

What measures would you suggest to improve the economy of Pakistan particularly in the areas of debt reduction and enhancing export capacity?

Pakistan is currently facing a political impasse, a dwindling economy, surging inflation, escalating power tensions, threats, and possibility of world wide recession. Concerns about the status of Pakistan's economy are mounting as foreign reserves dwindle. The local currency weakens, and inflation persists at levels not seen in decades.

Abnormal devaluation of PKR take place in last 2 decades.

In the year 2000, 37 PKR against 1 dollar. In 2008, 82 PKR against 1 dollar.

In 2013, 84 PKR against 1 dollar.

In 2018, 125 PKR against 1 dollar.

In 2022, 178 PKR against 1 dollar.

In April 2023, 285 PKR against 1 dollar.

Reasons :-

→ The decline in dollar reserves:-

The price of PKR is directly linked with dollar. The greater the dollar reserves, the more

stable PKR. The less dollar reserves then devaluation in PKR.

In Feb 2022, Total dollar reserves 23 billion dollars, including State Bank of Pakistan had 15 billion dollar and commercial bank had 8 billion dollar.

In March 2023, Total dollar reserves of Pakistan have less than 9 billion dollar, State Bank of Pakistan has 4bn, while commercial bank has 5bn.

→ Shifting of currency from Artificial control to free floating:—

In November 2022, Finance Minister and Governor State Bank of Pakistan announced dollar would purchase at 225PKR, not more than that. Means capping in the price of dollar. While, the original price of dollar in private market varies from 265—275PKR.

Impacts:—

→ Abnormal Increase in Inflation:—
Pakistan is an import based economy. Import is greater than export. In fiscal year 2021-22, import was about 80bn\$, while export was 36bn dollar, 44bn\$ short fall.

Every imported product ^{Purchase} in terms of dollar and sold in terms of PKR. While, PKR devalue against dollar, so, every imported product get expensive which leads to inflation.

→ Purchasing Power Parity declined:-
The PKR devalue against dollar due to which the purchasing power of people becomes less.

→ Industries start closing:-
High production cost increases the prices of products. Restriction on imports of raw material, or half-finished goods. Purchasing Power is tremendously declined.

Measures to improve the economy of Pakistan:-

The following steps should be taken to improve the economy of Pakistan:-

- Bring Dollar to the country.
- Remittances
- Increase in Export
- Decrease in Import.

Bring dollar to the country:-
The state should pay more attention to the tourism. Due to which tourist want to

visit Pakistan. \$ Then, dollars brings to Pakistan which helps to stabilize the economy of Pakistan. There should be an increase in foreign investments which also helps to stabilize the economy of Pakistan.

Remittances plays the role of major stabilizer in the economy of Pakistan.

“The money send by Pakistani diaspora who settled abroad through banks and registered money exchangers.”

According to State Bank of Pakistan, in fiscal year 2021-22, Top 5 countries sending money to Pakistan;

Saudi Arabia sent around 8bn \$

UK sent about 3.5 bn \$

US sent nearly 3bn dollar.

UAE sent 5.7 bn dollar.

Oman sent 1bn dollar.

Top 3 regions approx. 15bn \$ by Middle East.

Above 8bn \$ sent by Europe.

Above 4bn \$ sent by North America.

So, Remittances very helpful in the economy of Pakistan. They help to

↳ Dollar stability

A source of dollar stability, in year 2021-22, 44 billion dollar trade deficit. 13 billion dollar debt servicing, in total 57 billion dollar shortfall. 31 billion dollar arrived through remittances in that year. 4 billion dollar arrived through Roshan Digital Account, total 35 billion dollar. This shortfall reduced from 57 to 22 billion dollar.

↳ Remittances — the major source of domestic budget for 9-10 million families across Pakistan:—

There are 9-10 million families in Pakistan are dependent on sustenance of remittance. 2.5 million people in Saudi Arabia, 1.5 million people in United Arab Emirates, 4.5 million people in Middle East. overall, 9-10 million Pakistani are in abroad who send money to Pakistan to meet the families expenditures.

There should be more increase in remittances to bring dollar in Pakistan & which also helps in debt reduction.

How to improve remittances:—

↳ Regularize non-registered money exchangers:—
Money exchangers locally called

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Hundi or Hawala, People send money these exchangers because they offer better exchange rate. They also provided quick delivery. These money exchangers are not only involved in non-registered money transfer but also in money laundering and terror finance. This was the reason Pakistan was in Grey List of FATF. To overcome all these problems, it is necessary to regularize the money exchange business. 2018 onwards, a comprehensive strong drive by the state lead by FIA against money exchangers, 100's of money exchangers were banned and closed, but those which were not included in terror finance and money laundering were regularized and simultaneously increase in remittances.

→ The Interbank exchange rate must be compatible with Private Bank:-

One the exchange rate provided by the commercial banks given by state bank of Pakistan that is normally low rate from private market.

In Nov 2022 - March 2023 Bank Purchase 225 PKR against one dollar but in Private market the price of PKR against dollar 280+ PKR. The difference is more than 50 rupees against one dollar.

Remittances decline more than 2 billion dollar because of different exchange rate

Improve Banking Channels:—

Make quick delivery, 2018 onward the time taken from 4-5 days reduced to 2 day. Tax was reduced almost to bear minimum 1lac almost tax 700PKR, Resultantly People starting send more money through banks.

Roshan Digital Account:—

A revolutionary ideas was launched in Sep 2020. More than 5 lac accounts open till ^{June} 2022 but it is in its initial stage and still need to provide more information. So that 9 million can use this method to send money!

Increase in Export:—

Agriculture has been backbone of economy Pakistan is an agricultural country ^{and} ~~but~~ its economy ~~is~~ based on agriculture because there is a 29% GDP contribute ~~in~~ in agriculture. More than 60% of GDP small population is directly or indirectly linked with agriculture. But there is decline in agriculture. In April 2023, 38% decline in cotton production, there will be decline in wheat production 20%. decline in sugar cane, maize because of floods. Productivity is less, the stored grains ruined. others reasons of decline in agriculture are

Shortage of water, canal system decline, shift from cotton to sugar cane.

The state should pay more attention to agricultural sector due to which high production of wheat, rice, maize, cotton, sugar cane.

In 2021-22, fine bumper crops like wheat production 26 million tons, Rice production 9 million tons,

Maize production 5 million tons, Cotton production 17%. So, there is still need to promote agriculture to stabilize economy.

↳ Agrarian reforms are needed to protect small landholders from the onslaught of housing developers. Access to affordable institutional credit must be provided to every farmer. Both these steps can lead to improvements in agricultural output and uplift the historically marginalised segments of society.

↳ Seed Development Programs
Seed is basic input for agriculture sector and has role in enhancing agricultural productivity. To improve the availability of quality seed to the farmers of Pakistan, there is need to revitalize research and development and adopt international best practices in line with the requirement of domestic and global markets.

↳ Canal System Development

More dams should be constructed to develop the canal system of Pakistan which is may helpful in agricultural productivity.

Promote Industries:-

Industries in Pakistan has never become major exporter.

No country can have potential export until it does not have strong industrial base.

↳ Invest on textile:-

State bill out packages to textile industry.

Govt reduce and cotton production local. In 2019-20, Exports of textile 13 billion\$. And in 2021 export of textile 15 billion \$ in 2021-22, nearly 20bn\$ about 7 billion dollar increase in textile ~~trade~~ export. there is still need to invest more on textile.

↳ Electronics:-

In 2019-20, 3 billion dollar mobile products imports and in 2021-22, 1.4 billion dollar import. Now, with the exception of apple all others like Samsung have their units in Pakistan. Now there is still need to promote Electronics.

↳ Constructive Industries:-

CPEC related boom in industries. Now, due to political crisis it degenerate have to regenerate it again, this project will be very helpful.

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very helpful.

Conclusion:-

No country can transform from import to export until it works on production sector. Pakistan needs to pay more attention on its production sector to move towards export and stabilize its economy.