

Chapter

9

Economic Planning and Development In Islamic Republic of Pakistan

Objective Type Questions With Answers

Q1. Fill in the blanks to make an appropriate statement.

- _____ percent of our national wealth comes from agriculture sector.
- _____ percent of Pakistan's population lives in rural areas.
- At the time of Partition only _____ factories came to Pakistan's share.
- The First Five Year Plan was started in the year _____.
- The Eighth Five Year Plan started in the year _____.

Answer

No.	Answer	No.	Answer
1.	32 percent	2.	72%
3.	34	4.	1955
5.	1993		

Q2. Fill in the blanks by

- Our country earns _____ to _____ percent share of her foreign exchange from agricultural exports.
(20-30, 50-60, 70-80)
- At the time of Partition Pakistan's population was _____ percent of India's total population. (50, 20, 25)
- Backwardness of the _____ sector is the paramount cause of the overall backwardness of our economy.
(agriculture, health, transport)
- During the Second Five Year Plan our national income increased at the rate of _____ percent against the stipulated target of _____ percent. (48, 38, 24)

5. Indo-Pak war was fought in the year _____

(1992, 1975, 1965)

Answer

No.	Answer	No.	Answer
1.	70-80	2.	20
3.	agriculture	4.	24-28
5.	1965		

Q3. Indicate whether the statement is TRUE or FALSE; put a circle around the correct answer.

- About 30 percent of our rural population is semi-employed.
(True/False)
- Literacy rate in the rural areas is about fifty percent of the urban areas.
(True/False)
- We are a society of consumers.
(True/False)
- Twenty four percent increase in the national income was recorded during the Second Five Year Plan
(True/False)
- Fifth Five Year Plan had to be given up due to the East Pakistan tragedy.
(True/False)

Answer

No.	Answer	No.	Answer	No.	Answer	No.	Answer
1.	True	2.	False	3.	True	4.	True
5.	False						

Q4. Put right parts together.

No.	Column A	Column B
1.	Purchase of goods and services	Resources
2.	primitive agriculture practices	Computer
3.	E-Commerce	Commerce
4.	Information Technology	lesser agriculture produce
5.	factors helpful for human development	Internet

Answer

No.	Column A	Column B
1.	Purchase of goods and	Commerce

	services	
2.	primitive agriculture practices	lesser agriculture produce
3.	E-Commerce	Internet
4.	Information Technology	Computer
5.	factors helpful for human development	resources

Q5. Answer each question in two to four lines.

1. Give Prof. Lewis's definition of the fiscal planning.

Answer

Prof Lewis Lorwin had defined planning in the following words:

"Economic planning is a scheme of an economic organizationfor the the purpose of utilizing all available resources to achieve maximum satisfaction of people's needs within a given time."

2. What was Pakistan's condition at the time of Partition in respect of industrial development?

Answer

At the time of partition, there were 921, big industrial units in India, out of these only 34 came to the share of Pakistan (less than four percent of the total), and this was unfair because 20 percent of the total Indian population lived in Pakistan. Employment capacity of the industries, which came to the share of Pakistan, was even poorer. Indian industrial units had a total capacity of employing 11, 37, 150 persons daily, Pakistan's 34 units had the capacity of employing only 26, 400 persons daily i.e. only 2.32 percent of the total.

3. Define 'Trade' and 'Commerce'.

Answer

Trade

The term trade is applied to the process in which countries buy and sell goods to each other.

Commerce

Commerce literally means buying and selling of goods and resources.

	services	
2.	primitive agriculture practices	lesser agriculture produce
3.	E-Commerce	Internet
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Commerce

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4. Write a short note on E-Commerce.

Answer

E-Commerce is the latest innovation in the traditional commerce techniques. E stands for Electronic. E-Commerce implies the buying and selling of goods and services through networks i.e. Internet and E-Mail etc. With the passage of time plastic money (credit cards etc.) is replacing currency notes. Internet and credit cards are the instruments through which cross-border-trade-and commerce has become possible and the barriers that interposed between business transactions have been automatically removed.

5. Define IT.

Answer

The term IT on information technology related to computers.

6. Enumerate the kinds of natural resources.

Answer

Important kinds of natural resources are: Energy, minerals, Forests, agricultural lands, earth, coal, petroleum etc. All these are kinds of natural resources.

7. What is meant by HDI? What is Pakistan's status according to HDI?

Answer

HDI stands for Human Development Index Pakistan's status is 144th according to HDI.

8. What impact the policy of nationalization had on our national economy?

Answer

- During 1970-80, 32 big industrial units were nationalized
- This nationalization alarmed the investors and the investment came to a standstill.
- Production decreased
- Dependence on the foreign increased
- The laborers took to protest

9. What is HRD? What is its importance?

Answer

HRD stand for Human Resource development. It is a must for the economic progress of a country.

10. Signify the importance of the conservation of resources by quoting an example of the Prophet Muhammad ﷺ

Answer

Prophet Muhammad (ﷺ) once said one should waste water even if he is making ablution (wuzoo) from a canal full of water. The Prophet (ﷺ) actually wanted to impress upon us that the natural resources are nobody's personal property; nobody has right to misuse them. The only course open for a grateful man is to take the bare minimum share for him or herself from the dainties of Allah and leave the rest for the rest of humanity.

Subjective Type Questions With Answers

Q.1. Why planning is essential for development ?

Answer

What is planning:

Prof. Lewis Lorwin has defined planning in the following way

"Economic planning is a scheme of organizationfor the purpose of utilizing all available resources to achieve maximum satisfaction within a given time."

Why is planning essential for development:

Economic planning is essential for the development of economy in any state .Following reasons justify the significance of planning for development:

- National Income.
- Standards of living.
- New job opportunities.
- Inflation needs.
- Self sufficiency in food.
- Class disparity.
- Balance of payment.
- Investment behaviour.
- Fundamental rights of the labour force.
- Process of sustainable economic growth.

National Income

Planning is essential if national income needs to be enhanced.

Standards of living

Standard of living needs to be improved by increasing per capita income level.

New job opportunities

New job opportunities need to be created in order to meet the problem of unemployment.

Inflation needs

Inflation needs must be checked in order to stabilize prices.

Self-sufficiency in food

Self sufficiency in food needs to be achieved.

Class disparity

Class discrimination must come to an end. All people must be treated on equal basis.

Balance of payment

A better balance of payment needs to be acquired by improving foreign exchange earning capacity.

Investment behaviour

Investment behaviour needs to be reoriented and brought in conformity with the national interests instead of the narrow personal interests of the investors.

Fundamental rights of the labour force

Fundamental rights of the labour force need to be protected. Their working conditions and wages need to be improved.

Process of sustainable economic growth

Process of sustainable economic growth needs to set in by creating an atmosphere congenial for long term development planning.

Q.2. Signify the importance of agriculture in our national?

Answer

Significance of Agriculture in Pakistan's economy

Pakistan is basically an agrarian economy. Following factors signify the importance of agriculture in our economic structure.

- Thirty two percent of our GNP comes from agriculture sector.
- We fulfil our seventy to eighty percent of foreign exchange requirements from the income generated from agriculture sector.
- Thirty nine percent of our total population is employed as labour force in the agriculture sector.
- Seventy nine percent of our total population depends upon agriculture indirectly.
- In spite of our enormous dependence on agriculture sector level of our agriculture produce is extremely low, i.e. we produce only 20 mounds of wheat per acre as compared to 50 mounds per

acre in the United States and only 11 mounds of rice per acre as compared to 50 mounds in Italy.

- About 30 percent of the population which depends on agriculture is semi-employed.
- Seventy two percent of our total population lives in rural areas and depends solely, on agriculture.
- With the exception of a limited number of big landowners the rural population is living a life of untold misery and deprivation.
- Due to backward agriculture, unemployment in the rural areas is widespread.
- Due to immense privation, level of illiteracy in the rural areas is almost double of the urban areas.
- A large portion of the rural population has almost no or very little access to facilities like road, railways, telegraph and telephone etc.
- All these facts lead us to the conclusion that backwardness of agriculture is the root cause of tardy rural development, if we want to make our country economically strong we shall have to address the problems of rural and agricultural development on priority basis.

Poverty and Agriculture Sector

Despite recent good macroeconomic performance, Pakistan continues to have high levels of poverty. Poverty estimates of 2000-2001, indicate that around one third of the population lives at or below the poverty line, with poverty being concentrated in rural areas. Available international literature indicates a strong and clear-cut relationship between agricultural growth and poverty reduction. The agricultural sector is a major determinant of the overall economic growth and well being in Pakistan, contributing 23 percent of total GDP; employing 42% of the total employed labor force; and accounting for nearly 9 percent of the country's export earnings. Thus, high agricultural growth is essential for significant poverty reduction in Pakistan.

Non-Farm growth and National Betterment

However, in addition to the direct impact of agriculture growth on poverty reduction, there is also a much larger indirect effect through

the linkages between agriculture and non-farm growth in rural areas. Non-farm growth is closely linked with agricultural growth since peasant farmers spend a large portion of their incremental income on locally produced non-agricultural goods thus generating employment and incomes in the adjoining areas. The increased demand for non-farm goods leads to a much larger increase in employment, which is a key vehicle for poverty reduction. Available information also points to the increasing importance of non-farm incomes for rural households. The five major sources of income in rural Pakistan are wages/salaries, transfer income, crop income, rental income and livestock income. Livestock is a particularly important source of income for the poor with a majority of poor households, especially the landless and small landowners, dependent on this sector.

Q3. Give the background of Industrial development in Pakistan and signify the importance of industries in the development of Pakistan.

Answer

Background

Pakistan started with an extremely weak industrial base after independence. The British had concentrated all their industrial establishment in a few big cities like Calcutta, Bombay and Madras. Under Partition Plan all these cities were made a part of India. At the time of partition, major industries established in India were, textile, jute, sugar, steel, iron, cement, paper and glass.

At the time of partition, there were 921, big industrial units in India, out of these only 34 came to the share of Pakistan (less than four percent of the total), and this was unfair because 20 percent of the total Indian population lived in Pakistan. Employment capacity of the industries which came to the share of the Pakistan was even poorer. Indian industrial units had a total capacity of employing 11,37,150 persons daily, Pakistan's 34 units had a capacity of employing only 26,400 persons daily i.e. only 2.32 percent of the total.

Importance of Industry in National Development

Pakistan is basically an agrarian economy and in order to make rapid economic progress we need to develop our agriculture on priority basis, but this does not mean that industrial development is less

important. we should pay due attention to the progress of industry for reasons given below:

- Modern agriculture cannot be carried out without the help of mechanical equipment. Modernization of agriculture demands abundant supply of agriculture implements, pesticides, insecticides and fertilizers, which obviously needs strong industrial support.
- In order to earn more foreign exchange, it is necessary that our agricultural produce is not exported raw but in processed form. Processing requires an agro-based industrial set up.
- Pakistan has to import large quantities of raw and processed goods in order to meet the demands of her ever expanding population as well as for keeping a balance between exports and imports, for this we should try to manufacture consumer's goods within our country and establish factories for this purpose.
- By expanding our industrial base we can provide employment for maximum number of our people, this will alleviate poverty problem and help us in improving our people's quality life.

Q4. What is meant by 'trade' and 'Commerce'. Also signify the importance of E-Commerce.

Answer

The term 'trade' is applied to the process in which countries buy and sell goods to each other. The term is also applied to some special business like 'cotton trade'. Commerce literally means 'buying and selling of goods and services'.

By rating the level of progress, a particular country has achieved, in the field of trade and commerce we can determine the level of its general economic progress.

In developing countries, like Pakistan economic planning is considered to be the basic requirement for development. Enlisted here are some basic facts about our foreign trade structure:

1. Base of our exports is extremely narrow.
2. Our industry is import-oriented. Fifty percent of our exports consist of industrial raw material.
3. Population is growing fast and the number of consumers is increasing accordingly. We have virtually turned into a

consumer's society. Consumer market is expanding but production is not increasing at the same pace.

4. Agricultural produce is declining due to primitive agriculture practices; number of sick industrial units is growing rapidly.
5. Foreign investment has been adversely affected due to political unrest and terrorist activities.
6. Prices of industrial raw material, petroleum and natural gas are gradually increasing due to devaluation and inflation. This tendency has made it difficult for our industrialists to compete with the foreign products in the international as well as in the local market.

Q5. What is the importance of information technology in the modern world?

Introduction

IT must be seen as an investment and not an expense. It requires vision and bold leadership to employ IT as a tool, but it must be coupled with sincere commitment to good governance since without that IT can be detrimental to the freedom and well being of the citizens.

IT and Legislative

Legislative, an important institution of the state provides - for the benefit of citizens -the information regarding what is being said, debated and legislated for them. Towards this, IT has been employed to record all the speeches as well as all laws presented and enacted by the legislature basically in the form of texts and scripts but given the current available technology as voice or video recording available on the Internet. This information is of value not only to citizens but also to the new legislatures for learning history as well as preparing their own presentations in the legislative assembly, thus improving the quality of debate as well as avoidance of repetitive statements or time consuming checks and references towards achieving good governance.

IT and Judiciary

Judiciary has long benefited from IT by having case laws available to judges and to lawyers. Libraries for any professions are extremely important in terms of quality of work. The electronic library has revolutionized the world and professionalism. Citizens who have

been in jails for more than their possible term, if the offence was to be proved, such information when available on computers and freely accessible brings speedy justice and reduced level of administrative costs both of courts and jails. In addition, it brings accountability of institutions and officers towards rule of law. A comprehensive administrative system helps scheduling of cases to bring efficiency and cost of litigation down, resulting in less expensive justice to citizens and making lawyers and judges more productive.

IT and Planning

Executive, the major interface of citizens with the state has the responsibility of planning, execution and monitoring. With a large population and widespread territory, IT becomes a natural ally for planning and delivering the needed services to the citizens. Planning presupposes information about countries' resources such as human, physical and financial. Database of all citizens is therefore fundamental to sound planning and delivery of social services like education and health, utility services like water and electricity, infrastructure like roads network are best provided by IT.

IT and Economic Planning

In addition, economic planning is inconceivable without IT. Economic opportunities for job market supported closely by education planning can help reduce unemployment. Citizens consider all this as their right, in return for taxes paid to the national exchequer. A comprehensive, clean and correct citizens database leads to effective electoral lists and fair elections for moving towards good governance and in implementing merit based administration where appropriate people are selected for right jobs.

IT and Financing

The role of IT in a financial services organization is broadly, supporting operational efficiencies - and that simply means doing routine tasks better, faster, or cheaper. Volumes are the key here and in financial institutions, the transactions that are usually handled in the back-office operations units need to be automated from account maintenance, billing, through processing of payments, loans, trade financing, reconciliation and so on. Facilitating customer services delivery - increasing customer touch points, extending the duration of service, improving service delivery. Whether by automating teller functions, providing E-banking services, installing automatic teller machines(ATMs), providing PC or Internet banking.

High Agricultural Yield

In recent years, research and development of the expert system fields of agriculture domain have been paid much attention by many countries, not only by developed countries but also by developing countries. The complexity of problems confronting farmers like yield losses, soil erosion, diminishing market prices from international competition, increasing chemical pesticides costs and pest resistance and economic barriers hindering adoption of farming strategies necessitates that they become expert managers of all aspects of their farming operations. On the other hand agricultural researchers need to address problems of farm management and discover new management strategies to promote farm success. Numerical methods have failed because understanding about crop systems are qualitative based on experience and cannot be mathematically represented. In industries and at other large customer's premises.

Poverty Alleviation

The problem of poverty can only be solved through improving the total economic and social opportunities and equitable distributions of the benefits of growth to all particularly the poor thereby providing security to people who are unable to participate in the contribution of economic growth and governance. In the past decade, the advances particularly in the field of information technology have been so rapid that it has changed the shape of all economic activities in the world, and pushing the world towards globalization. However, in Pakistan efforts were never made to deliver the benefits to the poor, like improved basic services including education, health care, and in equipping the poor with necessary information and skills to bring them into the mainstream of society so that they can be the productive partners.

Information technology can open up this corridor of opportunity and shall be used as a key to empowering the poor and thereby gaining information to shape better decisions to determine their own destiny. Information technology can empower the poor like never before.

Positive Impact on International Foreign Policies

The use of IT can have a positive impact on our foreign policy.

Q6. Highlight the strategies indicated in Pakistan 1st five years plan, its targets achievements and failures.

Answer

First Five Years Plan 1955-1960

Strategy of the plan

The strategies of this plan were:

- Development of the Rural and Agriculture Sector
- A balanced approach between the agricultural and Industrial sector
- Water and power resources.
- Expenditure from indigenous recourses.
- Development of the Rural and Agriculture Sector
- Development of the rural and agriculture sector was placed on top priority.
- A balanced approach between the agricultural and Industrial sector
- A balanced approach between the agricultural and Industrial sector was stressed.

Development of Water and power resources

Twenty nine percent of the total expenditure during plan was earmarked for the development of water and power resources.

Expenditure from Indigenous resources

Major part of the expenditure required for the development schemes was to be generated from indigenous recourses.

Targets of the Plan

Targets of the first five years plan were as follows:

- To improve the general living standard of the people
- To improve balance of payment by increasing exports
- To create job opportunities and reduce unemployment
- To improve health , education and social services

Achievements and successes of this plan

- National income was increased by 11 percent , the target was set at 15 percent

- Increase in annual per capita income was recorded at 1.6 as against the anticipated target set as 7 percent
- One million acres of barren land was reclaimed for cultivation against the anticipated target set as 1.5 million acres.
- New industries were established.
- Commendable improvement was made in the railway and transport sector.
- No mentionable success was achieved in the field of mineral development except in the field of natural gas.

Q7. Describe the importance and preservation of development of natural resources.

Answer

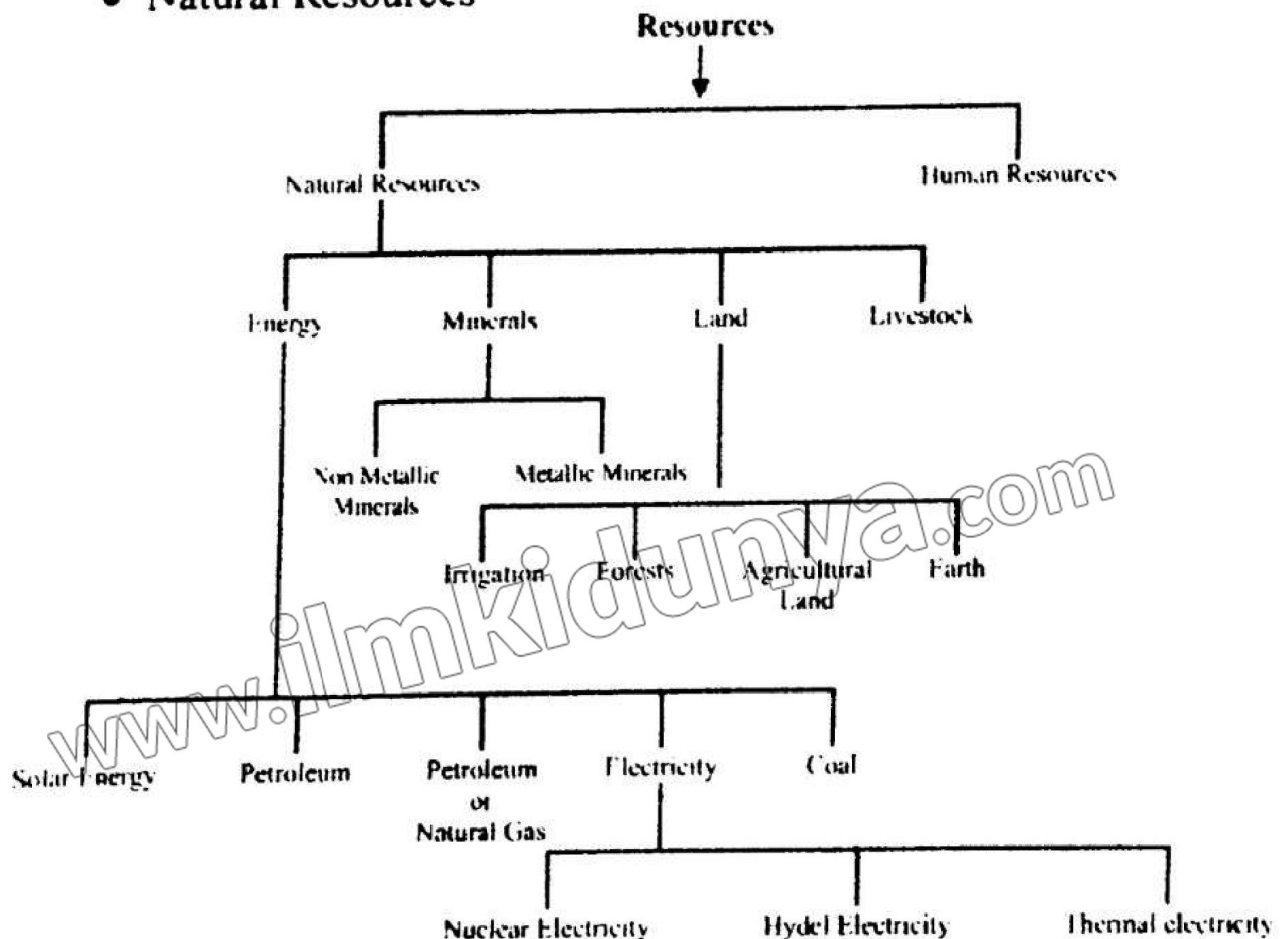
Resource

Resource is simply defined as a “means of comfort or help, something one turn to when one is in need or difficulty”.

Types of resources

There are two types of resources

- Human resources
- Natural Resources



Preservation of the Natural Resources

Natural resources play a key role in the development of the country. Evaluated on the basis of the explored mineral resources, Pakistan is a backward country. Due attention was not paid to the exploration of the natural resources in the past. Only one percent of the national income was earmarked in our budgets for mineral development and research. This is an extremely meagre amount when compared with the developed countries. But this does not mean that the land of Pakistan has poor natural resources. Infact we have not yet been able to explore and exploit our mineral wealth properly. The Quaid-e-Azam (RA) once said that Providence has endowed Pakistan with abundant natural resources. It was for the people now to explore and exploit these resources for their benefit. This was not an easy task, it demanded honestly and tireless labour.

Economical and modest use of available resources and protecting these resources from going waste is a matter, which is by no means less important than exploration itself. For this a term conservation of resources, is used. Human population is growing day by day and with this available resources are falling short of human needs. Natural resources are the common heritage of humanity, if we squander them, we squander them at the cost of our coming generations.

Economic experts of the modern age predict that the third great war will be fought for water. Prophet Muhammad ﷺ once said that one should not waste water even if he is making ablution (wuzoo) from a canal full of water. The Prophet Muhammad ﷺ actually wanted to impress upon us that the natural resources are nobody's personal property, nobody has a right to misuse them. The only course open for a grateful man is to take the bare minimum share for him or himself from the dainties of Allah and leave the rest for the rest of humanity.

Q8. Write a brief note on education and Health for all.

Answer

Human Development

Human development report for the year 2000 has defined Human development as the process of improving human capabilities for the purpose of enhancing the production of commodities, more desired by the human beings. The most desired human commodities according to this report are

- Good health
- Education
- Comfortable environment
- Freedom of thought and action

These things are now considered to be the basic factors of human development and are most valuable and sustainable than material progress pure and simple.

HID standards for progress

HID (Human Development Index) measures the progress of a country on three grounds:

- Level of health and average life expectancy
- Level of literacy
- Good standard of living

Education in Pakistan

Education, sociality and economic development are neutrally inter-related but Pakistan lags far behind in field of promoting education for all.

Literacy rate in Pakistan

A comparative analysis of our literacy rate is as follows

Literacy Rate

1951 census	198 census	1998
16%	26.2%	45%

Compared with other developing countries our literacy rate (45%) is still low. High literacy rate is needed for economic development. According to 2003 HID report Pakistan falls at the 144th position amongst 189 countries of the world. This means that 76% of countries of the world are placed in better standard of education, health and general quality of life as compared to Pakistan.

Budget for education

A comparative study for budget allocation for EFA program comes up with the following

Fifth Five year plan	Sixth Five year plan	Seventh Five year plan
5.6 billion rupees	19.9 billion rupees	23.1 billion rupees

The government has taken a serious notice of the problem of education and for the development of education. More attention is being paid to the mission of education for all.

Health for All

Health is a blessing of Allah. Life cannot be enjoyed without good health. The important facts about the health scenario of Pakistan are as follows

- The life expectancy of Pakistanis is lower than that of the developed countries.
- People suffer from malnutrition
- Medical facilities are not available in all the cities
- Death rate is about eleven for thousand.
- Infant death rate is eighthly Per thousand.
- Economic adversity, pollution, malnutrition, lack of health facilities are the main causes of low level of health.
- One percent of national income is spent on health.
- One doctor is for two thousand persons.
- There is an acute shortage of paramedical staff.
- Basic medical facilities are not available in many parts of the country.

Q9. Give a brief account of planning of Economics in Pakistan.

Answer

Economic Planning

The better use of national resources for the development of national economy and of national economy and public welfare is called economic planning.

Importance of Economic Planning

- Increase of per-capita income
- Increase of National Income
- Creations of job opportunities
- Economic self sufficiency
- Balance of payments.

- Industrial development
- Development of lender Developed Areas
- Employment of manpower
- Stability of prices
- Control of population
- Control over economic crises

Economic Planning in Pakistan

Economic planning in Pakistan can be studied under the following headings:

- Industry oriented planning
- Agriculture centered planning
- Policy of Nationalization
- Denationalisation or Fiscal policy

Industry Oriented Planning

During 1950 – 60, industrial development was at the top priority of over economic planning

Agriculture oriented planning

During 1960 – 70, agriculture sector was given due importance the salient features of this kind of planning are:

- Foreign monetary support were considered essential for economic development.
- As a result of this policy, Private growth rate increased.
- Gap between the rich and the poor was further widened
- Balance of payments were disturbed due to the increased imports and lower exports level.
- Disparity between eastern and western zones of Pakistan was clear
- Policy of Nationalization

Policy of Nationalization

- During 1970-80, 32 big industrial units were nationalized
- This attitude of nationalization alarmed the investors and the investment came to a standstill.
- Production derailed
- The laborers took to protest

- Dependence on foreign aid.

Denationalization on Fiscal Policy

- During the last years of 1980 the denationalization policy started.
- New incentives were provided to private investors.
- The new fiscal policy aimed at enhancing dependence on internal savings instead of foreign aid
- Social services were expanded.
- HRD (Human Resource Development) was made the guiding principle for economic planning.



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