

Economic problem of pakistan



**ASSIGN
BUSTER**

Economic problem of Pakistan As we know Pakistan is an underdeveloping country. The following are some characteristics of underdeveloping economy.. 1. Under utilization of natural resources: * The natural resources in poor economies are sufficient but they don't have sufficient money to exploit these resources. A large part of the land is under or uncultivated. Huge water resources are wasted. Sea and mineral resources are not properly tapped. * In Pakistan 23% of the total land is uncultivated, 40% of the water resources are destroyed.

Other mineral resources such as coal and gases are in sufficient quality but they are not properly exploited due to which our economy is categorized as poor economy. 2. Low per capita: * Per capita income, which is calculated by dividing income to population, is very low in underdeveloping country economies of the world. These economies are poor in the world of Nurkse, because they are poor. Low capita means low capacity to save. Low saving results in low capital formation. Low capital formation means low income and low per capita. This completes vicious circle of poverty. 3. Foreign debt burden: The underdeveloping economies have insufficient domestic resources to meet fiscal requirements, therefore they have to rely on foreign resources for their growth. The inflow of foreign debt from foreign countries and international agencies has increased their debt burden. The repayment of debt with interest has become a major problem for these economies. Most of their resources are now being utilized for the debt servicing. 4. High population growth: * On the one hand the underdeveloped economies have sufficient resources while on the other hand the population growth rate is reasonably high which is aggravating the situation.

The increase in output is being consumed by the increasing population. This keep these economies in the state of poverty. 5. Lack of capital: * The stock of physical capital(machinery, tools and equipment) are necessary to increase the output. But the poor economies are deficient in capital which is major cause of low productivity in these countries. 6. Lack of human capital: * Human capital includes trained and educated people which are capable of producing more goods and services. The underdeveloped economies don't have sufficient human capital.

This situation is becoming even worse by the brain drain to developed country in which educated and trained people are immigrating to America and Western European countries. 7. Backward technology: * The technology refers to the methods and to techniques to produce goods and services. The technology used in underdeveloped countries is backward which is one of the leading cause of low productivity. 8. Unemployment: * The underdeveloped countries of the world are facing heavy unemployment and underdevelopment. Population is increasing at a fast rate whereas job opportunities are scanty.

This results in unemployment. 9. Foreign rule: * Most of the underdeveloped economies of the world have remained under the foreign subjugation of European countries. These countries have used their resources for their own growth they set up factories in home countries and used poor economies as the markets to sell their products. 10. Lack of entrepreneurship: * Entrepreneurship plays an important role in the development of the economy. It is he who take initiative and makes investment to produce goods and services.

Lack of entrepreneurship is the reason of poverty in underdeveloping economies. 11. Political instability: * Economic growth can't be achieved without political stability. Political stability shatters investor's confidence. It decreases investment and economic growth rate. 12. Law and order: * Secure and stable environment is conducive to investment. Insecurity and law and order problem discourage investment and growth. 13. Lack of infrastructure: * Underdeveloping countries don't have sufficient infrastructure necessary to produce goods and services.

Energy crisis, lack of roads and communication, water and sanitation facilities are main reasons of slow economic growth. There are 5 basic economic problems of Pakistan: Agriculture, Industry, Unemployment, etc. * Unemployment is the situation in which people willing to work at the existing wage rate are unable to find a job. The categories of unemployment are following: * Seasonal Unemployment: * Occurs due to seasonal nature of job. Unemployment in sugar, ice industry and tourism industries in off-season is seasonal unemployment. * Frictional Unemployment: * Occurs due to market imperfections.

Unemployment caused by labour strikes, lack of mobility of factors of production and flow of information categorised as frictional unemployment. * Technological Unemployment: * Occurs due to technological advancement. Introduction of new and sophisticated machinery leaves some people unemployed who do not keep pace with the new technology. Example, computers. * Structural Unemployment: * Occurs due to structural changes in economy. Decline of certain industries causes unemployment. For example, unemployment in textile industry in Pakistan and in shipping

industries in UK. * Cyclical or Demand-deficit Unemployment: Occurs due to trade cycles. Unemployment rises during depression and recession phase of trade cycle. During depression, investment as well as output decreases which causes cyclical unemployment. * Residual/Hard-core unemployment: * Occurs when people are incapable of holding permanent job by virtue of some physical or mental disability. Illiteracy * a lack of ability to read and write. * Inflation: * It refers to a situation whereby there is a sustained inordinate and general increase in prices. Or a constant and appreciable rise in the general level of prices.

* Creeping inflation: This is also known as mild inflation or moderate inflation. This type of inflation occurs when price level persistently rises over a period of time at a mild rate. When the rate of inflation is less than 10 per cent annually, or it is a single digit inflation rate, it is considered to be a moderate inflation * Galloping inflation: * If mild inflation is not checked and if it is uncontrollable, it may assume the character of galloping inflation. Inflation in the double or triple digit range of 20, 100 or 200 percent a year is called galloping inflation . * Stagflation: It is an economic situation in which inflation and economic stagnation or recession occur simultaneously and remain unchecked for a period of time. For example when oil prices rose dramatically. * Hyper inflation: * Occur when price and wages chase each other at a quick speed. This is also called a wage-spiral inflation. * Deflation: * Deflation is the reverse of inflation. It refers to a sustained decline in the price level of goods and services. It occurs when the annual inflation rate falls below zero percent (a negative inflation rate), resulting in an increase in the real value of money.