The economy is semi-industrialized, with centres of growth along the Indus River. ... As of May 2019, the growth rate has been revised and the IMF has predicted that future growth rates will be 2.9%, the lowest in South Asia. According to the World Bank, poverty in Pakistan fell from 64.3% in 2002 to 29.5% in 2014. GDP Growth Rate in Pakistan is expected to reach 5.50 percent by the end of 2020, according to Trading Economics global macro models and analysts expectations. In the long-term, the Pakistan GDP Growth Rate is projected to trend around 5.50 percent in 2021, according to our econometric models.

Despite touching a maximum of 5.8 per cent growth in FY18, Pakistan's GDP for FY19 plummeted to 3.3 per cent, well below a target of 6.2% set last year. India is way ahead than its neighbour in terms of GDP per capita, human capital ranking, money market, tax transparency and collection, imports and exports, and trade.Pakistan's population is projected to increase to over 227 million by 2025. The population will also comprise a much larger proportion of younger people (63% below the age of 30). These demographic projections raise a number of issues for the country.

Growth and Investment:

Pakistan’s economy continues to face numerous domestic and external shocks from 2007 onwards. Economic performance was affected from the devastating floods and rains, the internal security hazards, and the energy crisis. The economy of Pakistan during the last five years grew on average at the rate of 2.9 percent per annum. Deterioration in the power sector is the main constraint on growth. It is true that the energy crisis is frustrating the realization of our true economic potential. Power outages have shaved off annual GDP growth 2 percent. Gross Domestic Product (GDP) growth has been stuck at a level, which is half of the level of Pakistan’s long-term trend potential of about 6.5 percent per annum and is lower than what is required for sustained increase in employment and income and a reduction in poverty. The past few years’ economic performance has suggested that the country has the potential to move towards which is needed to generate adequate employment and meaning full poverty reduction provided that power crises is addressed. The framework for economic growth approved by the government in FY11 identifies the restructuring of public sector enterprises as a key focus area. It is an approach to accelerate economic growth and sustain. It identified a coherent approach to growth that goes well beyond projects and targets public service delivery, productivity, competitive markets, innovation and entrepreneurship. The strategy is based on sustained reform that builds efficient and knowledgeable governance structure, and markets in attractive and well-connected locations. It focuses on the ‘software’ of economic growth (issues of economic governance, institutions, incentives, human resources, etc.), and provides an environment in which the ‘hardware’ of growth (physical infrastructure) could be expanded and productive at every level. However, the desired output is yet to be realized. Aimed of the challenges at external and domestic front and slow growth in Euro-zone, our economy is showing modest improvement. The commodity producing sectors (agriculture plus industrial sector) are picking up economic activities gradually. The performance of the agriculture sector remained good due to better availability of seeds, fertilizers and weather conditions, stimulated healthy activities in other sectors of the economy due to its forward and backward linkages. However, the achievements remained behind the desired targets. Some improvement is also witnessed in the Large Scale Manufacturing (LSM) sector.

Investment has a key role in the determination of economic growth of a country. It increases the productive capacity of the economy, creates the employment opportunities, and promotes technological advancements through embodiment of new techniques. Investment spending is considered a volatile, component of aggregate demand because it depends on multiple factors. That is why it causes much fluctuations of the GDP. Investment has been hard hit by internal and external factors during the last few years and is considered as a key concern. Total investment has decreased from 18.79 percent of GDP in 2006-07 to 14.22 percent of GDP in 2012-13. Fixed investment has declined to 12.6 percent of GDP in 2012-13 from 17.61 percent of GDP in 2007-08. Private investment recorded a contraction of 8.7 percent in 2012-13 compared to 12.8 percent of GDP in 2007-08. Public investment as a percent of GDP also decreased to 3.9 percent in 2012-13 against the 4.8 percent in 2007-08. Although the investment climate remained challenging in view of unstable security situation on account of campaign against extremism, yet the resolve of the government is to address this issue and create an enabling environment to revive the confidence of the investors.

Conclusion and the Way forward Economy of Pakistan has been confronted with number of challenges either in the form of floods/ rains, paying heavy price against terrorism activities yet a slow and sustained growth is witnessed over the period after the global financial crises. Presently the problems affecting the economy include energy shortages, poor law and order situation, and a host of other structural impediments that have held back investment and growth in the country. Measures to stimulate growth will not yield full potential unless the structural weaknesses responsible for the decline in the investment are addressed. Pakistan’s middle class has been expanding and trying to play a significant role in socio-economic development of the country. A vibrant middle class not only creates demand of goods and services but also provide savings to fund productive investments also breeding the professional and skilled labour force. Such human capital is essential for growth in the long run, which can provide a strong impetus to economic growth. There is rising trend of youth entrepreneurship in Pakistan. These young entrepreneurs have great potential to cause a paradigm shift in the economy of Pakistan. Opening up of trade relations with India is another major initiative that can boost economic growth by providing greater market access as well as easy and cheaper availability of raw materials for domestic producers.

 Agriculture:

Agriculture is considered the backbone of Pakistan's economy, which relies heavily on its major crops. There are vast gaps between the acquired and actual output of produce, which suffers due to a lack of appropriate technology, use of inputs at improper times, unavailability of water and land use and inadequate education about insect pest control, which not only negatively affects the produce but also significantly reduces the amount of produce. Farmers mainly use synthetic chemicals for the control of insect pests, but these are used unwisely. To emphasize the major shortfalls and actual performance of major field crops, this study investigated the relationship between agricultural GDP and the output of major crops, including wheat, rice, sugarcane, maize and cotton, in Pakistan over a period of 65 years from 1950 to 2015. Time series data were collected from the Economic Survey of Pakistan (various publications). Crop data were analysed using the ordinary least square method and the Augmented Dickey Fuller (ADF) test, and the results were interpreted using Johansen's co-integration test. Our study finds that the output of wheat, rice and cotton has a positive and significant relationship with the agricultural GDP of Pakistan, while the output of sugarcane has a negative and non-significant relationship with the agricultural GDP of Pakistan. Therefore, this study recommends that the government of Pakistan should launch new funding programmes for the development of the agricultural sector.

Wheat is an important [cereal](https://www.sciencedirect.com/topics/social-sciences/cereals) crop for many countries, where it is consumed as a staple food. It is an admitted fact that nothing is more important than the needs of human beings. Sustainability and reliability in food production are very important for sustainable crop production. For wheat production, water supply and energy are important and will continue to constitute an important foundation to ensure the sustainability of agriculture and food production reliability. However, water and energy preservation are two key issues for researchers to decrease the costs of these two commodities in such a manner that production will not be hampered. In the 1980s, Pakistan experienced a golden era of water management in the construction of the canal irrigation system, which was developed at the same time; however, the results of different [droughts](https://www.sciencedirect.com/topics/social-sciences/drought) reduced what the system could achieve. The country could only barely emerge from the eye-opening shock of water scarcity that persisted for almost three years from 1999 to 2002.

Rice is an important crop for many countries, and its culture extends from the [humid tropics](https://www.sciencedirect.com/topics/social-sciences/humid-tropics) to northeast China and southeast Australia, from sea level to an altitude of more than 2500 m in the moderate regions of Nepal and Bhutan. Although most rice is cultivated in Asia, there are many rice cultivation areas in Oceania and Europe. Due to its wide geographical distribution, rice is cultivated in many climates and on a wide range of soils, with huge differences in soil properties. Early studies emphasized flooded rice production in Asia due to the characterization of rice soils ([IRRI., 1978](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib76), [IRRI., 1985](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib77), [Kawaguchi and Kyuma, 1977](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib85), [Moormann and Breemen, 1978](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib106)). However, most studies have focused on the specific characteristics of waterlogged soil treatment ([Banta and Mandoza, 1984](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib13), [Kirk, 2004](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib91)) ([Kögel-Knabner et al., 2010](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib93), [Ladha et al., 1992](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib94), [Ponnamperuma, 1972](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib123), [Wassmann et al., 2000](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib157)),

Cotton is an important cash crop grown in Pakistan, and it contributes substantially to the national economy of Pakistan and is a key source of livelihood for rural people ([Pakistan, 2012–13](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib116)). It is widely grown in hot and humid areas, where there are high pest hazards because some insects are especially deleterious to the yield and quality of cotton. There are many requirements for high yield of cotton, such as high input, [fertilizers](https://www.sciencedirect.com/topics/social-sciences/fertilizers), chemicals for pest control, highly drained soil, and water, and their utilization deteriorates the environment in different ways ([Shafiq and Rehman, 2000](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib135)). The major impacts of high input result in greenhouse gas emissions and water pollution due to leaching ([IPCC, 2006](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib71)). In Pakistan, [freshwater](https://www.sciencedirect.com/topics/social-sciences/freshwater) bodies are being contaminated through runoff and the leaching of nitrates from agricultural land ([Azizullah et al., 2011](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib11)), and similarly, overuse and misuse of chemical [pesticides](https://www.sciencedirect.com/topics/social-sciences/pesticides) also have deleterious impacts on crops and animals as well ([Tariq et al., 2007](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib151)). To obtain high yields, mechanization has also intensified the use of non-renewable energy.

Sugarcane is widely grown in the tropical and subtropical regions of the world, with high economic importance. According to an estimation in 2014, sugarcane was planted on an area of 27 million hectares in more than 100 countries worldwide ([FAOSTAT, 2015](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib47)). Globally, Brazil ranked first in terms of sugarcane production, with 39 percent of total world sugarcane production, and India ranked second with 19 percent overall, followed in order by China, Thailand and Pakistan with production rates of 7, 5 and 4 percent, respectively ([FAOSTAT, 2015](https://www.sciencedirect.com/science/article/pii/S2405883116300569#bib47)). So far, in the sugar industry, sugar is usually utilized for its sucrose content, which is further used in the industry as a sweetener, and the remaining biomass residue (bagasse) after extraction of sucrose is consumed as a fuel to provide steam and electricity to run sugar mills. However, there has been increasing awareness about its co-products, such as cane trash, molasses, bagasse and filter cake, which are today used in many industries, and many refined products, e.g., bioethanol and electricity, as well as chemicals, including a variety of polymers ([Dias et al., 2013](https://www.sciencedirect.com/science/article/pii/S2405883116300569%22%20%5Cl%20%22bib36)).

Manufacturing and Mining:

Manufacturing sector is the backbone of Pakistan'seconomy and constitutes the second largest sector of economy contributing 13.5 percent to Gross Domestic Product (GDP) and generating biggest number of industrial employment with technology transfer.

Manufacturing is the second largest sector of the economy accounting for 13.6 percent of Gross Domestic Product (GDP). This sectors mainly comprises textile industry, engineering goods and industry, agro based industry, chemical industry and small & medium enterprises. This sector provides employment opportunities of 15.3 percent to the total labor force. Large Scale Manufacturing (LSM) at 10.9 percent of GDP dominates the overall sector, accounting for 80 percent of the sectoral share followed by Small Scale Manufacturing, which accounts for 1.8 percent of total GDP. The third component of the sector is slaughtering and accounts for 0.9 percent of overall GDP. The growth of this sector is contingent on better availability of utility services, enabling environment, credit to private sector, Foreign Direct Investment (FDI), capital market gains etc. This sector suffered in the past due to non availability of the desired inputs for its growth. The major issue which hampered its growth was the power shortages. The present government has made focused efforts to resolve this issue and developed a road map to overcome the power crises on fast track and on a sustainable basis.

The overall manufacturing sector continued to maintain its growth momentum with more vigor during the current fiscal year. Manufacturing sub component of industrial sector recorded an impressive growth of 5.0 percent against 3.9 percent of last year which helped overall industrial sector to improve by 6.8 percent against 4.8 percent last year. The Large Scale Manufacturing (LSM) during July-March FY 2016 registered a growth of 4.70 percent as compared to 2.81 percent in the same period last year. On Year on Year (YoY), LSM grew by 6.75 percent in March 2016 compared to 5.80 percent of March 2015. The production data of Large Scale Manufacturing (LSM) received from the Oil Companies Advisory Committee (OCAC) comprising 11 items, Ministry of Industries and Production 36 items and Provincial Bureau of Statistics 65 items have contributed in LSM growth by 0.26 percent, 2.96 and 1.48 percent, respectively.

The Automobile sector recorded a growth of 23.43 percent during July-March FY2016 compared to 17.06 percent in same period last year. The growth is mainly arrived from LCVs production which increased by 68.53 percent, Buses 81.95 percent, Jeeps & cars 29.73 percent, Trucks 41.68 percent and Motor cycles 17.22 percent. The only decline witnessed in the production of tractors which declined by 38.63 percent. The improvement in the automobile sector is due to stable exchange rate, continuation of concessional Apna Rozgar scheme launched by the Punjab government, appetite of new model and focus of commercial banks on auto financing. The demand for commercial vehicles particularly trucks will be further enhanced under CPEC. The improvement in gas supply to fertilizer sector led to a strong growth of 15.92 percent during July-March FY2016. The growth of Chemical sector recorded at 10.01 percent during the period under review mainly arrived from Sulphuric acid which recorded growth of 25.75 percent, Paints &Varnishes(S) 21.18 percent and Caustic soda 26.85 percent. The exceptionally well performance mainly arrived due to construction activities and start of commercial operation by caustic soda producing unit.

The Food, Beverages & Tobacco remained under stress mainly due to delay in cane crushing during this season. However, some items showed positive growth during July-March FY2016 which included tea blended which grew by 13.83 percent, soft drinks 4.14 percent, cooking oil 8.44 percent, vegetable ghee 6.12 percent, Sugar 2.85 percent and juices, syrups & squashes 2.93 percent. However, the sugar recorded growth on Year on Year (YoY) basis at 32.71 percent in March 2016 and Month on Month (MoM) basis 23.1 percent, which augur well for Food, Beverages & Tobacco group during the remaining months of the current fiscal year. The performance of Textile sector having highest weight in Quantum Index of Manufacturing (QIM) remained subdued on account of lackluster demand due to slowdown in economic growth in trading partners more specifically, China along with decline in the domestic cotton production.

**Balochistan**:

 Balochistan province has the major share in minerals being produced in Pakistan. Balochistan constitutes about 42 percent of the total national land and has been endowed by nature with substantial mineral wealth. The province’s mineral potential is much bigger than the current production statistics. This gap between thepotential and actual production is affected by law & order situation, absence of necessary infrastructure and lack of technical capacity for the mining. The Government of Balochistan is providing institutional arrangements but still there is dire need for the development of technologies for processing different indigenous ores to extract products of high commercial value which will bring socio-economic uplift and create job opportunities. Presently, more than 51 metallic and non metallic minerals have been discovered in the Balochistan province out of which 29 are being exploited including minerals such as chromite, copper, iron, lead, zinc, manganese, antimony and gold etc whereas the non metallic include barite, fluorite, calcite, magnesite, granite, coal and dimension stone such as marble both onyx & ordinary, granite, gabbro basalt and dunite etc.

Fiscal Development:

In 2018 and 2019, expenditure amounted to over 21 percent of GDP. On account of debt servicing in FY 2018, actual expenditure was Rs. 1987 billion against the budgeted figure of Rs. ... Allocation for the current fiscal year is 2891 billion, 78 % higher than last year.

An unusual decline in revenue collection and steep rise in current expenditures caused a deterioration in all major fiscal indicators during FY19. The overall budget deficit during the year stood at a historic high of 8.9 percent of GDP, which was also in excess of the 4.9 percent target set in the Budget 2018- 19. Meanwhile, the primary and revenue balances worsened substantially, highlighting growing debt stress for the government and a shrinking space for the needed development expenditures”-State Bank of Pakistan, Annual Report 2018-19-The State of Pakistan’s Economy

A tax gap analysis recently completed by the World Bank indicates that Pakistan’s tax revenue would reach 26 percent of GDP if tax compliance were raised to 75 percent-World Bank $400 million Pakistan Raises Revenue Project.

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The historic high fiscal deficit of 8.9% of GDP, as pointed out by the State Bank of Pakistan in its Annual Report for Fiscal Year 2018-19, posed enormous challenge for the Government of Pakistan Tehreek-i-Insaf (PTI) that also inherited record public debt, trade deficit and current account deficit. The callous economic policies of Pakistan Muslim League (Nawaz) from 2013 to 2018 left the PTI Government with no choice but to seek yet another bailout from the International Monetary Fund (IMF) and resort to massive rupee devaluation along with austerity measures leading to stagflation. The result of IMF-imposed policies is: Trade deficit fell from $11.7 billion from July-October of FY18-19 to $7.8bn during the same period this year and current account deficit dropped to $1 billion a month (in FY19) compared to $2 billion a month last year. However, public debt rose to Rs. 36 trillion and inflation to 10.08 percent in October 2019.

The two most troublesome areas of our fiscal management are debt servicing and high government expenditure. In 2018 and 2019, expenditure amounted to over 21 percent of GDP. On account of debt servicing in FY 2018, actual expenditure was Rs. 1987 billion against the budgeted figure of Rs. 1620 billion. Allocation for the current fiscal year is 2891 billion, 78 % higher than last year! If Federal Board of Revenue (FBR) collects even Rs. 5000 billion against originally fixed target of Rs. 5503 billion, after share of provinces under 7th National Finance Commission (NFC) Award, net tax collection available to the federal government will be around Rs. 2400 billion, that would be short by Rs. 491 billion for debt servicing of Rs. 2891 billion alone!! This shows the gravity of the fiscal crisis faced by the federal government-aptly highlighted by Prime Minister in his address to top officials of FBR on November 13, 2019.

Successive governments, military and civilian alike, have failed to end harmful tax policies and reduce wasteful/unproductive expenses. No serious effort has been made by any government to broaden the tax base, lowering of rates and effective enforcement of tax obligations.

It is an undisputed fact that FBR has not only miserably failed to tap the real tax potential despite imposing all kinds of oppressive taxes, it has been single handedly destroying Pakistan’s growth by anti-business actions especially during 2013-18. The then Finance Minister gave free hand to tax officials to block bona fide refunds, take undue advances from large business houses, use negative taxes like raising unjust demands and freeze bank accounts for recovery. Exporters and other taxpayers, still waiting for refunds, have been denied lawful right of payments/compensation within stipulated time. Had we concentrated on growth above 6%, as done by China, India and even Bangladesh in the region, we could have avoided the present fiscal and economic mess. Higher growth yields higher taxes and harsh taxation only hampers business expansion.

SBP in its Annual Report 2018-19-The State of Pakistan’s Economy’ has rightly criticised the provinces for what it called “lack of institutional capacity” giving rise to “lower revenue collection that contributed less to tax-to-GDP ratio and fiscal consolidation efforts”. The report further noted that “an important agenda on fiscal reforms should be the capacity building of the provincial authorities, which are responsible for mobilising revenue via the agriculture income tax, sales tax on services and property taxes, and carrying out crucial spending on important sectors like education, health, social spending and regional infrastructure. It is observed in the report that even after nine years of the passage of the 18th Constitutional Amendment, “the provinces still seem to lack capacity to adequately assume these responsibilities.

Money and credit:

The development of financial markets and institutions is a critical and inextricable part of the economic growth. Financial sector deepening (financial development that includes not only an expansion in the financial sector, but also an improvement in institutions so that the financial system can allocate capital to its more productive uses more efficiently) and economic growth are empirically linked. In countries with better financial development, an efficient financial system ameliorates market distortions and reduces information and transaction costs. It thus identifies and funds good business opportunities, mobilizes domestic savings, monitors the performance of businesses, enables the trading, hedging and diversification of risk and facilitates the exchange of goods and services. The banking sector of Pakistan was nationalized and public sector financial institutions were expanded during the early 1970s, based on the objectives of directing banking activities towards national socio-economic objectives and ensuring complete security of depositor’s funds. The dominance of the public sector in banking sector and non-bank financial institutions, coupled with centralized policies marked with administered interest rates, domestic credit controls, high reserve requirements, use of captive banking system to finance large budgetary requirements of the government and controls on international capital flows were responsible for deterioration of financial institutions and their inability to play a vital role in economic growth of the country There has been a remarkable improvement in Pakistan’s financial sector as it initiated a broadbased program of reforms in the early 1990s.The pace of reforms; however, has increased manifold since 2000. Some of the key reforms included privatization of a number of financial institutions, rightsizing of banks and Development Financial Institutions (DFIs) through restructuring and improvement in corporate governance by promoting transparency and disclosure. Other reforms included strengthening of the legal framework to expedite recovery of stuck-up loans by promulgating a new recovery law, revision of Prudential Regulations (PRs) for corporate/commercial banking to accommodate four separate categories viz. Risk Management, Corporate Governance, Know Your Customer (KYC), Anti Money laundering and Operations as well as issuance of separate Prudential regulations for SMEs, consumer and agriculture financing. The healthy competition among banks, lower taxation and reduction in non-performing loans brought about a lowering of average interest rate. Banks and financial institutions are free to set their own lending and deposit rates. As a result of successful reforms in the financial sector the M2/GDP ratio, which is an indicator of financial deepening and development has been showing rising trend since 1990-91.M2/GDP ratio has increased from 39.3 percent in 1990-91 to 45 percent in 2005-06.Credit to private sector/GDP ratio is also rising from 21.7 percent in 1990-91 to 27.4 percent in 2005-06. Monetary policy stance of the SBP has undergone considerable changes over the last several years switching from an easy (2000-03) to a broadly accommodative stance (2003-04) and then from a gradual tightening (2004-05) to an aggressive

Capital market:

With the Pakistan stock market rebounding over the last several weeks there is a sense of euphoria amongst market participants. And rightly so, as the long doldrums in the market appears to be over and improved macroeconomic fundamentals get factored into stock market valuations, along with expectations that interest rates may have peaked - which is always a positive for stocks. However, this breathing space provided by short-term positive market movement should not lead to complacency on structural reforms urgently required in the capital market. Indeed, this is a good time to reflect on the core challenges facing the market and market participants which have been inhibiting the development of the capital market as a key source of long-term capital for industry and commerce.
Thanks to the Asian Development Bank's (ADB's) initiative well over a decade ago, Pakistan's capital market witnessed major reforms with institutionalisation of the Securities and Exchange Commission of Pakistan (SECP) as the apex capital market regulator. The ADB initiative also strengthened and deepened the management and skill capability of the SECP. This has led to a robust regulatory regime and significantly reduced previous governance weaknesses in the securities and asset management industries, while strengthening risk management capacity and investor safeguards. Positive steps were also taken to improve the organisational and technical capacity of capital market infrastructure institutions: the stock exchanges, the clearing company and the electronic central depository company. All of these reforms eventually led to the demutualisation and amalgamation of the three exchanges in the country (ISE, KSE and LSE) into a single stock exchange - the Pakistan Stock Exchange (PSX).
As a final bifurcation of interest between brokers and exchange owners, 40% equity ownership of PSX was sold in May 2017 to a consortium of Chinese exchanges and investor partners (China Financial Futures Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, Pak-China Investment Company and Habib Bank Limited). As per SECP regulations, seven out of 14 board members now comprise of independent directors in order to ensure good corporate governance and diverse insights to develop PSX into a modern securities exchange comparable to regional peers.
This is quite an achievement. However, much remains to be done. While the first ADB initiative focused primarily on the regulatory and infrastructure landscape, the need now is to proceed towards a holistic upgradation of the entire capital market eco-system, including its efficiency as well governance aspects. This also means addressing the raison d'etre of the capital market itself. Assuming we agree that the primary function of the capital market is to source long-term risk capital for the development of business and industry as well as for public sector entities for infrastructure development (in the sense of public-private partnership), it is clear that the capital market has to be well-functioning with sufficient base of relevant securities issuers as well as interested eligible investors, along with strong intermediaries (asset managers and brokers). Without a large and diverse base of these three elements, the capital market will not be able to play its due role in economic development of the country no matter how strong the regulations.
In this context, critical areas that policymakers should focus upon include:
Increasing investor confidence: The total base of investors during the last 10-12 years has oscillated between 225,000 to 250,000 despite continual awareness generation campaigns by the SECP and PSX in collaboration with asset management and securities industries. Due to past deficiencies and several high-profile failures, the reputation of the brokerage industry has been severely hurt. While much progress has been made to rectify the situation with a more stringent regulatory regime and stricter enforcement actions, historical memories are strong and perception of the securities market as a speculative arena rather than an investment venue is now widely entrenched in the public mind.
Given this dynamic, what is needed is a government initiative that provides a broad safety feature to investors in the capital market just as the banking sector has a deposit protection scheme. In this context, a sizeable investor protection fund should be established with an initial capital of PKR 25 billion and administered independently by trustees and professional management. The initial funding of this fund can be a combination of long-term concessionary finance and grant by, for example, the ADB and government budget allocation. Over the medium-term (such as after five years), a tariff on stock trading can be used to generate additional funding. Of course, there will need to be specific conditions under which this fund can be used, and these details would have to be clearly formulated and put in regulatory/legislative format. The template for the workings of such a fund already exists that deals with the current investor protection regime administered by the National Clearing Company of Pakistan (NCCPL).
Attracting securities issuers: As noted earlier, the primary objective of the capital market is to support economic development by encouraging companies to obtain longer term growth capital via listing their equity and debt on the stock exchange. Within a broader positive macroeconomic context, listing on the stock exchange has several well-known advantages for specific companies, including:
- Non-collateralised long-term capital raising
- Obtaining a market-based valuation of share price
- Assisting with balance-sheet and corporate restructuring
- Potential for enhancing debt-assuming capacity of the company
- Creating the 'currency' for future acquisitions using shares of the company
- Enabling easier distribution of sponsors' wealth to the next generation
- Exit route for private equity investors
- Potentially higher collateral value of the company's shares
- Improved corporate governance and transparency leading to greater Brand equity
- Better image with suppliers, customers, business partners via greater media exposure
- Performance-driven compensation to management/employees through share options
- Share price and trading analytics service for listed companies
At the same time, listing also imposes greater responsibilities/risk on listed companies:
- Higher public disclosure regarding the company's financial condition and operations
- Greater regulatory scrutiny and accountability
- Cost of listing and ongoing compliance - both financial and management time &effort
- Poor financial performance may lead to under-valuation of the share price
- Potential danger of share-cornering by speculators/uninvited acquirers
On the whole, however, listing helps document an important and productive section of the economy, which is the need of the hour.
There are many ways of explaining to company sponsors that potential benefits can outweigh possible costs/risks of listing. These require a well-designed and consistent marketing effort by the exchange in partnership with securities firms/investment banks. The key is consistency. It has to be an ongoing effort and specific resource allocation needs to be made towards this end. The single biggest incentive for sponsors of private companies for listing on the stock exchange is to demonstrate to them how share-price performance enhances the enterprise value and wealth/net-worth of sponsor shareholders' over time. To be sure, there is a link between market performance and demand for listing by private companies. A rising market capitalization (good performance of the market) over time, has a positive relationship with sponsors' wealth increase through listing. Now is the time for policy makers and the Exchange to make it easier for companies to list.
In an economy with 220 million people where the effective GDP (official plus undocumented) is estimated between US$350 billion to UD$400 billion and with real GDP growth averaging around 4% p.a. historically, longer-term domestic business opportunities are not lacking, despite the current macroeconomic adjustment doldrums. What is needed is (i) reducing impediments to the stock listing process both in terms of over-regulation and technology-driven efficiencies; (ii) changing the current perspective about the stock market through branding, marketing and partnerships; and (iii) seriously implementing the SECP-approved (Small & Medium Enterprises) SMEs Exchange platform in close coordination between SECP, PSX, the banking industry and market participants.

Inflation:

The Laspeyres formula is generally used. Pakistaninflation rate for 2018 was 5.08%, a 0.99% increase from 2017. Pakistaninflation rate for 2017 was 4.09%, a 0.32% increase from 2016. Pakistaninflation rate for 2016 was 3.77%, a 1.24% increase from 2015.

Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used.

Pakistan inflation rate for 2018 was **5.08%**, a **0.99% increase** from 2017.

Pakistan inflation rate for 2017 was **4.09%**, a **0.32% increase** from 2016.

Pakistan inflation rate for 2016 was **3.77%**, a **1.24% increase** from 2015.

Pakistan inflation rate for 2015 was **2.53%**, a **4.66% decline** from 2014

Trade and Payment:

Data released by Federal Bureau of Statistics (FBS) on custom basis. The State Bank of **Pakistan** (SBP) prepares balance of **payments** for the country and uses exports, imports and **trade** gap numbers on actual **payment** basis.

Exports of $15255.5 million in ten months imply that the target of $19 billion exports is likely to be achieved. Broad categories of exports suggest that with the exception of textile manufactures, all other categories of exports registered stellar growth. For example, exports of food group were up by 22.4 percent; petroleum group exports registered an increase of 38 percent; exports of other manufactures and other item’s posted handsome growth of 33.2 percent and 59.5 percent, respectively. Textile manufactures, accounted for almost 57 percent of total exports, performed poorly as it registered a decline of 2.5 percent. Textile exports are suffering from structural issues which need to be addressed by the industry itself. The government has provided financial support to textile sector through R & D during the current fiscal year. Even this financial support could not help improve the performance of textile exports. It is therefore, clear that the problems are structural in nature and cannot be resolved through financial support of the government. Exports of food group accounting for 13.2 percent in total exports grew by 22.4 percent and contributed 26.1 percent in overall exports growth. Within food group, rice accounting for 60 percent, registered an impressive growth of 28.5 percent. Pakistan clearly benefited from the unprecedented rise in international price of rice. Since Pakistan is a net exporter of rice, it is likely to benefit from the elevated international price of rice in coming years. This will also encourage farmers in Pakistan to grow more rice and benefit from the current hike in international price of rice. The other important component of food group which registered impressive growth includes fruits; oil seeds, nuts and kernels; meat and meat preparations; fish and fish preparations. (see Table 8.1). Export of textile manufactures, accounting for 57 percent of total exports not only registered a negative growth of 2.5 percent but also was a drag on the overall performance of exports. With the exception of raw cotton and other textile materials, all other major components of textile manufactures registered negative growth in the current fiscal year. It is important to note that the unit value of all the major components of textile manufactures were up substantially but exports in quantum term registered a sharp decline across the board with exception of raw cotton. In other words Pakistan’s textile exports could not benefit from higher international prices and as such the exports performance of this sector has been dismal in 2007-08 (see Table 8.1). The dismal performance of textile exports can be attributed, beside their structural issues, to rising cost of production owing to increase in domestic cotton prices and stifling power shortages. In addition, the deteriorating law and order situation in the country also resulted in reported diversion of export orders to other countries. Poor quality of cotton on account of contaminated cotton issue has also adversely affected the export of spinning industry. Furthermore, textile exports appear to have also suffered from the slow down in the US economy which has been the largest destination for Pakistani exports during the last few years. In addition, Pakistan also faced tough competition from China, India, Bangladesh and Turkey in the EU market for textile apparel. In the case of bed wear exports, its exports to EU market are rising after the reduction of anti-dumping duty on this category from the previous level of 13.1 percent to 5.8 percent. However, in the US market, this category of export faces tough competition in terms of prices, especially from China. Export of petroleum group accounting for 6 percent of total exports contributed 18.2 percent in the overall exports growth for the year. Export of petroleum product and Naphtha registered an impressive growth of 83 percent and 16 percent respectively. (see Table 8.1). Unlike textile manufactures, exports of other manufactures accounting for 19 percent of total exports posted a stellar growth of 33.2 percent in the current fiscal year. Accordingly, it contributed over 50 percent to this year overall exports growth. The major performers under this category of exports include leather tanned; leather manufacturer; surgical goods; chemical and pharmaceutical products. The performance of carpets & rugs and engineering goods has been lackluster as they registered negative growth. All other manufactures under this category of exports Trade and Payments 135 registered impressive growth of over 100 percent during the current fiscal year (see Table 8.1). Performance of this category of exports is indeed encouraging when viewed at back of power and skilled labor shortages and political disturbances in the country. Export of all other items accounting for over 5 percent of total exports grew by almost 60 percent and accordingly, contributed 20.6 percent to this year’s overall exports growth.

Public Debt:

The **national debt of Pakistan** or simply **Pakistani debt**, is the total public debt or unpaid borrowed funds carried by the [Government of Pakistan](https://en.wikipedia.org/wiki/Government_of_Pakistan), which includes measurement as the face value of the currently outstanding treasury bills (T-bills) that have been issued by the federal government. The terms 'budget deficit' and 'national surplus' usually refer to the federal government budget balance from year to year, not the cumulative amount of debt. A deficit year increases the debt, while a surplus year decreases the debt as more money is received than spent.

In 2008, when [Pakistan Peoples Party](https://en.wikipedia.org/wiki/Pakistan_Peoples_Party) came to power, Pakistan's debt was ₨ 6,435 billion which increased by 135% in five years, and became ₨ 15,096 billion in 2013.Majority of this increase in debt was in domestic debt, whereas, external debt of Pakistan only increased by 22 percent in that period, from US$42.8 billion in 2008 to US$52.4 billion in 2013 This was due to the lack of liquidity in the international bond market because of [2007–2008 global financial crisis](https://en.wikipedia.org/wiki/Financial_crisis_of_2007%E2%80%932008). So, PPP government has to depend on the domestic lending to meet needs of the government expenditures.During that period, external debt as a percentage of GDP decreased from 29.5 percent to 23.4 percent.

After [2013 Pakistani general election](https://en.wikipedia.org/wiki/2013_Pakistani_general_election), [Nawaz Sharif](https://en.wikipedia.org/wiki/Nawaz_Sharif) came to power and his government got loan from the [international Monetary Fund](https://en.wikipedia.org/wiki/International_Monetary_Fund). During their rule of five years, Pakistan's external debt increased from US$52.4 billion to US$76.3 billion, an increase of 46 percent, mainly due to sukuk bonds and [China-Pakistan Economic Corridor](https://en.wikipedia.org/wiki/China-Pakistan_Economic_Corridor).

As of December 2019, public debt of Pakistan is estimated to be about ₨ 40.94 trillion which is 14.1 percent of [gross domestic product](https://en.wikipedia.org/wiki/Gross_domestic_product) (GDP) of Pakistan.] About ₨ 18.17 trillion is owed by the government to domestic creditors, and about ₨ 1.378 trillion is owed by Public Sector Enterprises (PSEs)

Similarly, as of March 2019, external Debt of Pakistan is now around US$105 billion Pakistan owes US$11.3 billion to [Paris Club](https://en.wikipedia.org/wiki/Paris_Club), US$27 billion to multilateral donors, US$5.765 billion to [International Monetary Fund](https://en.wikipedia.org/wiki/International_Monetary_Fund), and US$12 billion to international bonds such as [Eurobond](https://en.wikipedia.org/wiki/Eurobond_%28external_bond%29), and sukuk About fifth of the external debt which is estimated around US$19 billion is owed to [China](https://en.wikipedia.org/wiki/China) due to China-Pakistan Economic Corridor.

EDUCATION:

With the passage of time, quality of education is deteriorating. This is one of the reason, most people from Pakistan intend to move abroad after graduation, and they all get accepted based on the education have received in Pakistan. So here education is OK, OK enough to get you in the TOP universities of the world.

Despite increase in budgets, enrollment in schools remains low, quality of learning is poor, and there are not enough buildings or teachers. There Is Not Enough Infrastructure. Substantial Shortage of Trained Teachers. Quality of Learning Is Poor. Curricula Needs to Change. Parents and School Committees are Ineffective.

Regional differences are also a major cause for a pooreducationalsystem in Pakistan. Gender discrimination is very common in Pakistan. Moreover, the quality of education in most of the public schools and colleges is well below par; the teachers in government schools are not well trained.

Education is Important in an ideological state, without which nobody can progress towards development both in personal terms as well as a nation state. Education provides the base for both social and economic development. The poor quality of educational system may be one of the most important reasons of downfall.