

**Monetary economics**

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Ans 1

1. ***Monetary policy***

Monetary policy is a policy made by the monetary authority of a country (central Bank) focus on to control the supply of money , and economic growth and stability . and control the demand .

***Quantitative tools of Monetary policy***

Following are the tools of monetary policy .

1. ***Open market operations***; open market operations refers to sell or purchase the federal securities to the banking and non-banking public to regulate the supply of money and control the interest rate with the objective of its monetary policy .
2. **Discount rate ;** discount rate refers to deduct the financial and interest charges on the issued loan . the commercial banks use it for taking loan from the central Bank through discount window loan process .
3. **Change in reserve ratio ;** Reserve ratio is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank.

Also referred to as

1. Cash Reserve Ratio
2. Statutory Liquidity Requirement

**Positive aspects of decrease in interest rate**

1. When banks reduce the interest rates , it helps the businesses to get loan from the banks to expend business .
2. Unemployment’s can be controls
3. Create of new opportunities for the peoples
4. Peoples starts new businesses
5. Every one can be easily fulfill his basics needs

***Negative Aspects of decrease in interest rates***

The decrease in interest rate can cause inflation in the country .

It is also not good for savers .

***Our opinion on decrease in interest rates***

I thought that its good because if the state bank reduce the interest rate , then people can gets loan easily from bank with low interest rate , and they invest this money in businesses or lunch new businesses or new products in the market . Through this , the businesses will be stable again and also the worker starts their jobs again . And the companies will be able to hair new employees.

By this , the unemployment rate will reduce and every person can be easily fulfill their basics need .

Ans 2

***Interest rate***

The interest rate is the amounts of payments which made the borrower on the lender for the money borrowed and its expressed in percent of principals.

According to Prof. Marshall has said – “The payment made by borrower for the use of a loan is called Interest.”

***Nominal interest rate***  The interest rate earlier taking rise into account. The nominal interest rate is the rate mentioned in loan and deposit promises.

***Real interest rate*** An interest rate that has been familiar to remove the effects of rise to reproduce the real cost of funds to the borrower, and the real yield to the creditor.

1. ***Money market***

It is component of the economy which provide the short term funds (loan) . This loan or funds are for one year or less then one year . this loan is for short period with high liquidities . Treading in money market done over the counter and its wholesale.

***Functions of money Market***

1. Maintain monetary equilibrium .
2. Promote economic growth
3. Proved help to Trade and industry
4. Help in implementing monetary policy
5. Help in capital formation
6. Money market provides non-inflationary sources to government.

***Importance of money market in Pakistan***

Money market play a very important role in the economy of a country .

1. Development of trade and industries.
2. Development of capital market .
3. Smooth functioning of commercial banks.
4. Effective control of central bank .
5. Formulating of suitable monetary policy.
6. Non-inflationary source of finance to government.

Ans 3



***Foreign Exchange Markets***

foreign exchange market is an international market where the trades of currencies occur . this market determined the foreign exchange rates for every currency . It contains all phases of purchasing, selling and exchanging currencies at current or determined prices. The main contributors in this market are the [larger international banks](https://en.wikipedia.org/wiki/Foreign_exchange_market#Market_participants).

***How foreign exchange market work***

Unlike supplies, foreign exchange market exchange does not take place on exchanges but directly between two parties, in an over-the-counter (OTC) market. The foreign exchange market is run by a global network of banks, spread across four major foreign exchange market trading center in different time zones: London, New York, Sydney and Tokyo. Because there is no central location, you can trade foreign exchange market 24 hours a day.

There are three different types of foreign exchange market:

* **Spot foreign exchange market:** the physical exchange of a currency pair, which takes place at the exact point the trade is settled – ie ‘on the spot’ – or within a short period of time
* **Forward foreign exchange market:**: a agreement is agreed to buy or sell a set amount of a currency at a definite price, to be settled at a agreed date in the future or within a range of future dates
* **Future foreign exchange market:**: a contract is granted to buy or sell a set amount of a given currency at a set price and date in the future. Unlike forwards, a futures contract is lawfully controlled .

​Most traders risking on foreign exchange market prices will not plan to take delivery of the currency himself; instead they make exchange rate predictions to take benefit of price movements in the market.

***Federal budget 2020-21***

Highlights of 2020-21 budget

* Presented on June 26, 2020
* Total outlay is Rs7294.9 billion 11% less from 2019-20
* The available resources are estimated at Rs 6,314.9 billion.
* The net revenue estimated for 2020-21 at Rs3,699.5 billion.
* Provincial shares Federal taxes estimated at Rs2,873.7 billion.
* The net capital is estimated at Rs1,463.2 billion.
* All expenditures are estimated at Rs 7,294.9 billion.
* Development expenditures outside estimated 70 biliion.
* For public sector development program is Rs 1,324 billion.
* For federal sector development program is Rs418.7 (Federal Ministries/Divisions),100.4 billion for corporation , 3 billion for earth quack,7 billion for COVID 19.

***Revenue receipts***

* Total revenue taxes are estimated at Rs 4,963 billion.
* Gross revenue estimated at Rs 6,573.22 billion. Out of which provincial share Rs 2,873 billion.
* Non taxes revenue for upcoming year estimated at Rs 1,108.9 billion.
* Net revenue for federal government estimated Rs 3,699 billion.

***External resources***

* The government obtained loans and grants to bridge the gap between the receipts and expenditure. The net external resources for 2020-21 after deduction of foreign loans repayment (Rs 1,228 billion) and repayment of short term credits (Rs 183 billion) have been projected at Rs 810.34 billion , lower by 73 percent , 64.34 percent budget and revised estimates 2019-20.

Current expenditure

* Total current expenditure for federal govt.Rs 6,344 billion .
* Mark up payment estimated Rs2,946.
* For pensions Rs 470 billion estimated.
* For defense affairs and services Rs 1,289 billion his estimated .

Reference <https://nation.com.pk/12-Jun-2020/salient-features-of-federal-budget-2020-21>

**My analysis on federal budget of 2020-21**

this federal budget have some positive aspects which give benefits to the public I.e there is no new taxes in ta budget , and for COVID 19 there is 7 billion rupees in the budget . and also federal govt. will spend on hospital.

cancer test kites will taxes free . on the bases of these aspects I thinks that the budget is well .