



A COMPARATIVE ANALYSIS OF THE RELATIONSHIP BETWEEN POVERTY AND THE ECONOMY IN IRAQI CITIES IN TRANSITION

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Article history:	Abstract:
Received: July 17 th 2022 Accepted: August 17 th 2022 Published: September 30 th 2022	<p>The aim of this research is to look at the rates of increasing poverty in the shadow economy in Iraq, and to know if there are technical difficulties in communicating with them, as it is difficult to obtain information from the people who participated in the data collection operations. The data derived from the reality readings were used to build a realistic correlation, and the raw data was used to conduct the pilot study, where the descriptive analysis showed that poverty and the underground economy have no geographical boundaries. Although the frequency and extent of the problem varies from city to city. When compared to cities with a moderate economy, Poverty incidence rates and the economy are higher in poor cities. Poverty and the underground economy have a causal relationship, especially in low-resource and transitional cities, Where the common variables, a perception of high unemployment and corruption rates, affect poverty and the underground economy. Even when people understand the consequences when they find out, exorbitant social security systems and tax burdens have been shown to explain the high prevalence of underground economies. Most people are involved in enterprises in the form of small unlicensed activities such as production and sale of pure water and yoghurt, illegal operation of private schools, exchanging currencies in the market illegally and refraining from disclosing the real profit rate of the actual business to increase income levels. To some extent, the government may mitigate this threat by investing in long-term poverty reduction, tax policy adjustments, anti-corruption campaigns, and more jobs in the formal economy.</p>

Keywords: poverty rate, sustainable development, secret economy, subterranean economy, underground economy



1. INTRODUCTION

Poverty and the underground economy are major issues with devastating consequences in many countries. Poverty is nowadays one of the world's most important issues. According to recent estimates in the world, about 1.5 billion people live on less than one dollar a day. The population of Africa represents 18% of the mentioned percentage. Poverty is a multifaceted problem that has physical[1], economic, social and psychological aspects and is often judged using a variety of criteria due to its multifaceted nature.

This explains the multiple attempts to define poverty; Each definition seeks to reflect the author's or poor's understanding of the term. With global poverty levels rising[2], there appears to be a clear relationship Among the rates of illegal economy around the world. As a result, one might wonder if the two concepts are related in any way, Although a great deal of literature has been published on specific aspects of the underground economy, the topic remains controversial, With some controversy over its components.

After analyzing the discussions about estimates of the approaches used to determine the extent of the underground economy, as well as the application of these numbers in economic research and policy issues, as well as the causes of poverty arising from the underground economy, other activities of the underground economy around the world are a fact of life that most societies try to regulate by various means such as Punishment, trial, economic growth and education. Track down those involved in illegal (or criminal) activity.

The frequency of occurrence of these activities, as well as the quantity of these activities, are critical factors in making effective and efficient judgments about resource allocation in Iraq's slum cities and the alleviation of poverty in those cities, with the difficulty of obtaining accurate information about these clandestine activities because the individuals involved do not[3], they want to reveal their identity. As a result, estimating hidden economy activities may be seen as scientific search for knowledge of It is unknown, and moreover not much is known about what motivates people to engage in the hidden economy or to seek such jobs., which they are usually forced to do as a result of the need for money or work. The question here may be, is there a causal relationship between poverty and the underground economy? And are the same causes of poverty also responsible for the underground economy? Where these cities are characterized by having the same levels of poverty and underground economies, apart from poverty, what are the causes of underground economy? Since people in such works do not wish to be identified through interviews or other data or information-gathering methods, the answers to the

questions will be based on a thorough analysis of the literature and observations.

1.1. The study's objectives

The study's particular goals are as follows:

- (1) Review a collection of studies and statistics to explain the fundamental principles of poverty and the underground economy.
- (2) An investigation of the level of poverty and the underground economy in Iraq's numerous cities.
- (3) Analysis of the direct relationship of poverty and the hidden economy on the basis of the results and causes of the underground economy
- (4) Make recommendations for other cities depending on the results.

The theoretical underpinnings and literature reviews of subterranean economics are covered in the second section. The third segment discusses various data collecting and analysis techniques. Fourth Section He addresses of the findings and closes the fourth With some helpful tips [4], not only for sociologists and the general public, but also for various government countries for a variety of reasons.

2. POVERTY AND THE SUBTERRANEAN ECONOMY FROM THE POINT OF VIEW OF THEORETICAL FRAMEWORKS AND LITERATURE REVIEWS

Poverty may look very different from the perspective of a poor man or woman, We can classify poverty as a relative or absolute condition, while we can classify poverty as permanent on the other hand. relative poverty [5], It is a condition in which an individual or group of people can reach their basic needs but are relatively poor among the people or society in general. That absolute poverty is the condition in which an individual or a group of people is unable to meet their basic requirements of human condition in terms of education, health, housing, labor feeding, transportation etc., The underground economy is a general description of many types of economic activity. It includes the irregular, second parallel, underground, subterranean, hidden, invisible, unremarkable, gray, secret, unrecorded economy and the shadow or moonlight economy. This form of economics was introduced in 1972 by the International Labor Organization in the context of Kenya.

The hidden economy is a subcategory to describe the uncontrolled economy where no taxes are paid on clandestine activities, which are value added[6]. Covert from illegal activities such as loan sharing and illicit trade, in the broad sense, an economic activity is one that is concealed enough that it is not taxable and may not be measured.



The assumption is that agents realize that legal attention to their activities will have tax or legal implications.

3. ECONOMIC POVERTY AND ITS FORMS

Poverty is defined in both "relative" and "absolute" terms, depending on whether it is relative or absolute criteria are used to determine Minimum output needed to support basic living needs. The majority of how poverty is viewed depends on money [7]. As a result, poverty refers to which is the situation that a particular physical means of living within a particular community is not sufficient for the survival of this community.

On the other hand, there has been no agreed classification for identifying distinct informal activities in the early literature on the underground economy. The institutional structure of rules, rights, laws, and enforcement sanctions governing official agents is circumvented, escaped from, or left out by agents engaged in covert/informal operations. As a result [8], various types of informal activities have been identified by the institutional framework.

The illicit economy is defined as money generated from economic operations carried out in violation of legal laws that define the limits of legal forms of business. The manufacture and distribution of illegal goods such as the exchange of money on the black market is among the most notorious criminal enterprises.

3.1. Estimates of money from illegal activities are usually based on crime data.

The unreported economy consists of economic operations that avoid or evade the financial requirements of tax law. The amount of unreported income is a summary estimate of the unreported economy. Specifically, the amount of income that must be legally reported to the IRS but is not. An It represents the illegal economy which is not properly disclosed because the illegal income is subject to tax.

The "total tax gap," or the difference between the amount of tax revenue legally due to the fiscal authority and the amount of tax revenue voluntarily paid [8], is a supplementary measure of the unreported economy. The difference is beauty and reality refer to the revenue obtained as a direct result operation, where the "net tax gap" shows Amount difference of revenue accrued and the amount received. False claims for benefits (welfare payments or unemployment) or benefits those This is not legal entitled to must be properly included in "tax gap" analyses.

An unregistered economy is defined as an economic activity that occurs outside institutional standards that define the reporting obligations of government statistical organizations. The amount of unrecorded revenue is a summary estimate from the unregistered economy. Specifically, the amount of revenue that must be documented In accounting systems such as national

income and project accounts, according to applicable laws and practices [9].

Unrecorded income is the difference between total revenue or output and the actual amount that is recorded or enumerated by a statistical accounting system designed to track economic activity. Income may not be recorded contain Composed of the illegal sector due to differences in national accounting standards regarding the inclusion of illegal income.

4. THE IRAQI ECONOMY'S COVERT ECONOMY AND METHODS FOR ASSESSING POVERTY

Poverty can be measured in several ways, ranging from absolute to relative terms. Absolute poverty measures include: the headcount ratios/incidence of poverty, the poverty gap/income shortfall, and the physical quality of life index (PQLI). For Relative poverty measures, The level of poverty can be determined by the average income [10]. as shown in Table 1.



NO.	City	Economic Activity Rate %			Poverty rate %		
		man	woman	Total	man	woman	Total
1	Diwaniyah	71.1	8.7	40.4	14.7	40.1	17.4
2	Muthanna	67.7	7.0	37.6	9.6	42.1	12.6

Table 1: Unemployment rate in the governorates of Diwaniyah and Muthanna

4.1. Work in the informal sector

The International Labor Organization uses the term "informal economy" to include the informal sector as well as informal employment. There is already an international framework for measuring the unobserved economy. The ILO Report on Decent Work and the Informal Economy defined employment in the informal economy as having two components: (i) employment in the formal sector as defined at the 15th International Conference on Labor Law[11], and (ii) other forms of employment confidentiality. The 15th International Conference on Labor Law (ICLS) defined investment employment as including Informal Sector Institutions Jobs. Informal sector enterprises were identified based on the following criteria: They are unincorporated private foundations owned by individuals or families that are not formed They are separate entities independently of their owners

5. METHODOLOGY

The study relies heavily on secondary data from publications by a variety of international organizations.

In addition, samples were obtained from Al-Muthanna and Al-Diwaniyah governorates to conduct an empirical study about poverty and the underground economy[12].

The population of these counties is more than 2 million people. Table 3 shows that these places are not only known for their underground economy, but also the two provinces with the highest levels of human poverty as shown in Fig 1.

Transnational characters were collected via secondary sources. For the pilot project, cross-sectional data were collected using a well-structured and controlled interview schedule. A total of 100 people were randomly selected from different directorates in Diwaniyah and Muthanna Yaa governorates and inquired about their views on underground economies and the factors that drive them to engage in such activities. The purpose of this sample was to obtain accurate data to supplement the difficulties in identifying those who truly participate in the shadow economy[13].

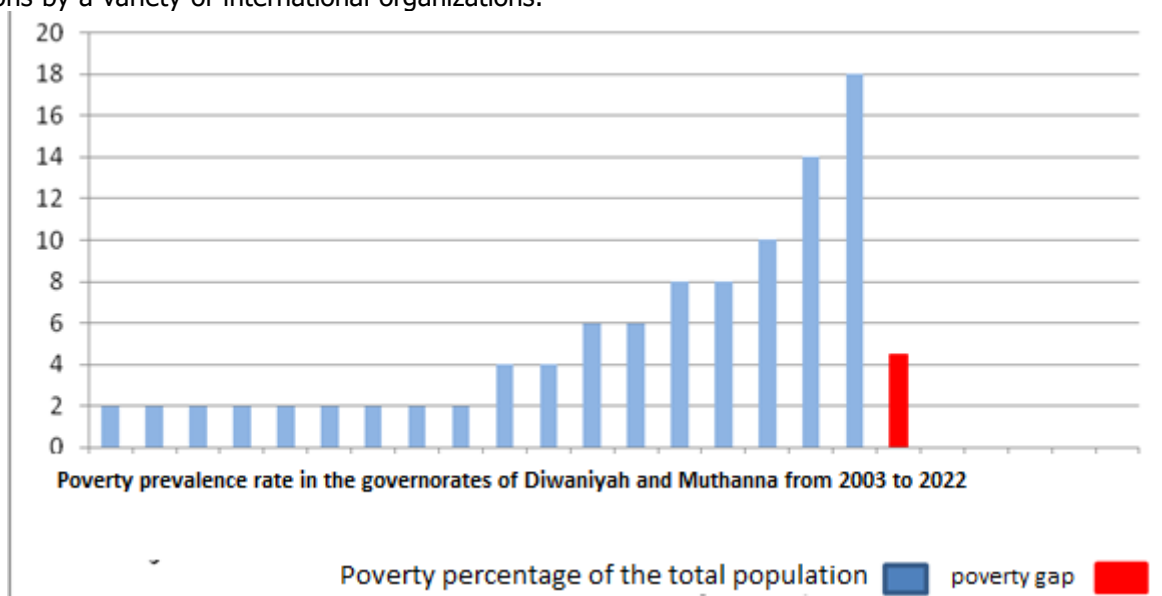


Fig 1: Poverty rate by Iraqi governorates

6. ANALYSIS OF THE SUBTERRANEAN ECONOMIES' SIZE

The size of the undeclared economy is larger in non-developed countries [14], The reason lies in the low rise in unemployment and poverty rates. Diwaniyah and Muthanna (63.2 and 60.2% respectively) have the

largest shadow economies in the remaining governorates of official GDP.

6.1. The role of the government program

Iraq has known stages of prosperity, progress and economic and social prosperity, and other stages of decline and the spread of negative phenomena in society, including poverty. Poverty was, and still is, an



eternal phenomenon that exists in most societies of the world[15], and its impact varies from one society to another. The lack of effective practical applications by successive Iraqi governments over the past twenty years has turned into a dilemma facing political and economic decision-makers in Iraq.

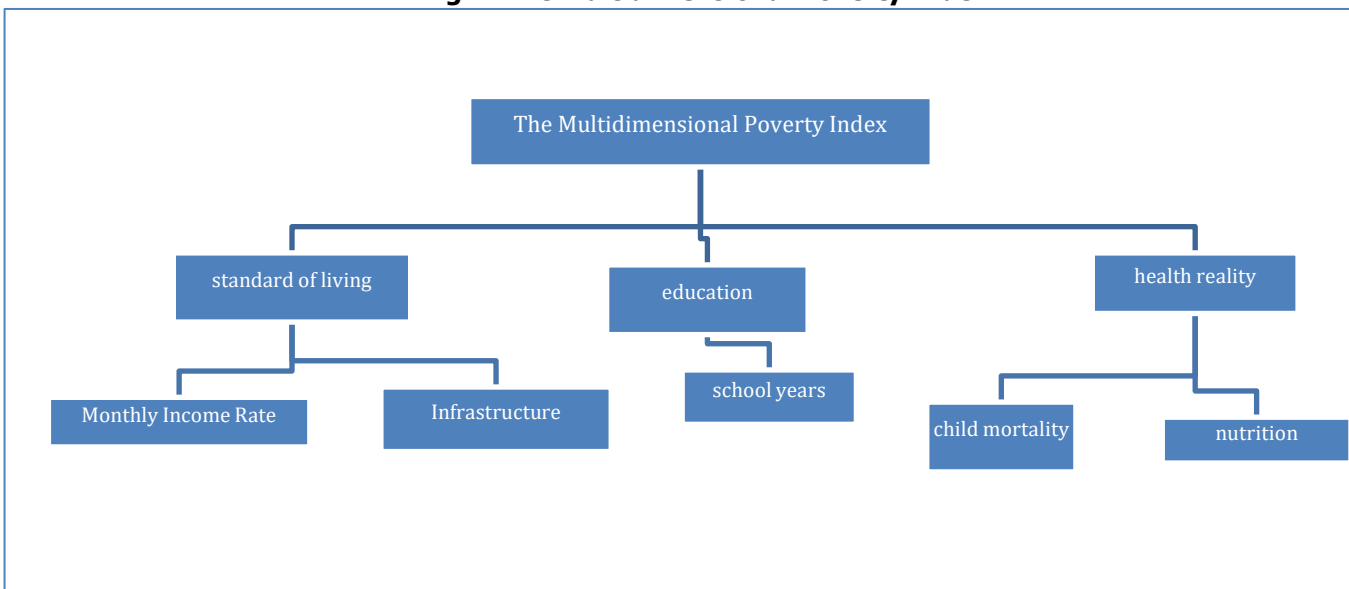
7. THE PROBLEM AND HYPOTHESIS OF THE STUDY

Because of the accumulated difficulties and obstacles imposed by developments in various fields[16], the activities of investors and workers in various economic sectors in Iraq are affected by the subjective and objective circumstances surrounding these activities,

especially in the absence of an attractive investment environment for activities in general. For the private sector in general, and small and medium enterprises associated with it[17]. The research aims to address the following issues about life in Iraq as shown in Fig 2, particularly the political and economic changes that have occurred in recent years:

1. What are the most important indicators of poverty in Iraq between 2015 and 2020?
2. What are the causes of Iraqi poverty?
3. What are the most important economic changes that Iraq witnessed from 2015 to 2020? What is its relationship to the problem of poverty in the country?

Fig 2: The Multidimensional Poverty Index





8. REQUIREMENTS FOR PROMOTING SUSTAINABLE DEVELOPMENT INDICATORS THROUGH POVERTY ALLEVIATION

Any development strategy aiming at eradicating poverty in Iraq can only be adopted by the Iraqi government.

This implies attaining the following through improving the performance of sustainable development indicators: Reduced unemployment: The execution of an Iraqi poverty-eradication plan must be built on sound foundations that consider a variety of factors. Consider addressing the structural reasons of unemployment, the sources of labor shortages[18], and diversifying the workforce. Iraq's economy includes labor-intensive industries. Economic measures should be oriented towards social and low-income groups, and disadvantaged rural regions should be provided with economic work prospects. Optimum utilization of natural resources to accomplish complete development for all Iraqi society members, with It is necessary to consider the development of this plan at the same time. To overcome poverty and other obstacles. As a result[19], a training and educational approach that can suit a requirement must be developed. With the engagement of the private sector and active participation, the market strives to increase human capacities in terms of quantity and quality. The availability of the environment is one of the conditions that such a plan demands for civil society groups. Appropriate implementation necessitates the formulation of long-term strategies to meet the essential development objectives. Annual plans are more likely to fail than long-term plans, which can be employed. There are several procedures that must be followed in order to reduce or control problems and identify solutions[20].

Reducing unemployment, the most visible of all social problems: -

1 - Rebuilding war-damaged economic sectors and infrastructure, which creates job possibilities Work to cut unemployment rates has begun.

2 - Attracting domestic and international investment to provide jobs for the jobless, particularly in intensive industries

To minimize unemployment, jobs that demand a significant number of people, especially for graduates with simply their academic qualifications.

3- Increasing the amount of government spending to remedy the financial imbalance, because spending works. In addition to raising the amount of consumption and investment and saving money, the government will generate work possibilities for the jobless.

4 Transferring ownership of failing or losing projects from the state to the private or mixed sectors Improving the manufacturing base and creating adequate work prospects[21].

5 Providing loans to persons with low incomes and the jobless in rural and urban regions in order to stimulate entry and increase.

6- Adopting and supporting training programs for the jobless to develop experience and expertise in order to fulfill the demands of the labor market.

7- Encouraging the private sector's participation through establishing front-to-back linkages to assist sectors, particularly food and consumer development, as well as the growth of exporting businesses that rely on human resources.

8- Public and private sector focus to the growth of diverse economic sectors, such as agriculture and tourism.

9 - Establishing cooperative workshops to provide career options for women who have not received enough schooling. As far as sewing and supplying what these workshops want[22].

10 - Every political or administrative official should endeavor to increase job possibilities and minimize red tape in his or her domain. To improve social harmony.

11-Providing unemployment payments, sustaining social security initiatives, and providing social assistance to those who are unemployed.

12 - Adopting a comprehensive economic construction plan in order to diversify and enhance national income volume with

Oil riches is being paid attention to since it is the most significant source of revenue.

13 - Rebuilding and upgrading productive institutions, particularly critical industries.

14 - The state periodically reviewing the pay and compensation scale and attempting to improve it. High and low costs are compatible.

15 - Recognizing the importance of the working class in the construction of society and the formulation of policies and tactics Both economically and socially[23].

16 - Industrial and commodity product protection, as well as the rehabilitation and development of idle factories and industries.

To provide work chances for tens of thousands of jobless people.

17 - Working to lower the interest rate on loans to projects, particularly small ones, while still providing the required assistance, resulting in a growth in the number of projects and an improvement in their quality[24]

9. CONCLUSIONS AND RECOMMENDATIONS

Poverty is a social and economic issue that no society can avoid unless suitable government actions are taken, and these measures are the foundation of a package of general economic policies. There are various distinctions in the notion of "poor," and these differences stem from the variety of viewpoints that it



has dealt with in the past and now. Nonetheless, the most of them focus around the (relative deprivation) suffered by one set of social groups over another. The process of social, economic, and environmental transformation through time is referred to as sustainable development.

It focuses on creating positive changes in (human life) and future generations, as long as they are accompanied by the process of not reducing the utility, consumption, and stock of capital and resources accessible in the minimal prerequisites for environmental stability have been met. Poverty exists on a global and local scale.

Poverty eradication is a condition of particular significance among the criteria of sustainable development since it is one of the most significant hurdles to (sustainable development).

Economic policies and development initiatives contribute to the phenomena of "poor" by providing cures.

There is no "poor" with "developmental sustainability" or "sustainable development" with "poverty" when it comes to strengthening the pillars of "sustainable development" that address the basic requirements of current and future generations.

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