The Limits to Growth: Interest rate and Inflation.

Pakistan is facing the worst economic crises in its history. The country's interest rate and inflation has set its new peaks; resulting in repression to growth and lower economic activities. The interest rate ~~has~~ rose to 22%, first time in the country's history but the question is how ~~could~~ it effects the economy. The rising in interest rate by the Central bank, ~~can~~ ~~can~~ a tool with them to control inflation, can control inflation in a short run. However, it slows down the economic activity. In addition to this, the investors kept their money in reserves to earn more interest and avoid spending their spare money on extra means. Consequently, this lower the demand and competition. However, it results in depression in businesses. This yields in lowering the trust of investors, lead to economic crisis. Furthermore, the balance the balance between the National Domestic Reserves and Foreign Direct Reserves is imperitive for country's economic stability. Unfortunately, the State Bank has pumped massive quantities of printed money into the economy. This injunction means, much money chasing few dollars; resulting in devaluation of Rupee against the dollar and rise in inflation. Similarly, this imbalance plunged the foreign reserves and created a unfavorable environment for economic activity. In ~~a~~ short, the higher interest rate and pumping massive quantity of money into the system by the State Bank; rise in inflation has limited the economic growth and country is facing economic crisis.