nations. Chen and Wang (2023) explored the relationship between globalization, education, and poverty in East Asian economies. Published in the Journal of Comparative Economics, their study revealed that globalization positively influences education levels, which in turn contributes to poverty reduction. Enhanced access to global markets and technological advancements facilitated by globalization have played a pivotal role in improving educational outcomes and reducing poverty rates.
Ali and Rahman (2024) examined the role of financial development in poverty alleviation in African countries. Published in the African Development Review, their research underscored the importance of robust financial systems in promoting inclusive growth and poverty reduction. Access to financial services, facilitated by financial globalization, enables individuals and businesses to invest, accumulate assets, and escape the cycle of poverty.
This summarizes empirical work related to the poverty and globalization nexus. Although few controversial results emerged, the consensus is that countries should indulge in free trade. Liberalization of trade reaps thousands of benefits, especially for developing countries. Different proxies for globalization yield different results, but globalization emerges as a significant measure of poverty reduction in the modern era. Hence based on this the hypothesis can be formulated regarding the causation between Globalization, it's all elements and poverty.

2.1 Globalization and Poverty; A Theoretical Framework

In Pakistan, the rising incidence of poverty poses a significant obstacle to growth, sparking concerns among researchers and policymakers. This chapter aims to analyze poverty trends in Pakistan and explore the composition, terms, and structure of globalization, alongside different definitions and theories of poverty.

2.1.1 Definition and Components of Globalization

The concept of globalization had emerged sometimes around fifty-two hundred years ago. But in the nineteenth century globalization emerged as one of the necessities for the development of modern world. It started spreading roots after industrialization and creation of steamships. The creation of steam ships made inland transportation easier and cheaper (Al-Rodhan, 2006). Numerous authors and economists have strived to characterize ways for defining diversity in globalization. Many believed it to be an impossible task, while some stated that this diversity in its concept cannot be purely captured. Still, there are some who underwent this challenge and proposed working definitions. In spite of contrasting feelings about building up a definition, all writers concede to one thing: that defining this term is definitely not simple. The reason for this is that globalization is transformative; it is a liquid procedure that is always showing signs of change with the advancement of human culture. Hence "globalization is many things to many different people"' (Al-Rodhan, 2006).

Economic globalization can be defined as: "the expanding economic reconciliation and reliance of national, local, and nearby economies over the world through an increase of cross-border expansion of merchandise, innovations, and investment" (Shangquan, 2000). Social globalization can be defined as: "the expanding economic reconciliation and reliance of national, local, and nearby economies over the world through an increase of cross-border expansion of culture, personal interactions, and humanitarian concepts" (Al-Rodhan, 2006).

Financial globalization can be defined as: "the expanding economic reconciliation and reliance of national, local, and nearby economies over the world through an increase of cross-border circulation of money" (Al-Rodhan, 2006). Political globalization is defined as: "when governmental action takes place on a worldwide level, where responsibilities, such as the welfare of citizens and economic development, are followed by an international political body. It studies the relationships between cities, nation-states, shell-states, multinational corporations, non-governmental organizations, and international organizations. Discussion is based on conflict regulation of national and ethnic basis, politics and democracy, peace studies and conflict, comparative politics, and political economy. One important area of global politics is contestation in the global political sphere over legitimacy" (Al-Rodhan, 2006). As the need for globalization spread, the theories started developing to explain the concepts of globalization and international trade. The oldest of trade theories are classical or country-based theories that brought forth the basis of international trade. Later onwards with the changing world trends new theories for international trade emerged. These are mostly known as modern or firm-based trade theories. Although these theories have helped a lot in the determination of the pattern of international trade, they mostly contradict with the real world (Al-Rodhan, 2006).

2.1.2 Causes of Globalization

Various factors over history have contributed to the increased integration of economies. Some of these factors are listed below:

- Improved communications, such as the internet and mobile phones, facilitating multinational corporations' (MNCs) global operations.
- Enhanced transport infrastructure, including container shipping and air transport, enabling easy movement of goods.
- Free trade agreements and global banking systems promoting international trade and capital flows.
- The growth of MNCs like Microsoft and Nike, investing in various countries and driving globalization.
- Technological advances and policies supporting international business relations, including outsourcing and education.

2.1.3 Effects of Globalization

Globalization affects everyone in different ways. Few of the effects that are carried out by globalization are:

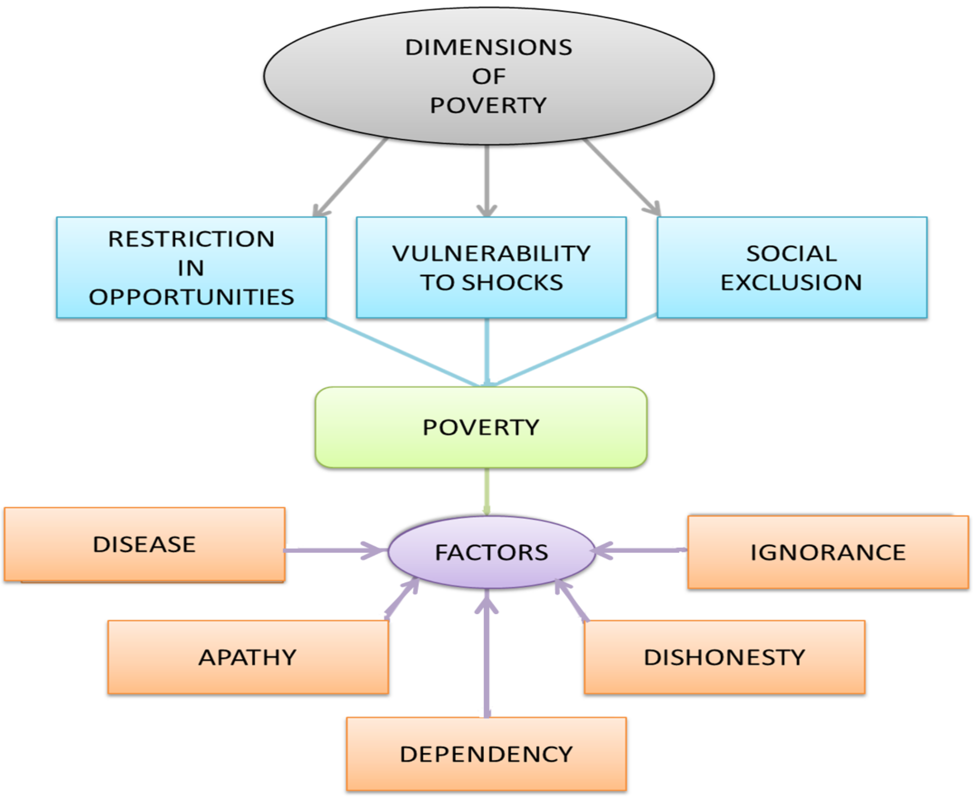
- Nourishment supply is no more attached to the seasons.
- Since MNCs hunt down the least expensive areas to fabricate and assemble components, creation procedures might be moved from developed to underdeveloped countries where expenses are lower.
- More trade means more transport which utilizes more fossil energies and causes contamination. Climate change is a genuine risk to the future.
- Websites, for example, YouTube, interface individuals over the planet. As the world turns out to be more bound together, differing societies are being overlooked. MNCs can make a monoculture as they expel neighborhood rivalry and consequently compel nearby firms to close.
- There is a developing familiarity with the negative effects of globalization. Individuals have started to understand that globalization can be challenged by groups supporting each other in business and society and through open challenges and political lobbying.

2.1.4 Poverty Definitions

Poverty, derived from the Latin word "pauper," refers to the state of lacking sufficient resources to meet basic human needs. It is subjective and multifaceted, often associated with powerlessness, deprivation, and undernourishment.

2.1.5 Poverty as Multidimensional

Poverty transcends mere income inadequacy, encompassing social, psychological, and infrastructural dimensions. It includes factors like food insecurity, psychological vulnerabilities, lack of basic infrastructure, limited access to healthcare and education, and inadequate asset management.



2.1.5 Elements of Poverty

Poverty comprises income poverty and human poverty, with the former focusing narrowly on income inadequacy and the latter encompassing broader aspects of human development and well-being.

2.1.6 Poverty Trends in Pakistan

Pakistan's poverty trends have fluctuated over the decades:

- In the 1960s, rural poverty increased despite urban poverty decline, attributed to mechanization (Smith, 2005).
- The 1970s saw a significant rise in poverty post-East Pakistan's separation, mitigated by nationalization and land reforms (Khan, 1998).
- The 1980s recorded poverty reduction due to high growth rates and social investments (Ahmed, 2010).
- Poverty escalated in the 1990s, doubling the population below the poverty line (Ali, 2003).
- By the mid-2000s, poverty sharply declined, but MDG targets for poverty reduction are not fully met (World Bank, 2019).

- From 2000 to 2010, Pakistan experienced mixed trends in poverty alleviation. While there were periods of economic growth and poverty reduction initiatives, such as the National Poverty Reduction Strategy, poverty rates remained relatively high due to factors like population growth, regional disparities, and insufficient social safety nets (Ali, 2003; Government of Pakistan, 2003).
- The period from 2010 to 2023 witnessed ongoing challenges in poverty reduction, exacerbated by factors such as political instability, security concerns, natural disasters, and the impact of global economic fluctuations (World Bank, 2018). Despite some improvements in economic indicators, including GDP growth and per capita income, poverty rates remained stubbornly high, particularly in rural areas and among marginalized communities (Ahmed, 2015). Efforts to achieve Sustainable Development Goal (SDG) targets for poverty reduction faced hurdles, highlighting the need for sustained and targeted interventions to address the root causes of poverty in Pakistan (UNDP, 2021).

2.1.7 Theories of Poverty

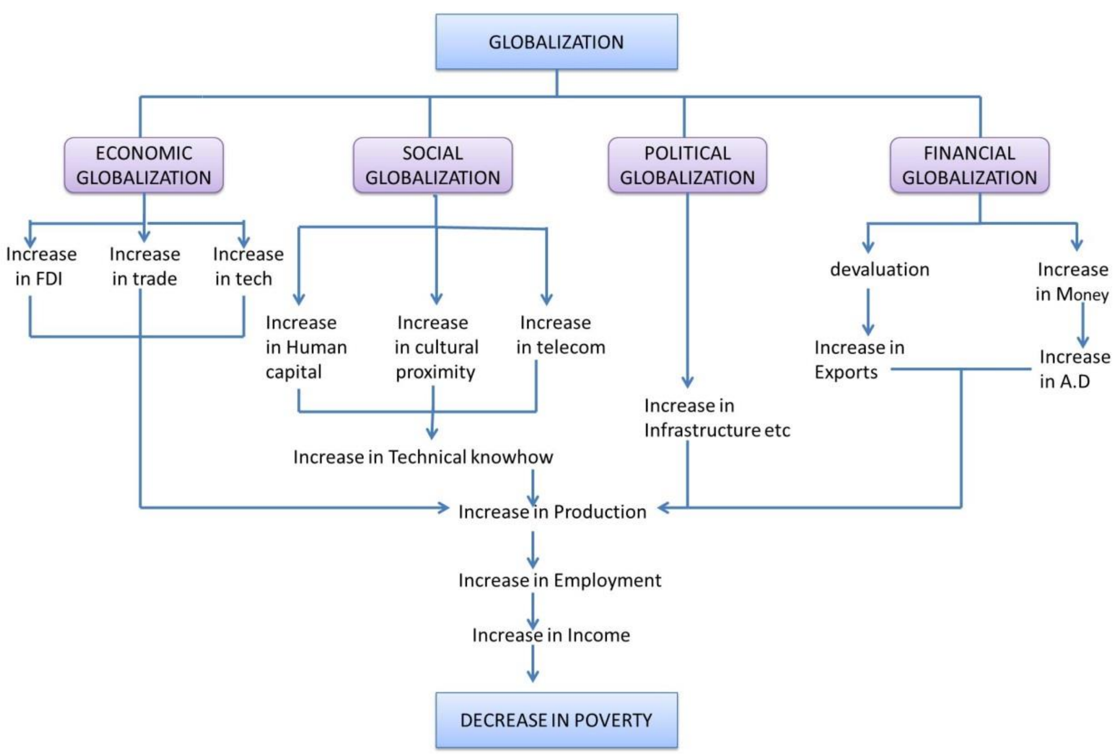
Theories of poverty include individual-focused and structural perspectives:

- The "poverty is individual" theory attributes poverty to personal deficiencies like laziness or lack of education.
- The "poverty is structural" theory views poverty as a systemic issue rooted in economic structures, wage disparities, and social inequalities.

2.1.8 Nexus between Poverty and Globalization

Globalization is considered a tool for poverty reduction, with theories like the Stopler-Samulson theorem suggesting that opening up to trade benefits the abundant factor (usually labor) in developing countries, leading to poverty reduction. The neo-classical growth model posits that globalization enhances production, generates employment, and reduces poverty by providing access to capital and technology. However, the specific factor model's effects on poverty are ambiguous, depending on factors like sectoral attachment of the poor.

Nexus between Globalization & Poverty



3. Data, Model & Econometric Methodology

Research methodology is divided in two sections. Section ‘A’ discloses variables and data set required for this study. Models are presented that have been formulated to explore implications of globalization for poverty reduction. Expected theoretical signs of variables are also provided. The relationship between globalization and poverty is portrayed by constructing five different equations. For empirical findings of the formulated hypothesis time series data, annually collected, is employed in this study.

Section ‘B’ examines methodology proposed by econometricians that can be used to estimate models of the study. The steps involved in the estimations of the proposed system are examined thoroughly. General structures or forms of the used methods are exhibited. The ARDL approach to co-integration and Toda-Yamamoto causality is used for analyzing links between poverty and all components of globalization. PCA is used for the index construction. Post estimation tests are likewise used keeping in mind the end goal for checking the legitimacy of the fitted model. The tests proposed for the stability of the model and correct model specification are CUSUM and CUSUM and Ramsey Rest respectively.

3.1 Variable Description and Data

Time series data of Pakistan’s different macroeconomic variables from 1980 – 2015 are used in this study to investigate economic, financial, social and political globalization as a source of poverty reduction. Secondary data is used. The following table offers a brief description of the data sources and variables.

Table 1: Variables Description

Variable	Description	Data source
Trade Openness	Exports + Imports/GDP	World Data Bank
Foreign Direct Investment	net (BOP, current US$)	World Data Bank
technical cooperation grants	BOP current US Dollars	World Data Bank
M_2	percentage of GDP	World Data Bank
Real effective exchange rate index	RER (2010 = 100)	World Data Bank
External debt stock	Percentage of GNI	World Data Bank
Personal remittance	received (% of GDP)	World Data Bank
telephone subscribers	Per 100 people	World Data Bank

Expenditure on health	Percentage of GDP	Pakistan's Economic survey
Expenditure on Education	Percentage of GDP	Pakistan's Economic survey
Poverty	Head Count Ratio	Malik, (1988), Amjad & Kemal, (1997), Jamal, (2003) and Pakistan's Economic Survey.

Table 2: Control Variables

Control Variables used		
Variable	Description	**Data Source**
Per Capita Income	GDP per capita (constant 2005 US $)	**World Data Bank**
Inflation	GDP deflator (annual %)	**World Data Bank**
Literacy Rate	**Adult Population 15+ years**	**Economic survey of Pakistan, various issues.**
Political stability	Dummy Variable	**0 for martial law and 1 for democracy**

Table 3: Acronyms of Raw Variables

Variable	Acronyms
Trade Openness	TO
Technical Cooperation Grants	Tech
Foreign Direct Investment	FDI
Broad Money	M2

Real Effective Exchange Rate	RER
External Debt	Ed
Cultural Proximity	CP
Investment in Human Capital	HK
Telephone Subscribers	Telecom

3.2 Description of the Variables

Globalization is a very vast concept and different researchers have used different proxies. Following their examples, for investigating the impact of social, financial political and economic globalization on poverty, this research will use the following variables:

3.2.1 Economic globalization

Economic globalization will be depicted by the composite index constructed from

a) trade openness
b) flows of capital across borders in the form of FDI
c) Technological advancements in the form of technical cooperation grants

3.2.2 Financial globalization

Financial globalization will be measured by the composite index developed from

a) M_2 (Broad Money)
b) Real effective exchange rate
c) External debt stock

3.2.3 Social globalization

Social globalization will be calculated by the composite index of

a) Cultural proximity in the form of personal remittances received
b) Investment in human capital (expenditure in health and education as percentage of GDP)
c) use of telecommunication in the form of telephone subscribers

3.2.4 Political Globalization

index by KOF is used to measure political globalization

3.2.5 Poverty

Poverty is represented by head count ratio.

The indices are constructed for all three types of globalization for the better results. Any single proxy is not sufficient enough to capture all the trends affecting poverty.

For the robustness of results control variables added are:

- Inflation
- Income per capita (at constant 2005 US $)
- Literacy rate

These variables are included to suppress the effect of few other factors causing a vicious evil of poverty.

Table 4**:** Processed Variables' Acronyms and Signs

Variable	Symbol	Expected Sign
Log of Poverty	LnPOV	
Log of Economic Globalization	LnEG	Negative
Log of Financial Globalization	LnFG	Negative
Log of Social Globalization	LnSG	Negative
Log of Political Globalization	LnPG	Negative
Log of Per Capita Income	LnPCY	Negative
Log of literacy rate	LnLR	Negative
Log of Inflation	LnINF	Positive

Note: Ln represents natural logarithm. The expected signs are based on theories too.

3.3 Model Specification

In order to check empirical significance of stated hypothesis following models have been formulated. Analysis covered time period 1980 to 2015.

$$LnPOV_t = \beta_1 + \beta_2 \, LnEG_t + \beta_3 \, LnPCY_t + \beta_4 \, LnINF_t + \beta_5 \, LnLR_t + \varepsilon_t \ldots\ldots\ldots(1)$$

(-) (-) (+) (-)

$$LnPOV_t = \gamma_1 + \gamma_2 \, LnFG_t + \gamma_3 \, LnPCY_t + \gamma_4 \, LnINF_t + \gamma_5 \, LnLR_t + \varepsilon_t \ldots\ldots\ldots(2)$$

(-) (-) (+) (-)

$$LnPOV_t = \delta_1 + \delta_2 \, LnPG_t + \delta_3 \, LnPCY_t + \delta_4 \, LnINF_t + \delta_5 \, LnLR_t + \delta_6 \, PS + \varepsilon_t \ldots\ldots(3)$$

(-) (-) (+) (-) (+)

$$LnPOV_t = \alpha_1 + \alpha_2 \, LnSG_t + \alpha_3 \, LnPCY_t + \alpha_4 \, LnINF_t + \alpha_5 \, LnLR_t + \varepsilon_t \ldots\ldots\ldots(4)$$

(-) (-) (+) (-)

$$LnPOV_t = \lambda_1 + \lambda_2 \, LnGlob_t + \lambda_3 \, LnPCY_t + \lambda_4 \, LnINF_t + \lambda_5 \, LnLR_t + \varepsilon_t \ldots\ldots\ldots(5)$$

(-) (-) (+) (-)

3.3.1 Model 1

It shows that poverty is a function of economic globalization, per capita income and literacy rate. From equation 1 it can be deduced that economic globalization exerts negative pressure on poverty in case of Pakistan. This relationship between poverty and economic globalization can be supported by different arguments. Thorbecke etal., (2006) states that the channels like trade openness and FDI help in poverty reduction in a country. Thorbecke stated that trade openness enhances exoprts and enregizes exoprt industries that furthaer enhances growth and helps in poverty alleviation. They also state that the short run loss caused due to the shift from import substitution to import liberalization brings forth lots of benefits in the long run. The negative results are more than remunerated on output through efficient allocation and distribution of resources. These benefits; with advantages of competition, prompt ways for development that as a result reduces poverty. According to them FDI also helps in poverty reduction by taking the form of "green field". Simlarly Feenstra and Hanson (1997) believed that FDI is one of the best factors of economic integration that alleviates poverty but they criticized the fact that poverty can be reduced through integration. Borenzstein (1998) asserted positive nexus amongst grwoth and FDI which further helps in poverty reduction. Kemal et al., (2006) stated that openness in trade leads to reduction in poverty line. But they found that poverty in urban areas declined more than in rural areas. Frankel and Romer (1999), Stern (2001), Dollar and Kraay (2004), Hertel and Reimer (2004) all believed that trade is a source of poverty alleviation through a channel of economic growth in the countries. Vivarelli (2006) asserted that FDI trade and technology transfer all contribute to integration and connect economies. This integration leads the economies on the road of development which helps in poverty alleviation. Imran et al., (2013) used trade openness as a proxy for economic globalization and measured its role in poverty alleviation in the economy of Pakistan.

3.3.2 Model 2

It shows that poverty is a function of financial globalization, per capita income and literacy rate. From equation 2 it can be deduced that financial globalization exerts negative pressure on poverty in case of Pakistan. This relationship between poverty and financial globalization can be supported by different arguments. Different authors have used different proxies for financial deepening or financial globalization. Odhiambo (2010), Azra et al., (2012) stated that financial deepning is caused by poverty alleviation if depicted by broad money i.e. M2. Schmukler (2004) stated positive effect of financial globalization on economic growth and reduces poverty but so far only few countries have benefited from financial globalization. Mostly the developed countries are the ones to benefit from this type of globalization. Mundell (2000) further stated that this financial globalization started after the breakdown of Bretten woods. After its breakdown the financial intermediers of developed countries started financial integration by providing public debt to developing countries in form of forein loans. Many studies listed in the literature show that financial globalization through different channels can help to alleviate poverty.

3.3.3 Model 3

Equation 3 asserts poverty is a negative function of political globalization in the presence of control variables of inflation, per capita income, literacy rate and political stability. A debate regarding pros and cons of globalization conducted by LSC asserted that poltical globalization is very much important for economies. It helps in increasing integration amongst different politicians. This grants access to the international institustions. Especially the developing countries can benefit a lot as it increases ways to get more aid,loans etc.

3.3.4 Model 4

This states that poverty is affected by social globalization literacy rate, per capita income and inflation. But the effect of social globalization on poverty is not quite clear. According to some studies social globalization helps in poverty reduction i.e. it exerts a negative impact on poverty. Davis (1996), Feenstra and Hanson (1996 and 1997), Findlay (1978) all argue against globalization. They belive that the social vices created due to globalization create more serious problems than the perks wittnessed through it. The income ineuality will be generated due to social integration that will further enhance relative poverty instead of alleviating it. However, many autthors negate this concept. According to them the increase in social integration helps in poverty alleviation. Lucas (2004), Adams et al., (2005) found that remittances help in the reduction of poverty. These remittance are a result of social integration amongst economies. This social integration also helps in the development off human capital such as aid is received from the organization like UNAID, WHO etc to enhance the human captal in developing counry like ours. Arif (2004), Jamal (2004), Moghal and Diawara (2009) also supports the hypothesis of poverty alleviation through the social integration of economies wich allows the greater flow of remittances. Increase in remittances increases the house hold consumption and uplifts the per capita income which further reduces the poverty evel of the country.

3.3.5 Model 5

Equation 5 checks the impact of all types of globalization (merged into one index) on poverty reduction along with the control variables like inflation, percapita income and literacy rate. Edwards (1992), Dollar (1992), Sachs and Warner (1995), Edwards (1998), Frenkel and Romer (1999) and World Bank (2002) all examine a link between globalization and poverty and support the view of hlobalization. They all argue that globalization affects diffenrt channela in an economy and helps in poverty reduction. Abid Hamid (2005), Kiley (2005) Yotopoulos et al., (2006) also support the concept that globalization helps in poverty reduction in economies through different channels.

3.3.6 Utilization of Statistical Tests to Validate Research Findings

In ensuring the robustness of my research findings, a numerous statistical tests have been meticulously employed. Beyond the Phillips-Perron test (1988) and the Augmented Dickey-Fuller test (1982), with critical values referenced from MacKinnon (1991), which evaluated the stationarity of variables in the time series analysis, additional tests were integral to the validation process. The ARDL (Autoregressive Distributed Lag) approach to co-integration facilitated the elucidation of long-run relationships among variables, offering a comprehensive exploration of their interconnections across extended periods. Furthermore, diagnostic tests such as the CUSUM (Cumulative Sum) and CUSUM square tests were instrumental in validating the stability and integrity of the model, thereby ensuring the reliability of the research outcomes. Additionally, other essential tests were conducted. These included tests for the normality of residuals, to assess the correct specification of equations, where the RESET test by Ramsey was utilized. The serial independence of residuals was scrutinized using the Breusch-Godfrey LM test for serial correlation, while the Breusch-Pagan-Godfrey Test was employed to detect heteroskedasticity. Moreover, the inclusion of the Toda-Yamamoto approach to causality, alongside these essential tests, served to fortify the analytical framework and enhance the understanding of variable relationships and their causal implications within the research context.

4. Empirical Findings

4.1 Stationarity Analysis and Co-Integration Findings

Upon conducting stationarity tests, it was discerned that all variables are integrated of order 1, except inflation, which exhibits integration of order I(0). Leveraging the ARDL approach to co-integration, the research delved deeper into exploring the relationships among variables. The results of the bound tests revealed that the equations formulated for co-integration purposes via ARDL successfully met the hypothesis, indicating the presence of a long-run relationship among the variables under investigation. The magnitude and direction of this relationship were found by running the equations of ARDL in E-views.

The ARDL model for the study variables developed were:

a) **Model 1 (of Economic Globalization):**

$$\Delta LNPOV_t = \alpha_0 + \sum_{i=1}^{n} \alpha_{1i} LNPOV_{t-i} + \sum_{i=0}^{n} \alpha_{2i} LNEG_{t-i} + \sum_{i=0}^{n} \alpha_{3i} LNLR_{t-i} + \sum_{i=0}^{n} \alpha_{4i} LNPCY_t + \sum_{i=0}^{n} \alpha_{5i} LNIF_{t-i} + \beta_1 LNPOV_{t-1} + \beta_2 LNEG_{t-1} + \beta_3 LNLR_{t-1} + \beta_4 LNPCY_{t-1} + \beta_5 LNINF_{t-1} + \varepsilon_t$$

b) **Model 2 (of Financial Globalization):**

$$\Delta LNPOV_t = \alpha_0 + \sum_{i=1}^{n} \alpha_{1i} \Delta LNPOV_{t-i} + \sum_{i=0}^{n} \alpha_{2i} \Delta LNFG_{t-i} + \sum_{i=0}^{n} \alpha_{3i} \Delta LNLR_{t-i} + \sum_{i=0}^{n} \alpha_{4i} \Delta LNPCY_t + \sum^{n} \alpha_{5i} \Delta LNIF_{t-i} + \beta_1 LNPOV_{t-1} + \beta_2 LNFG_{t-1} + \beta_3 LNLR_{t-1} + \beta_4 LNPCY_{t-1} + \beta_5 LNINF_{t-1} + \varepsilon_t$$

c) Model 3 (of Political Globalization):

$$\Delta LNPOV_t = \alpha_0 + \sum_{i=1}^{n} \alpha_{1i} \Delta LNPOV_{t-i} + \sum_{i=0}^{n} \alpha_{2i} \Delta LNPG_{t-i} + \sum_{i=0}^{n} \alpha_{3i} \Delta LNLR_{t-i} + \sum_{i=0}^{n} \alpha_{4i} \Delta LNPCY_t + \sum_{i=0}^{n} \alpha_{5i} \Delta LNIF_{t-i} + \sum \alpha_{6i} \Delta PS_{t-i} + \beta_1 LNPOV_{t-1} + \beta_2 LNPG_{t-1} + \beta_3 LNLR_{t-1} + \beta_4 LNPCY_{t-1} + \beta_5 LNINF_{t-1} + \beta_6 PS_{t-1} + \varepsilon_t$$

d) Model 4 (of Social Globalization):

$$\Delta LNPOV_t = \alpha_0 + \sum_{i=1}^{n} \alpha_{1i} \Delta LNPOV_{t-i} + \sum_{i=0}^{n} \alpha_{2i} \Delta LNSG_{t-i} + \sum_{i=0}^{n} \alpha_{3i} \Delta LNLR_{t-i} + \sum_{i=0}^{n} \alpha_{4i} \Delta LNPCY_t + \sum_{i=0}^{n} \alpha_{5i} \Delta LNIF_{t-i} + \beta_1 LNPOV_{t-1} + \beta_2 LNSG_{t-1} + \beta_3 LNLR_{t-1} + \beta_4 LNPCY_{t-1} + \beta_5 LNINF_{t-1} + \varepsilon_t$$

e) Model 5 (of Globalization):

$$\Delta LNPOV_t = \alpha_0 + \sum_{i=1}^{n} \alpha_{1i} \Delta LNPOV_{t-i} + \sum_{i=0}^{n} \alpha_{2i} \Delta LNGLOB_{t-i} + \sum_{i=0}^{n} \alpha_{3i} \Delta LNLR_{t-i} + \sum_{i=0}^{n} \alpha_{4i} \Delta LNPCY_t + \sum_{i=0}^{n} \alpha_{5i} \Delta LNIF_{t-i} + \beta_1 LNPOV_{t-1} + \beta_2 LNGLOB_{t-1} + \beta_3 LNLR_{t-1} + \beta_4 LNPCY_{t-1} + \beta_5 LNINF_{t-1} + \varepsilon_t$$

4.2 Model Validation

4.2.1 Model 1 Results

The analysis indicates significant short-run coefficients, suggesting a substantial relationship between economic globalization and poverty. Additionally, the estimated long-run coefficients show significance across all variables. Economic globalization demonstrates a significant negative impact on poverty at the 1% level, indicating a 16% decline in poverty with increased integration in the economic sphere while controlling for other variables.

The literacy rate variable exhibits a negative sign and is significant at the 1% level. Conversely, per-capita income and inflation positively impact poverty at 1% and 10%, respectively.

Moreover, the coefficient of the lagged error-correction term is significant at the 1% level and aligns with the expected sign, suggesting a rate of adjustment towards equilibrium following a shock. Approximately 46% of disequilibria from the previous year's shock revert to long-run equilibrium in the present year.

The findings regarding the long-term impact of economic globalization align with existing literature, indicating a tendency for poverty to decrease over time due to heightened economic integration with the global economy. However, in the short run, the study suggests that economic globalization may exacerbate poverty due to increased imports resulting from trade openness. This led to intensified competition in the local market and subsequent closure of protected industries. Nevertheless, establishing new industries to substitute imports and boost exports, in the long run, creates employment opportunities, ultimately aiding in poverty reduction.

4.2.2 Model 2 Results

Almost all short-run coefficients are significant, indicating a notable relationship between financial globalization and poverty in the short run. The estimated long-run coefficients are significant for all variables, with financial globalization showing a significant negative impact on poverty at the 5% level. This suggests a decline in poverty of approximately 1.95% with increased integration in the financial field while controlling for other variables.

The literacy rate variable is insignificantly signed, while per capita income and inflation positively impact poverty, albeit at varying significance levels. The coefficient of the lagged error-correction term is significant at the 1% level, with an estimated value of -0.64, indicating a high speed of adjustment towards equilibrium following a shock. The expected impact of financial globalization in the long run aligns with existing literature, suggesting a decrease in poverty due to high financial integration with the rest of the world. This can be attributed to changes in exchange rates, making exports more competitive, attracting foreign direct investment, increasing money circulation, and supporting developmental projects that enhance employment opportunities and income, thus reducing poverty levels.

4.2.3 Model 3 Results

Significant short-run coefficients are observed, except for political globalization and inflation. However, the estimated long-run coefficients are significant for all variables except literacy rate and inflation. Political globalization shows a significant negative impact on poverty at the 1% level, indicating a decline in poverty of approximately 91% with increased integration in the political field while controlling for other variables. While the literacy rate variable is negatively signed but insignificant, per capita income positively impacts poverty at the 10% level. The coefficient of the lagged error-correction term is significant at the 1% level, indicating a high speed of adjustment toward equilibrium following a shock. The expected long-run impact of political globalization coincides with existing literature, suggesting a decrease in poverty due to high political integration with the world. This can be attributed to factors such as the exchange of political troops, fostering friendships between states, attracting aid and development assistance projects, and generating employment opportunities.

4.2.4 Model 4 Results

Almost all short-run coefficients are significant, indicating relationships among variables in the short run. The estimated long-run coefficients are significant for all variables, with social globalization significantly impacting poverty at the 1% level. This suggests a rise in poverty of approximately 49% with increased integration in the social field while controlling for other variables. The literacy rate variable is also positively signed and significant, while per capita wage negatively impacts poverty at the 10% level. The coefficient of the lagged error-correction term is significant at the 1% level, indicating a high adjustment speed towards equilibrium following a shock. In the long run, the expected impact of social globalization aligns with existing literature suggesting an increase in poverty due to high social integration with the rest of the world. This can be attributed to factors such as cultural proximity, increased awareness of disparities in living standards, and the emergence of a class system due to relative poverty.

Model 5 Results

All short-run coefficients are significant, indicating relationships among variables in the short run. The estimated long-run relationships are significant for all variables, with globalization showing a significant negative impact on poverty at the 5% level. This suggests a decline in poverty of approximately 1.25% with increased integration in all fields while controlling for other variables.

The literacy rate variable is also negatively signed and significant at the 5% level, while per capita wage positively

affects poverty at the 1% level. The coefficient of the lagged error-correction term is significant at the 1% level, suggesting a moderate speed of adjustment toward equilibrium following a shock.
In the long run, the expected impact of overall globalization aligns with existing literature, suggesting a decrease in poverty due to the high integration of economies with the rest of the world. This can be attributed to increased employment opportunities, technological advancements, and economic growth resulting from enhanced interaction with the global economy.

4.3 Post-Estimation Results of all Models

The ARDL models for all types of globalizations demonstrate a firm fit, with significance levels observed at 1%. Additionally, diagnostic tests for serial correlation (Breusch-Godfrey test), normality of errors (Jarque-Bera test), and heteroskedasticity (Breusch – Pagan Godfrey Test) are all satisfied, indicating the robustness of the models. Furthermore, the RESET test by Ramsey suggests a well-specified model, further validating the reliability of the results.

4.4 Causality Results

In the first equation concerning economic globalization, a significant causal flow from economic globalization to poverty is observed at the 1% significance level. Moreover, the bidirectional causality between poverty and economic globalization is evident and is also significant at 1%. This result suggests a strong mutual relationship between economic globalization and poverty.
The second equation about financial globalization reveals evidence of bi-directional causality between financial globalization and poverty, significant at the 1% level.
The third equation focusing on political globalization shows that political globalization granger causes poverty, which is significant at 1%. However, this causality is uni-directional.
The fourth equation addressing social globalization indicates a bi-directional causation from social globalization to poverty.
In summary, bi-directional causalities are observed between various components of globalization and poverty, except for political globalization, where a two-way causation is absent.

Table 5: Co-Integration Results for Economic Globalization

Co-integration form of EG equation		
Variable	**Coefficient**	**t-Statistic**
D(LNPOV(-1))	0.115931	1.143583
D(LNPOV(-2))	-0.352719	-3.391334*
D(LNEG)	0.079068	3.639548*
D(LNLR)	-1.877543	-3.324873*
D(LNPCY)	-2.309249	-6.002215*

D(LNINF)	-0.015452	-0.720933
D(LNINF(-1))	0.063604	2.826471*
EC_{t-1}	-0.467803	-5.286031*

Note: * denotes significance at 1% and **denotes significance at 5%.

Table 6: Co-Integration Results For Financial Globalization

Co-integration form of FG equation		
Variable	**Coefficient**	**t-Statistic**
D(LNPOV(-1))	0.525909	3.295260*
D(LNPOV(-2))	0.309342	1.775660
D(LNFG)	2.307613	3.914309*
D(LNFG(-1))	-3.490324	-5.077871*
D(LNFG(-2))	2.624257	5.423303*
D(LNFG(-3))	-0.516344	-1.485294
D(LNLR)	-2.035737	-2.823740**
D(LNLR(-1))	1.313826	0.933587
D(LNLR(-2))	4.247857	3.775108*
D(LNLR(-3))	-1.160717	-1.413124
D(LNPCY)	0.016861	0.022678
D(LNPCY(-1))	4.838314	3.746135*
D(LNPCY(-2))	-5.105958	-3.918600*
D(LNPCY(-3))	4.410344	4.819275*
D(LNINF)	0.024604	0.841306
D(LNINF(-1))	0.065923	1.996809***
D(LNINF(-2))	0.061188	2.180271***
D(LNINF(-3))	0.053802	1.847028***
EC_{t-1}	-0.642305	-5.096531*

Table 7: Co-Integration Results for Political Globalization Model

Co-integration form of PG equation		
Variable	Coefficient	t-Statistic
D(LNPG)	0.308690	1.209326
D(LNLR)	-2.256535	-4.879192*
D(LNPCY)	-0.508931	-1.768353***
D(LNINF)	-0.029544	-1.430706

D(PS)	-0.109923	-2.577332**
EC_{t-1}	-0.735987	-6.936943*

Table 8: Co-Integration Results of Social Globalization

Co-integration form of SG equation		
Variable	Coefficient	t-Statistic
D(LNPOV(-1))	1.025266	5.036862*
D(LNPOV(-2))	-0.653163	-3.993072*
D(LNPOV(-3))	0.287748	2.570502**
D(LNSG)	-0.050500	-2.231522***
D(LNSG(-1))	0.135820	4.098869*
D(LNSG(-2))	0.083368	2.693598**
D(LNSG(-3))	0.219525	5.665383*
D(LNLR)	-1.631758	-2.161674***
D(LNLR(-1))	6.033915	3.916473*
D(LNLR(-2))	-4.257717	-2.549397**
D(LNLR(-3))	-1.362174	-1.853908*
D(LNPCY)	-0.894181	-1.356328
D(LNPCY(-1))	0.378908	0.475804
D(LNPCY(-2))	-1.960966	-2.310800**
D(LNINF)	-0.137296	-5.079268*
D(LNINF(-1))	0.113840	4.969764*
D(LNINF(-2))	-0.007360	-0.311663
D(LNINF(-3))	0.053846	2.021900***
EC_{t-1}	-1.285238	-7.814733*

NOTE: * denotes significance at 1% and **denotes significance at 5% and *** denotes significance at 10%.

Table 9: Co-Integration Results of Globalization

Co-integration form of Globalization equation		
Variable	Coefficient	t-Statistic
D(LNGLOB)	0.555601	2.404738**
D(LNLR)	-1.951569	-3.252328*
D(LNPCY)	-1.124646	-3.113952*
D(LNINFLATION)	-0.051527	-1.899441***
CointEq(-1)	-0.443980	-4.911748*

Note: * denotes significance at 1% and **denotes significance at 5% and *** denotes significance at 10%.

5. Conclusion

This section has examined experimental results identified with parts of globalization, general globalization and its effect on neediness. As for segments of globalization, general globalization and control factors, it is found that all factors are stationary at their first contrast aside from expansion. All the factors are in charge of the decrease in destitution for the period 1980 – 2015. For the short run and long run progression, ARDL way to deal with co-incorporation is used and it is accounted for that there exists significant long run relationship among all segments of globalization and neediness and high rate of conformities occur per period keeping in mind the end goal to accomplish stable long run path. Regressors i.e. lagged economic globalization, lagged financial globalization, lagged social globalization lagged political globalization and lagged globalization have set up short run associations with neediness. Toda-Yamamoto based causality reports causality among all factors. A bi-directional causality running from all parts of globalization and globalization all in all (with the exception of political globalization) to destitution is found. Analytic test outcomes uncovered nonappearance of serial relationship and hetroskedasticity. Moreover, residuals are likewise normally distributed. Dependability of the proposed models is additionally affirmed. At long last it can be expressed that, exact assessments can be utilized as an instrument for policy creation purposes. Political unsteadiness additionally contributed in neediness and is in charge of 28 % development in destitution amid 1980 – 2015

5.1 Policy Recommendations

The paper explores the contribution of globalization to poverty reduction in Pakistan. It analyses the impact of globalization as a whole and globalization dispersed into various components in the presence of control variables of literacy rate, per capita income and inflation on poverty through an ARDL approach for the time span of 1980 – 2015. The globalization in this study is not measured by any one single variable rather a cluster of different variables had been used to measure it. The results of this study found that Economic, financial and political globalization reduces poverty.

The boost in exports benefits most of the export-oriented labor-intensive sectors. Similarly the flow of FDI in an economy helps in the improvement of these labors – intensive industries. The technological advancements in an economy boost the levels of employment and helps in poverty alleviation. This technology can be easily gained access to by the integration with the rest of the world. Economic globalization (predicted by trade openness, FDI and technology) is considered very well for developing economies. The study comes out with the conclusion that an increase in economic globalization reduces poverty. DFID, (2000) also narrated a very similar conclusion when it stated that economic globalization has brought about numerous changes in the trade patterns, financial flows and technology and as a result of these changes the incidence of poverty has declined.

Financial globalization (predicted through real effective exchange rate, broad money and external debt) also revealed poverty reduction qualities in the presence of the control variables. Devaluation with the proper trade reforms is believed to enhance supply of exports and curb the demand for imported products as it enhances the prices in terms of local currency. Broad money (M2) had been used by many economists as a proxy for financial development. Their results have shown a significant causality running from M2 to poverty reduction. Whereas, the accumulation of external debt stock is believed to boost up the poverty levels in a country for countries in order to repay the debt mostly cut funds from the programs that are essential for poverty reduction. Overall financial globalization has shown a trend of poverty reduction in this present study which is very much in accordance with the findings of many other researches.

Political globalization also helps in poverty reduction with the presence of the control variable of political stability. Whereas the results of social globalization (measured through remittances, human capital and cultural proximity) show that poverty increases in terms of social integration. The empirical studies have shown that the incidence of poverty in Pakistan has declined from the time high remittances have started to come into the country. Similarly more investment in human capital enhances the productivity of labor and contributes in poverty reduction. However, it is the cultural proximity that boosts up the levels of poverty in an economy. More cultural penetration or merging of the world culture into ours had made people in a country like ours more status conscious and have created a hype in the already poverty booster class system.

However, the results of overall index of globalization developed from its components reveal that poverty in Pakistan can be significantly reduced through it. Positive link between Social globalization and poverty can be very easily over come if the other types of globalization will operate properly in a country.

Based upon the results of this study, once again a conflict had been created regarding globalization as a blessing or a curse. Based upon the results of social globalization one should not conclude that globalization is not a blessing. However globalization itself is a multifaceted concept like poverty. In contemplating the debate regarding globalization and considering that the defenders of worldwide integration perceive the need to manage the issues to which the critics point out. It is safe to presume that the globalization is for the most part a matter of outlook for the individuals who see the glass as half full versus the individuals who consider it to be half unfilled; the individuals who see the doughnut and the individuals who see the gap; or those within who are in a position to effect policy and the individuals who, for reasons unknown, are just outside commentators. In any case, there is a deliberate need to understand its significance for the future of economies.

5.1.1 Trade Enhancement Focus

The government should prioritize trade policies to expand raw materials and technology imports to enhance productivity. Strategies should also aim at increasing exports to reap the benefits of poverty reduction (Krugman, 2008).

5.1.2 Promotion of Foreign Direct Investment (FDI)

Encouraging FDI inflows, especially in labor-intensive industries, can significantly reduce poverty. Tax incentives and training programs should be offered in poverty-stricken areas to attract more demand for labor (UNCTAD, 2020).

5.1.3 Investment in Human Capital

Efforts to improve human capital should be tailored to current global and local scenarios to foster effective development and enhance competitiveness globally. Collaboration with international social welfare institutions can further enhance human capital development (World Bank, 2018).

5.1.4 Transparent Trade Policies

Tariff reduction strategies should be transparent and effective in promoting trade enhancement. Transparency should also be maintained in ongoing poverty reduction programs to ensure effective implementation (IMF, 2019).

5.1.5 Addressing Institutional Bottlenecks

Comprehensive efforts on financial, social, and institutional fronts are needed to address the bottlenecks contributing to poverty in Pakistan (World Bank, 2016).

5.1.6 Strengthening Social Safety Nets

Social safety nets can buffer against economic shocks and help vulnerable populations cope with poverty (ILO, 2021).

5.1.7 Expansion of Social Safety Nets

With poverty exacerbating due to the COVID-19 pandemic, governments should focus on expanding social safety nets to provide support to vulnerable populations, including direct cash transfers, food assistance programs, and unemployment benefits (ILO, 2021).

5.1.8 Investment in Healthcare

Improving access to healthcare services and strengthening healthcare infrastructure is essential for mitigating the impact of future health crises and reducing poverty associated with healthcare expenses (World Bank, 2020).

5.1.9 Promotion of Digital Inclusion

Enhancing digital literacy and ensuring access to digital technologies can economically empower individuals and communities, enabling them to participate in online education, remote work opportunities, and e-commerce (UNDP, 2020).

5.1.10 Support for Small and Medium Enterprises (SMEs)

Providing financial assistance, technical support, and access to markets for SMEs can stimulate economic growth, create jobs, and alleviate poverty, particularly among marginalized groups (IMF, 2021).

5.1.11 Investment in Education
Prioritizing investment in education, including early childhood education and vocational training, can enhance human capital development and improve long-term economic prospects for individuals, families, and communities (World Bank, 2018).

5.1.12 Sustainable Development Initiatives
Sustainable development initiatives, such as renewable energy projects, eco-friendly infrastructure development, and conservation programs, can create employment opportunities and promote inclusive growth while addressing environmental challenges (UNCTAD, 2020).

5.1.13 Enhanced Governance and Accountability
Strengthening governance mechanisms, promoting transparency, and combating corruption are essential for ensuring that poverty reduction efforts are effective, equitable, and accountable (World Bank, 2016).
In the aftermath of crises like the COVID-19 pandemic, it becomes increasingly crucial to acknowledge the significance of sustaining and bolstering globalization endeavors in poverty mitigation. Despite the fluctuations in poverty ratios during such challenging periods, the fundamental relationship between globalization and poverty reduction remains resolute. Hence, policy interventions must be geared towards preserving and reinforcing globalization initiatives to persist on the path towards alleviating poverty in Pakistan in the post-COVID era.

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