

Topic Informal Economy: Way forward

Outline

1) Introduction:

Thesis statement: Since inception, Pakistan has been going through economic turmoil due to informal economic activities. Most of its population avoid to pay taxes which creates hurdles in the way of stabilizing economy. There is a dire need to take some effective measures, such as documentation of business, encouraging the taxes and spreading awareness among people.

2) What is meant by informal Economy.

3) A bird's eye-view of Pakistan's economic woes exacerbated by informal economy.

4) What are the reasons behind informal economy?

a) UnCumberstone process of documentation of businesses

b) Runaway corruption.

c) Mounting of trust deficit between masses and government

d) Neglegence of intellectuals in education systems

e) Culture of tax evasion and tax avoidance

5) What are the fruitful measures that eradicates the menace of informal economy?

- a) By adopting one window system for documentation
- b) By investing more in tax collecting bodies
- c) By bringing innovations and technologies
- d) By spreading awareness among people
- e) By increasing Human development investment
- f) By Promoting Ease of doing business
- g) By bolstering E-commerce activities
- h) By increasing checks and balances
- i) By Promoting culture of Remittances

6) Conclusion

Essay:

"Taxes are the price we pay for civilization" said the legendary American supreme court justice Oliver W. Holmes.

Indeed, without an effective and efficient system of taxation and formal economy the creation of civilized and developed society can not materialized at all.

This can be seen in western nations where formal economic system is the main cause of their prosperity and success. On the other hand, flawed economy is the reason for abnormal condition of developing nation, especially for Pakistan. From the very early stages of its inception, Pakistan had been and is facing economic turmoil. This is all because of informal economic activities which contributes next to nothing in its G.D.P ratio.

According to International Labour Organization, about 2 billion

workers in the world are part of informal economy and 72% jobs are created by informal businesses in Pakistan.

However, informal economic activities are adding fuel in existing economic

crisis of Pakistan. Most of the people enjoy the benefits of informal earning and avoid to transfer into formal ways. There are some questions arise what is the current status of economic system of Pakistan? what are reasons behind informal economy? How can informal economy be converted into formal economy? Since inception, Pakistan has been going through economic turmoil because of informal economic practices. Most of its population avoid to pay taxes which ~~do~~ creates hurdles in the way of stabilizing economy. There is dire need to take some effective measures, such as documentation, encouraging taxes and spread awareness among people.

It is necessary to define the term informal economy. According to International Labor Organization, a type of economy that indirectly contributes to a country's growth but does not come under the country's formal tax laws and regulations. The informal economy is also known as grey economy and or shadow economy.

It is pertinent to shed light on current economic situation of Pakistan.

Pakistan is one of those countries which are going through economic turmoil.

Pakistan found itself, until very recently, in default crisis. What we are witnessing today is what was fashioned in previous years - high inflation, decline of economy and unrest.

According to World Bank report - 2022) Pakistan's fiscal deficit

hovers around \$1.7bn and debt servicing around Rs 100bn during this fiscal year.

Despite having abundant natural resources and business potential, Pakistan is bearing trade deficit crisis because of unregistered and undocumented ~~of~~ economy.

There are some reasons behind informal economy. The first comes first is undocumentation of businesses.

Most of the businesses in Pakistan are undocumented due cumbersome process of business registration. It is too lengthy and too expensive process to carry.

This documentation process takes months or year to complete all requirements

that's why people avoid to register their businesses. for example, currently, Pakistan hosting more than 1000 cooperations but only 500 cooperations are documented, others are undocumented or partially documented. **As per International Monetary fund report, 2022**) The minimum 35% of economy is undocumented. However, every year, Pakistan loses billions of dollars due to undocumented and informal economy.

Secondly, runaway corruption delays the process of transforming informal economy into formal economy. Unfortunately, corruption is the deeprooted in Pakistan, where peon to Director are involved in corruption in one way or the other. This corruption is further, bolstered by the corrupt businessmen who gets benefits from informal economy.

Pakistan's rank in International Transparency 140 out of 180. It is the root cause of all woes of Pakistan because it is trickles down process where everyone is serving their own interests rather than working in way of development.

of country. Therefore, it pushes Pakistan into morass of economic turmoil.

Attending to corruption which increase trust deficit between public and government. Due to menace of corruption people do not believe in government officials and they find other ways of informal economic activities. They believe that government is inefficient. As time progressed, it has become evident that the political crisis and political polarization created gap between masses and government.

Maleeha Lodhi maintains in her book "**Pakistan Beyond the Crisis State**" that menace of corruption decreases people's trust in the state institutions is fastly crumbling. Moreover, government seems to fail in bringing developments in the ^{way to} betterment and well being of masses.

As United Nation Human Development Index Pakistan ranked 161 out of 190. However, this is a very low ranking. That's why ~~so~~ people choose to earn from informal businesses instead of formal ways.

Fourthly, the negligence of intellectuals in the education system

Pakistan's education system is ~~rate~~ ineffective and out dated. It focuses on degree based education rather than prioritizing skills and rational mental capabilities.

According to Higher Education Commission: every year more than 10,000 students graduates from the university. Unemployment rate has touched the new height that is around 22%. and poverty rate is increased by 40%. Therefore, the informal sectors host around 72% of jobs and contributes ~~to the~~ next to nothing in country's GDP.

(Economic Survey of Pakistan, 2022)

Despite being graduated from high ranked universities, students are failed to secure job in formal business corporations.

The flawed education system increases the informal economic activities in Pakistan.

Another reason of abysmal economic conditions of Pakistan is tax evasion or tax avoidance. Most of business entities hide their productions and sells to avoid taxes. Taxes are the backbone of economic sector of the country. Dating back to the

country's inception, the tax collection ratio ^{has} remained very low, because Pakistan is governed by feudals and elites; ~~and~~ they avoid to pay high tax rate.

According to Federal Board Revenue

The tax collection in 2021-2022 reached at 6.1 trillion PKR, out of which 4 trillion went for debt and remaining 2.1 trillions were used for government expenses. Moreover, lack of stringent tax policies further deteriorating economic conditions of Pakistan.

There are some fruitful measures that should be taken to discourage the informal economy. The chief ^{among} them is documentation of informal businesses. Government should reduce the documentation requirements and introduce one window system.

One window system, ~~is~~ a system where businessman submit information to a single agency rather than multiple agencies. This system not only reduces time and cost but also encourages the businessmen to register their businesses. For example, China is strongly supporter of one window system and provides

benefits to businessmen. Pakistan should adopt this method to attract businessmen that they ^{can perform} their due shares for the betterment of the country.

Moreover, Government needs to invest in tax collecting departments because low investment and low salaries set the ground for corrupt activities. There is a dire need of strengthening the institutions in free and fair manners. **As per International Monetary fund standard** = At least 2% of the collected amount must be spent on tax collecting bodies. Unfortunately currently, Pakistan spends only 0.6% on Federal Board of Revenue. This investment is next to nothing. Pakistan should fulfill the I.M.F standardized requirements, which will increase the tax collecting rates and uproot the corruption from the departments. This practice is not only beneficial for the Federal Board of Revenue but also encouraging many other departments to remain accountable and responsible.

Furthermore, this is the twenty-first century which is known as a century of Artificial Intelligence. Every day, billions of innovations and technologies are invented and introduced and world is overly dependent on technologies for creating easiness and saving time. In contrast to it, Pakistan is living in twentieth century. Government should replace the out dated book keeping system with new technologies and innovations in the departments. Technological online system not only reduces burden but also increases efficiency of department. The worth mentioning example is 'point of sale', this system is used in big businesses and in retailers. It is an online system which shows daily ~~total~~ sales ratio of the business. On the other hand, It is widely ignored in tax collecting institutions.

Besides, there is a dire need to increase awareness among people. Mostly, poor people do not know about tax paying system and tax rate system. Government should introduce awareness workshops and campaigns through media channels, such as print media.

and social media. Only 35% population know Track and Trace system (**Pakistan Institute of Development**). However, remaining 65% population is unaware of this, which is very high percentage. Through different media channels, tax information should be spread, ~~and~~ ^{which} ~~tax~~ ^{should be} understandable for everyone because the literacy rate is very low in Pakistan and poor people can not understand economic terminologies.

Therefore, media is growth pillar of state, so it should pay its due shares for eradicating economic woes of Pakistan.

Additionally, Government should invest amount for the well being of people. Human development and Economic sustainability go hand in hand and both are interlinked. **As per data of World Bank**: Pakistan's Investment to GDP ratio is 14%. Contrastingly, its neighbouring country India's investment to GDP ratio is 23% and Bangladesh's ratio is 28%. Pakistan should increase budget for the Human development because human development increases trust between masses and Government.

For example, Switzerland and Norway both are investing more in human development. Switzerland ranked top in Human Development Index, it provides incentives and benefits to public and strengthened the tax culture. This is one of the best ways to discourage the informal economy.

Ease of doing business is another effective step to uproot the economic crisis in Pakistan. State should provide subsidies and incentives to attract foreign investments. At present, Middle East countries, such as Saudi Arabia, Kuwait and Qatar show their interest to invest in Pakistan. State needs to eliminate security threats of Non state actors and extremists. The safe and secure environment ^{can} bolster the ease

of doing businesses. **Ease of doing business Index reveals the data of 2022**, Pakistan ranked 108 out of 130 countries. Movement from the previous year, it is improving, but still many hurdles are need to be addressed.

As, Ishaat Hussain writes in his

book, **The Economy of Elitist-state**, in order to fulfill (IMF) conditions, the government imposes tough tax rate on Small Medium Enterprises (SMEs). State should revisit its policies and formulate them accordingly.

It would not be wrong to say that, E-commerce is playing major role in stabilizing the economy.

There are many ^{E-commerce} websites ~~are~~ which are being used to earn money at home, such as Alibaba, Daraz and E-Bay.

According to PwC's report Last year 80000 ^{People} ~~job~~ were lost their jobs but 90000 jobs opportunities were introduced through E-commerce platform. Pakistan should reduce unemployment rate by bringing some innovations in E-commerce sector.

It ^{will} not only generate job opportunities but also reduce poverty ^{rate} which ultimately contributes to G.D.P ratio. The threat of growing informal economy can be minimized by developing intellectual skills in the youth. ^{Pakistan} ~~which~~ is more than 60% of population is young.

Along with innovations and E-commerce initiatives, the another area look into is stringent checks and balances over trade activities. There are more than half of the traders^{are} involved in malpractices. The cross border^{trade} must be kept in check. **The State Bank of Pakistan reveals the report**, the illegal barter trade, on the Taftan border (Pak-Iran), of crude oil and other^{commodities} ~~are~~ increased. At present, Pakistan and Iran have opened border markets on Pishin and Mand area of Balochistan which increases the trade opportunities between two countries but illegal trade^{would be} also increased. Therefore, the custom department of Pakistan should adopt^{new} surveillance capabilities to keep checks and balances over trade activities on borders.

Last but not the least, remittances are important part of the economic sector. Remittances, a money ^{that} ~~which~~ foreigners send to their families. There are more than 20 million families who are relying on remittances. The banking

system of Pakistan must be more effective and competitive. Along with better exchange rate, it should provide quick delivery. Due to lack of these facilities, overseas Pakistanis send money through other channels, such as Hundi Hawal. The illegal networks are increasing in Pakistan. For that reason, FIA, State Bank, security exchange Commission of Pakistan and inter-banks should play their stringent role to eradicate informal economic activities and businesses.

To conclude, Pakistan is suffering from multitude of economic crisis, such as backbreaking inflation, huge gap between export and import, balance of payment crisis. These issues are exacerbated by the unaddressed or informal economy which adds fuel to the existing socio-economic woes of Pakistan. Pakistan needs to take some effective measures including documentation of businesses, stringent checks and balances, promotes tax culture and spread awareness among

people. These measures will eradicate the evil of informal economy. Pakistan needs to revisit its energies in stabilizing the economy and promoting the vision of founding father: a progressive and peaceful Pakistan.

Democracy is the best form of Government

Outline

1) Introduction:

Thesis statement:

2) Democracy is the best form of Government (Thesis)

- Democracy is Government of Majority
- All are equal in democratic system
- Democracy ensures accountability process
- It strengthens National Unity
- Democratic system ensures well being of citizens.

3) Why is not Democracy best form of Government? (Anti thesis)

- Democracy is the popularity of ignorance
- Minority rights are usurped
- Run away corruption
- People are highly divided among political parties
- Majority of population is under poverty line

4) Democracy is best among all form of Governments (Synthesis)

- Democracy spreads awareness of Political rights
- Constitutions gives equal rights to all
- Menace of corruption is present in all form of Governments
- Weak democracy is responsible for Political Polarization

e) Democracy is not solely responsible
for poverty.

Conclusion

Single National Curriculum is road to stable Pakistan

Outline

1) Introduction

Thesis statement:

2) Defining the term S.N.C

3) How S.N.C is road to stable Pakistan

a) It promotes Uniform education

b) It eradicates social disparities

c) It will change the fate of Nation

d) It ensures national Unity.

e) It promote intellectual skills

4) Why S.N.C is not road to stable Pakistan.

a) Unification of education is time taking process

b) Gender based disparities will remain in Society

c) With low educational budget, SNC cannot change the fate of Nation

d) Education is provincial matter which increases center-provinces tensions.

e) Rote learning and cramming culture discourages the intellectual skills.

5) S.N.C will change the fate of Pakistan.

a) Unification of education is time taking process

but it improves quality of education for the generations.

b) S.N.C provides equal opportunities for every gender.

c) Good education systems will eradicate the economic woes of Pakistan.

d) S.N.C will eradicate all illogical tensions and gather nation under one Umbrella.

e) S.N.C included Science subject which are practical based rather than theoretical.

Conclusion

Class room decide the future of Nation.

Outline:

Introduction:

Thesis statement

Decoding the term class room

How ^{good} class room decide the future of Nation ?

- a) class room preserves ideology of the nation
- b) class room and economy of nation are directly proportional.
- c) It ingrain moral values and forge a disciplined nation.
- d) It promotes gender equality
- e) It promote tolerance among multicultural students
- f) It create sense of unity
- g) It ~~also~~ work as a agent of socialization
- h) class room is responsible for intellectual skills of student
- i) class room inculcates the sense of accountability
- j) class room is a place where leaders ~~are~~ ^{which} ~~are~~ ^{made}
- k) produce leaders of the world.

Why ^{can} class room ~~can~~ not ~~change~~ ^{decide} the future of Nation ?

- a) Education for the sake of education responsible for sluggishness in a nation.

- b) High literacy rate can not decide the future of nation.
- c) Education without a focus on strategic challenges deserts a nation of its existence.
- d) Human development - a world dream in the absence of strong industrial base despite literate society

5) Conclusion