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Q01 Discuss the major economic challenges of Pakistan and propose sustainable economic growth and development:

In contemporary world, strong economy is a must but Pakistan is grappling with many political and economic crises. Some major challenges faced by Pakistan are described below:

Major Economic Challenges

Fiscal Deficit: The difference between a government's total revenue and its total expenditure when expenditure exceeds revenue. The major factors contributing to fiscal deficit are non-developmental expenditures, etc. Some insights of the fiscal year 2022-23 provides insight into significant gap between total revenue and expenditures.

Total revenue = 9.6 trillion.

Total Expenditure = 14.6 trillion.

The fiscal deficit in absolute terms is PKR 6 trillion.

Circular Debt: According to the Central Power Purchasing Authority (CPPA), the circular debt has exceeded 3.1 trillion. This debt continues to grow and increase due to the inefficiencies in the power sector including the significant loss of energy in transmission and distribution, inability to collect full payments and need for subsidies and financial support.

When the consumers do not pay, power distribution companies cannot pay the power generation companies. While 17% is already lost in the line.

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Inflation and Rupee Depreciation due to low foreign exchange reserves

Low foreign exchange reserves in 2024 are contributing to the depreciation of the Pakistani Rupee and higher inflation, as low reserves means Pakistan has less money to buy foreign currency which can weaken the Pakistani Rupee (PKR). A weaker Rupee makes imports more expensive including essentials like oil, etc. Due to weaker Rupee, the cost of goods and services in Pakistan increases, leading to higher inflation rate. A depreciated Rupee increases the cost of foreign debt in PKR terms adding further financial strain. High inflation and weak currency can hamper the economic activity. As of 2024 Pakistan's Foreign Exchange Reserves are around USD 4.5 billion which is much lower as compared to its debt which is USD 130 billion.

Taxation Problem : As per ADP report only 1% Pakistanis pay taxes. The systems for collecting taxes are old and not very effective. Many businesses and workers operate outside of the formal economy, this includes those who do not register their business, many of these deal with cash which are hard to track and hard to report to tax authorities. Leading to effect on the economy.

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Political Instability and FDI

Frequent changes in the government, political unrest and inconsistent policies create an uncertain environment. Investors are cautious of placing money in a country where political conditions are unstable, leading to reduced investment and business activity. These investors are crucial for countries growth. This low foreign direct investment (FDI) can delay or halt important infrastructure and development projects.

In 2024 FDI inflows are relatively low as compared to its neighbouring countries, i.e. Pakistan having 1.5 billion USD while India 570 billion FDI. With lower FDI the country struggles to find large scale projects and industrial expansion limiting overall economic growth.

CPEC High cost of CPEC projects contribute to Pakistan's debt burden. The focus on infrastructure in specific regions may exacerbate regional economic imbalances. Meanwhile antagonism with India and strained relations with US further complicates Pakistan's economic situation. Trade barriers and increased defence spending due to ongoing tensions with India reduces the economic potential of growth.

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Besides this, the lack of industrialization is one of the major factors behind the grave economic situation of the country. However, Pakistan's economy has been heavily reliant on Agriculture and has failed to increase its share in manufacturing and service domains. For instance, the automotive industries in Pakistan are a glaring example in this case. The country only assembles cars and motorcycles and has failed to produce any of the major components, such as engines and transmissions. Several other industries demonstrate the same example, as the country relies on imports instead of building the capacities of the local industry. Hence, the lack of industrialization slows economic growth and ultimately pushes the country toward economic decline.

Strategies for Sustainable Economic Growth and Development

Pakistan can avoid crisis by adopting some crucial measures, such as:

Pursuing an Independent Economic Policy.

Pakistan's reliance on international lenders, especially the IMF, has influenced and shaped its macroeconomic decisions. By pursuing an independent economic path, the government can freely decide how to stabilize its economy by independently pursuing fiscal and monetary tools.

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Charter of Economy

A charter of economy is a document that outlines the Government's economic policy and actions. Currently, the economic policies are being formulated at the will of incumbent Governments with nominal input from the concerned stakeholders. However, by creating a charter, a roadmap for reform can be created that will provide a sense of certainty and stability to investors, irrespective of the changes in Government. The charter shall be created after consultation with the concerned stakeholders to ensure it is comprehensive and addresses the underlying economic problems. Hence, by creating a charter of the economy, the country can pave the way towards economic growth.

Boosting Exports and Limiting Imports

The country's current account deficit has seen a significant rise in the recent years due to massive increase in imports, while exports have remained stagnant. It's high time that the Government shall take concrete steps by providing businesses with easy access to credit, subsidies, tax advantage and consultancy to boost their exports. Special measures shall be introduced to discourage luxury imports that serve the purpose of elite class. Restrictions such as Quota, tariff and import duties shall be increased to curb lavish imports. Thus the country can overcome the economic crisis by boosting exports and curbing lavish imports.

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Mobilization Of tax Resources

An effective system of tax gives a country adequate revenue to finance domestic expenditures and meet external fiscal requirements by simplifying the tax code, and improving tax administration. The country can manifold its revenue to strengthen its fiscal base, ultimately overcoming the crisis leading to economic growth.

Improving Governance System

Good governance is essential for sustainable growth and development of the country as it ensures the rule of law, strict accountability and adequate management of resources. Country shall take measures such as strengthening public institutions, curbing corruption and ensuring stability and accountability to augment the governance system. This will ultimately steer the country out of economic crisis.

Measures to control inflation

The country can control the unprecedented increase in inflation by tightening monetary policy and reducing government spending on non-essential items. Also strengthening the exchange rate by reducing the government's interference in the foreign exchange markets and exporting more than country's import. Hence the government can overcome the economic crisis by controlling inflation rate and following a market determined exchange rate policy.

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Q4 Congress ministries of 1937 paved ways for a separate state. Critically Analyze.

The congress ministries, the outcome of the elections held in 1937, proved to be the last nail in the coffin of United India under the British Raj. It convinced Quaid-e-Azam together with muslim league leaders and others muslims of Subcontinent, to lay the foundation of a separate homeland. After the Elections of 1937, the Indian Congress came into power. The unexpected results intoxicated the Congress leaders with a mistaken sense of power. Furthermore the congress ministries made life of muslims miserable in all the eight provinces, having been under its rule. The tyranny and oppression of congress's rule became an eye opener for Indian Muslims. They realized that the only option left for them was to demand a separate Muslim state. Thus after three months, the muslim leagues demand for a separate homeland was formally put forward by Indian Muslims rigourously. This answer comprehensively discusses the congress ministries and how they make Muslims lay foundation of a separate muslim land.

As mandated by the Government of India Act 1935, provincial elections were held in 1937 between Indian National Congress and All India Muslim League. The results of the elections were shocking for the Indian Muslims

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as they could not get ^{mentionable} support from the voters. Contrarily, the Congress achieved a big victory and managed to get a clear majority in five provinces i.e. Madras, Bihar, Orissa, United Provinces and Central Provinces. However, the government was formed in Bombay, Bengal and NWFP. After winning the election Congress adopted a rigid attitude towards Muslims and started behaving in a dictatorial manner. They refused to form a coalition government with the Muslim League by putting terms and conditions almost impossible to meet for Muslim League. Muslim League rejected these terms and conditions on the basis of self respect. Resulting in the formation of pure Congress in United Provinces.

After coming to power, Congress ministries came out to impose Hindu nationalism on Muslims. They declared Bande Mataram as the national Anthem and Three colored flag as the national flag. To humiliate the Muslims, Congress insisted on commencing the days beginning by Bande Mataram and hoisting of flag to prove that there were only two powers in India - British and Congress. In addition to that, Warda scheme, a primary education policy and Vidya Mandir scheme, a new education system were introduced. The

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main objective was to brain wash the muslim youth by infusing them in the ideology of these schemes and theory of one nation. The supremacy of Hindu culture and religion were the primary intentions. Even the Hindi language was given the topmost priority in the policies and was declared a national language. Moreover the Hindus were free to assault the innocent muslims in the united India. Muslim houses and properties were set to fire and women and children were abducted. Congress started a muslim mass contact campaign. The main objective of the campaign was to damage the popularity of muslim league amongst the muslims. Slowly but relentlessly congress was forcing the Muslims of India into separation. 27 months of congress rule were like a nightmare for the muslims of the subcontinent.

"The muslims can expect neither justice nor fair play under Congress government"

(Quaid-e-Azam M. Ali Jinnah)

Congress rule in eight provinces was no doubt a period of immense suffering for the muslims. Still it was a blessing in disguise as it brought unprecedented unity among muslims. It convinced them the Hindus and Muslim were two separate identities with different religions, culture and traditions. So it would not be possible for both communities to live together under the same banner. Hence this reality strengthened the belief of muslims in "Two nation

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theory" that made the basis for the demand of a separate muslim Homeland, Pakistan. They realized that only a separate ~~separate~~ land could provide them safety and freedom.

Critical Analysis

It is undeniable that the Elections of 1937 became an eye opener for the muslims of United India. Quaid-e-Azam M. Ali Jinnah was fully aware of Congress's evil intentions and struggled hard to make muslims realize that they need a separate homeland. Soon after congress came into power and adopted a rigid attitude towards the muslims, they realized that no constitutional authority could protect their freedom in United India. So the only option left for them was to demand a separate Muslim state. The struggle of freedom in the subcontinent had not confined to a specific occasion, but it was an outcome of a series of events. However the Congress ministries and their policies towards the muslims provoked the Indian Muslims to put forward the demand of a separate state.