

BUSINESS ECONOMICS (STAGE-1)

SECTION – "A"

Q.2 (a)

An ideal market economy is one in which all goods and services are voluntarily exchanged for money at market price. Such a system squeezes the maximum benefits out of a society's available resources without government intervention.

No government anywhere in the world, no matter how conservative, keeps its hands off the economy. In modern economies, governments take on many tasks in response to the flaws in the market mechanism. The military, police, the national weather service, and highway construction are all typical areas of government activity. Socially useful ventures such as space exploration and scientific research benefit from government funding. Government may regulate some businesses (such as banking and drugs) while subsidizing others (such as education and health care). Governments also tax their citizens and redistribute some of the proceeds to the elderly and needy.

Governments operate by requiring people to pay taxes, obey regulations, and consume certain collective goods and services. Because of its coercive powers, the government can perform functions that would not be possible under voluntary exchange. Government coercion increases the freedoms and consumption of those who benefit while reducing the incomes and opportunities of those who are taxed or regulated.

Governments have three main economic functions in a market economy. These functions are increasing efficiency, promoting equity, and fostering macroeconomic stability and growth.

1. Governments increase efficiency by promoting competition, curbing externalities like pollution, and providing public goods.
2. Governments promote equity by using tax and expenditure programs to redistribute income toward particular groups.
3. Governments foster macroeconomic stability and growth – reducing unemployment and inflation while encouraging economic growth – through fiscal policy and monetary regulation.

Q.2 (b) (i)

Because resources are scarce, we must always consider how to spend our limited income or time. When you decide whether to study economics, buy a car, or go to college, in each case you will consider how much the decision will cost in terms of forgone opportunities. The cost of the forgone alternative is the **opportunity cost** of the decision.

Consider the real-world example of the cost of opening a gold mine near Yellowstone National Park. The developer argues that the mine will have but a small cost because Yellowstone's revenues will hardly be affected. But an economist would answer that the dollar receipts are too narrow a measure of cost. We should ask whether the unique and precious qualities of Yellowstone might be degraded if a gold mine was to operate, with the accompanying noise, water and air pollution, and decline in amenity values for visitors. While the dollar cost might be small, the opportunity cost in lost wilderness values might be large indeed.

In a world of scarcity, choosing one thing means giving up something else. The *opportunity cost* of a decision is the value of the good or service forgone.

Q.2 (b) (ii)

Both common sense and careful scientific observation show that the amount of a commodity people buy depends on its price. The higher the price of an article, other things held constant, the fewer units consumers are willing to buy. The lower its market price, the more units of it are bought.

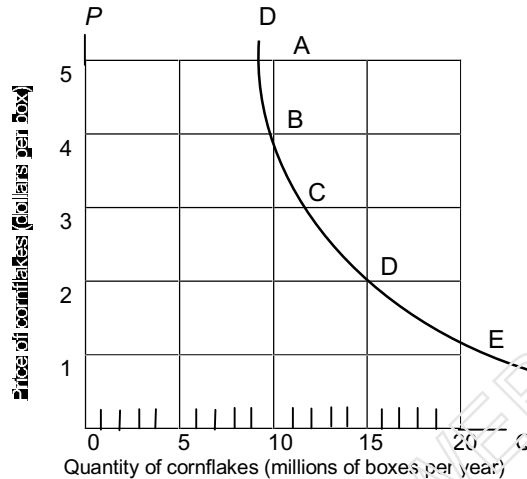
There exists a definite relationship between the market price of a good and the quantity demanded of that good, other things held constant. This relationship between price and quantity bought is called the *demand schedule*, or the *demand curve*.

Demand Schedule for Cornflakes		
	(1) Price (\$ per box) <i>P</i>	(2) Quantity demanded (millions of boxes per year) <i>Q</i>
A	5	9
B	4	10
C	3	12
D	2	15
E	1	20

The demand Schedule Relates Quantity Demanded to Price

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At each market price, consumers will want to buy a certain quantity of cornflakes. As the price of cornflakes falls, the quantity of cornflakes demanded will rise. This can be illustrated by the following diagram.



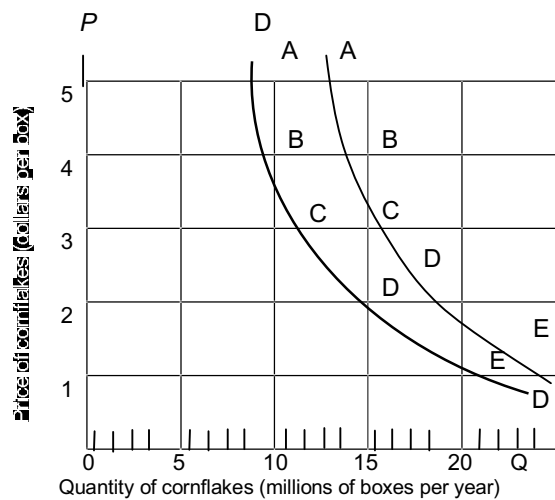
The above diagram shows that at \$5 the quantity demanded was 9 millions boxes but as the price decreased to \$4 the quantity demanded was 10 millions. Like wise as price reached to \$1 the quantity demanded was 20 millions of boxes. So it means that as price decreases the quantity demanded increases and vice versa.

When there are changes in factors other than a good's own price which affect the quantity purchased, we call these changes as shifts in demand. Demand increases (or decreases) when the quantity demanded at each price increases (or decreases).

Demand Schedule for Cornflakes

	(1) Price (\$ per box) <i>P</i>	(2) Quantity demanded (millions of boxes per year) <i>Q</i>	(3) Quantity demanded (millions of boxes per year) <i>Q</i>
A	5	9	13
B	4	10	14
C	3	12	16
D	2	15	19
E	1	20	24

The demand Schedule Relates Quantity Demanded to Price



The above diagram shows that even the prices of commodity remain same, demand is shifted towards right due to changes in the other factors like income of consumer, weather, taste or fashion etc.

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Q.3 (a)

Supply and demand interact to produce an equilibrium price and quantity, or a market equilibrium. The market equilibrium comes at that price and quantity where the forces of supply and demand are in balance. At the equilibrium price, the amount that buyers want to buy is just equal to the amount that sellers want to sell. The reason we call this an equilibrium is that, when the forces of supply and demand are in balance, there is no reason for price to rise or fall, as long as other things remain unchanged.

Let us work through the cornflakes example to see how supply and demand determine a market equilibrium. To find the market price and quantity, we find a price at which the amounts desired to be bought and sold just match. If we try a price of \$5 per box, producers would like to sell 18 million boxes per year while consumers want to buy only 9. The amount supplied at \$5 exceeds the amount demanded, and stocks of cornflakes pile up in supermarkets. Because too few consumers are chasing too many cornflakes, the price of cornflakes will tend to fall.

Say we try \$2, consumption exceeds production. Cornflakes begin to disappear from the stores at that price. As people scramble around to find their demand cornflakes, they will tend to bid up the price of cornflakes.

We could try other prices, but we can easily see that the equilibrium price is \$3.

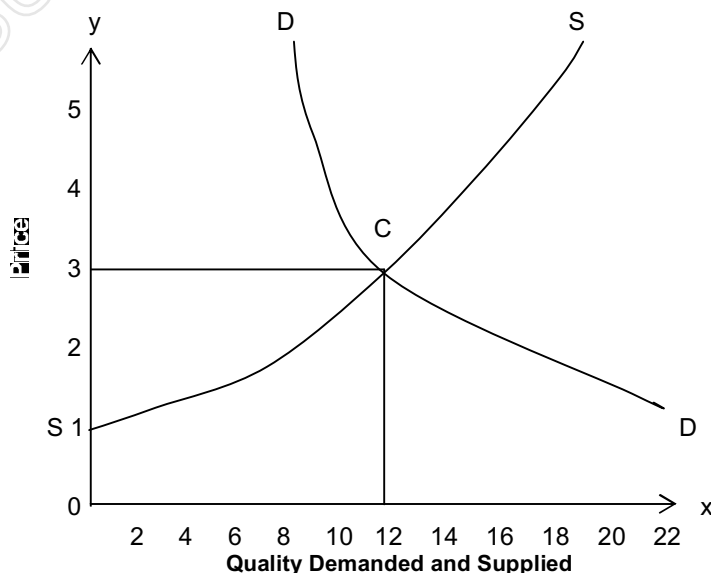
At \$3, consumers' desired demand exactly equals producers' desired production, each of which is 12 units. Only at \$3 will consumers and suppliers both be making consistent decisions.

A market equilibrium comes at the price at which quantity demanded equals quantity supplied. At that equilibrium, there is no tendency for the price to rise or fall. The equilibrium price is also called the market-clearing price. This denotes that all supply and demand orders are filled, the books are "cleared" of orders, and demanders and suppliers are satisfied.

Combining Demand and Supply for Cornflakes					
	(1) Possible price (\$ per box)	(2) Quantity demanded (millions of boxes per year)	(3) Quantity supplied (millions of boxes per year)	(4) State of market	(5) Pressure on price
A	5	9	18	Surplus	↓ Downward
B	4	10	16	Surplus	↓ Downward
C	3	12	12	Equilibrium	Neutral
D	2	15	7	Shortage	↑ Upward
E	1	20	0	Shortage	↑ Upward

The table shows the quantities supplied and demanded at different prices. Only at the equilibrium price of \$3 per box does amount supplied equal amount demanded. At too low a price there is a shortage and price tends to rise. Too high a price produces a surplus, which will depress the price.

We often show the market equilibrium through a supply-and-demand diagram.



We find the market equilibrium by looking for the price at which quantity demanded equals quantity supplied. The equilibrium price comes at the intersection of the supply and demand curves, at point C.

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The market equilibrium price and quantity come at the intersection of the supply and demand curves. At a price of \$3, at point C, firms willingly supply what consumers willingly demand. When the price is too low (say, at \$2), quantity demanded exceeds quantity supplied, shortages occur, and the price is driven up to equilibrium.

The equilibrium price and quantity come where the amount willingly supplied equals the amount willingly demanded. In a competitive market, this equilibrium is found at the intersection of the supply and demand curves. There are no shortages or surpluses at the equilibrium price.

Q.3 (b)

As compared to the economies of the 1700s, today's economies depend heavily on the specialization of individuals and firms, connected by an extensive network of trade.

Specialization occurs when people and countries concentrate their efforts on a particular set of tasks – it permits each person and country to use to best advantage the specific skills and resources that are available. One of the facts of economic life is that, rather than have everyone do everything in a mediocre way, it is better to establish a division of labour – dividing production into a number of small specialized steps or tasks. A division of labour permits tall people to play basketball, numerate people to teach, and persuasive people to sell cars. It sometimes takes many years to receive the training for particular careers.

The enormous efficiency of specialization allows the intricate network of trade among people and nations that we see today. Very few of us produce a single finished good; we make but the tiniest fraction of what we consume. We might teach a small part of one college's curriculum, or empty coins from parking meters, or separate the genetic material of fruit flies. In exchange for this specialized labour, we will receive an income adequate to buy goods from all over the world.

Different people or countries tend to specialize in certain areas; they then engage in the voluntary exchange of what they produce for what they need. Japan has grown enormously productive by specializing in manufacturing goods such as automobiles and consumer electronics.

Advanced economies engage in specialization and division of labour, which increase the productivity of their resources. Individuals and countries then voluntarily trade goods in which they specialize for others' products, vastly increasing the range and quantity of consumption and having the potential to raise everyone's living standards.

SECTION – 'B'**Q.4 (a)****Output:**

The ultimate objective of economic activity is to provide the goods and services that the population desires. What could be more important for an economy than to produce ample shelter, food, education, and recreation for its people?

The most comprehensive measure of the total output in an economy is the gross domestic product (GDP). GDP is the measure of the market value of all final goods and services. There are two ways to measure GDP. Nominal GDP is measured in actual market prices. Real GDP is calculated in constant or invariant prices (where we measure the number of cars times the prices of cars in a given year such as 2000).

Real GDP is the most closely watched measure of output; it serves as the carefully monitored pulse of a nation's economy. Despite the short-term fluctuations seen in business cycles, advanced economies generally exhibit a steady long-term growth in real GDP and an improvement in living standards; this process is known as economic growth.

High Employment, Low Unemployment of all the macroeconomic indicators, employment and unemployment are most directly felt by individuals. People want to be able to get high-paying jobs without searching or waiting too long, and they want to have job security and good benefits. In macroeconomic terms, these are the objectives of high employment, which is the counterpart of low unemployment.

The unemployment rate tends to reflect the state of the business cycle: when output is falling, the demand for labour falls and the unemployment rate rises.

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Price Stability:

The third macroeconomic objective is to maintain price stability. This term means that the overall price level is either unchanged or rising very slowly.

To track prices, government statisticians construct price indexes, or measures of the overall price level. An important example is the consumer price index (CPI), which measures the average price of goods and services bought by consumers. We will generally denote the overall price level by the letter P .

Economists measure price stability by looking at the inflation rate, or rate of inflation. The inflation rate is the percentage change in the overall level of prices from one year to the next.

Q.4 (b)

Fiscal Policy denotes the use of taxes and government expenditures. Government expenditures come in two distinct forms. First there are government purchases. These comprise spending on goods and services – purchases of tanks, construction of roads, salaries and so forth.

The other part of fiscal policy, taxation, affects the overall economy in two ways. To begin with, taxes affect people's incomes. By leaving households with more or less disposable or spendable income, taxes tend to affect the amount people spend on goods and services as well as the amount of private savings. Private consumption and saving have important effects on investment and output in the short and long run.

In addition, taxes affect the prices of goods and factors of production and thereby affect incentives and behaviour.

The second major instrument of macroeconomic policy is **monetary policy**, which the government conducts through managing the nation's money, credit, and banking system.

By changing the money supply, the Federal Reserve can influence many financial and economic variables, such as interest rates, stock prices, housing prices, and foreign exchange rates. Restricting the money supply leads to higher interest rates and reduced investment, which, in turn, causes a decline in GDP and lower inflation. If the central bank is faced with a business downturn, it can increase the money supply and lower interest rates to stimulate economic activity. The exact nature of monetary policy is one of the most important areas of macroeconomics.

Over the last decade, monetary policy has become the major weapon used by the government to fight the business cycle.

Q.5 (a)

A market economy uses prices as a yardstick to measure economic values and conduct business. During periods of rapidly rising prices, called price inflation, the price yardstick loses its value. During periods of high inflation, people get confused about relative prices and make mistakes in their spending and investment decisions. Tax burdens may rise. People spend much of their time worrying that inflation is eating away at their incomes.

Macroeconomic policy has increasingly emphasized price stability as a key goal. In the United States the overall rate of inflation has fallen from more than 10 percent per year in the late 1970s to around 3 percent per year in the 1990s and early 2000s. Some countries today have not succeeded in containing inflation, however. Formerly socialist countries like Russia and many Latin American and developing countries experienced inflation rates of 50, 100, or 1000 percent per year in the last two decades.

Inflation can be controlled by giving people relaxation in their lives such as market equilibrium, tax reduction, price stability etc.



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Q.5 (b)**ECONOMIC OBSTACLES:****(1) EXTERNAL DEBT:**

There was a rising trend in external debt which imposed a serious threat to the economic future of the country. During the last four years, serious efforts are being made to reduce the external liabilities as far as possible.

(2) BUDGET DEFICITS:

Another serious constraint in economic development is the higher levels of budget deficits. The overall budget deficit was 8% of GDP in 1992-93. It was brought down to 6.6% in 1999-2000. The large fiscal deficit reduces the capacity of the government to spend on key development activities.

On revenue side, the tax GDP ratio stands at around 9% during the last several years. It is mainly attributable to narrow tax base, inelastic tax system, complex tax laws, heavy reliance on foreign trade tax exemptions and incentives, tax evasions, weak tax administration etc. On the expenditure side, defence and debt serving are taking major share of the current revenue.

(3) BANKING AND FINANCIAL SECTOR IN CRISIS:

The second major economic impediment to economic development is that the public sector banks and development financial institutions (DFIs) are mainly in crisis. Excessive bank credits, large scale defaults in payment of loans are great lines of the economy. The poor performance of the financial sector has adversely affected development in various sectors of the economy. National savings have remained low at about 15.8% of GDP which should have been at-least 25% of GDP as it is in other developing countries of the world.

(4) PERSISTENT DEFICIT IN BALANCE OF PAYMENT:

Another important obstacle to economic development is the persistent deficit in the balance of payment over the years.

(5) FINANCING AND BUDGETARY GAP:

One of the serious factor distorting the fiscal system and obviously economic growth is the huge amount of borrowing to finance the budgetary gap. The budgetary gap is financed through three sources (i) External borrowing, (ii) Domestic non bank borrowing, (iii) Borrowing from the banking system. Excessive bank borrowing creates inflationary pressure in the economy.

(6) DEFICIENCY OF CAPITAL:

Deficiency of capital is an important obstacle in the way of economic development. If a country is to achieve rapid rate of economic development, it must save at-least 25% of GDP each year. In Pakistan, the rate of national saving is very low. It is about 13.7% of GDP which is hardly able to maintain current per capita level in the country.

(7) SCARCITY OF FOREIGN EXCHANGE:

Pakistan, like other developing countries, is foreign trade oriented. It is concentrating mainly on the export of cotton, carpets and manual labour. The excessive dependence on export of a few items has made the economy unstable and is a great obstacle to economic growth. The fluctuations in the internal market, the deterioration in terms of trade, the quota system, the liberalization trade policy have decreased the foreign earnings. The increase in the prices of imported goods and their rising flow in the country is a big strain on the foreign exchange resources.

(8) RAPIDLY GROWING POPULATION:

The population is growing at the rate of about 1.9% annually in Pakistan. As a result of the rapid increase, the proportion of dependants below the age of 15 years and above the age of 55 has gone up to 73% which is a great burden on the meager resources of the country and a big obstacle to economic development.

(9) LOW LEVEL OF TECHNOLOGY:

One of the obstacles to economic development in Pakistan is the use of low level of technology in various sectors of the economy. We do not stress and even do not recommend that Pakistan should adopt most modern and sophisticated technology. The technology to be applied in Pakistan should be appropriate to the conditions prevailing in the country. For instance, we should preferably use cheap sources of energy, simple farm equipment, smaller plants and scale of machinery etc., suitable to the local conditions.

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(10) DUALISTIC ECONOMY:

Dualism is another important obstacle to economic development in Pakistan. There is a vast regional disparity in income. The use of technology differs from sector to sector and region to region. There are differences in the social customs, habits and attitudes towards work of the people living in different provinces of the country. The occurrence of dualism stands in the way of optimum utilization of resources.

SECTION – MCQ**Q.6 (a)****ROLE OF AGRICULTURE IN ECONOMIC DEVELOPMENT OF A COUNTRY:****ROLE OF AGRICULTURE:**

Agriculture is the dominant sector of the economy of Pakistan. Agriculture contributes 23% to GDP, employs 42.1% of country's work force and contributes more than 66% to export earnings. It contributes to growth as provider of raw materials and as a market for industrial products. The specific contributions of agriculture to economic development, in brief, are as under:

(1) IT PROVIDES FOODS AND FIBRE:

The key contribution of agriculture is that it provides food (wheat, rice etc.) and fibre (cotton, Jute etc.) to the growing population of the country. If a developing country, whose economy is based on agriculture fails to meet its food and fibre requirements, then it has an adverse effect on the economy. The direct effect of the shortage of food is that its price immediately goes up in the country. With the rise in prices of food, the nominal wage rates of the labour are forced to go up. As a result in the rise of wages, the investments and the profits of the industries begin to decline. Employment and growth is adversely affected.

(2) TRANSFER OF SURPLUS LABOUR:

Another important contribution of agriculture sector is that it is the main source of providing labour to industry. For instance, in Pakistan about 42% of the labour force is employed in agriculture sector. With the growth in the agriculture sector due to improved use of inputs (fertilizer, better seeds, water availability etc.) the agriculture surplus labour is gradually absorbed in small and large scale industries. As a result, the income of the farmers has gone up. The rise in the farm income has increased the market demand for goods and services produced by industry. The development of agriculture thus leads to the growth of industry which has contribution to overall economic development.

(3) PROVISION OF CAPITAL:

Another key contribution of agriculture is that it provides capital to the state for meeting the requirements of economic development such as construction of factories, building of infrastructure (roads, school, electric power facilities). Purchase of agricultural inputs etc. The government can secure the flow of capital out of agriculture in a number of ways.

- (i) *Tax on agriculture income:* It generates capital by levying tax on the income of the farmers.
- (ii) *Purchase of agricultural commodities at relatively low prices:* The government sometimes purchases the agricultural commodities at low prices compared to the industrial goods. It then sells them at higher prices in the domestic as well as in the foreign market. The difference in prices so secured is used for development purposes.
- (iii) *Direct capital formation within the agriculture sector:* The government also raises capital from agriculture by stimulating direct capital within the agriculture sector itself. The farming community is motivated to take part in local infrastructure development such as desisting of canals, cleaning of land from bushes, development of orchards etc.
- (iv) *Promoting rural savings:* Another mean of securing capital from agriculture is to encourage farmers to deposit their savings in banks. The amount thus mobilized is used for development of farm and non farm sectors.

(4) SOURCE OF FOREIGN EXCHANGE EARNING:

The well developed agricultural sector is also a major source of earning foreign exchange for the country. The trade surpluses not only help in paying off external debt but also provide capital to pay for imports of essential goods such as seeds, fertilizers, machinery etc.

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(5) EXPANSION IN DOMESTIC DEMAND:

As the agricultural productivity increases, the income of the farmers goes up. With the rise in income, there is a rapid growth in demand both of farm goods (fertilizer, tractors, tube well machinery) and industrial goods in the rural and urban areas. There is also expansion in domestic demand for consumer goods. The expanding and progressive agricultural sector, thus, brings increasing levels of development all over the country.

(6) IMPACT ON RURAL WELFARE:

Agricultural development has a significant impact on rural development. If productivity is increased in agriculture, it reduces poverty, provides increased consumption goods, stimulates nonfarm employment. With the increase in income the standard of living of the rural people rises. They are able to get basic amenities of life such as water supply, sanitation, provision of health and educational facilities, village electrification, establishment of public call offices, roads etc.

(7) CONTRIBUTION TO GROWTH:

Agriculture sector also contributes to growth by providing raw material as well as a market for industrial goods. It thus has a substantial impact on the growth of overall GDP. During the year 2003-04, agriculture sector grew by 2.2%. However, it increased to 7.5% in 2004-05.

Q.6 (b)**MEASURES TAKEN BY THE GOVERNMENT OF PAKISTAN FOR THE PROMOTION OF INDUSTRIES:**

Pakistan had very weak industrial base at the time of independence in 1947. Out of 921 industrial units, Pakistan inherited only 34 small units which mainly related to ginning, flour milling, sugar, and cotton textiles. There were also no industrial giants to take up industrialization. Under the circumstances, the Government of Pakistan took the following steps for the promotion of industrialization in the country.

(1) INDUSTRIAL POLICY OF 1948:

Realizing the industrial backwardness in the country, the Government announced Industrial Policy of April 1948. The government gave priority in setting up those industries for which the raw materials were available in the country and there was a market for the products at home and abroad. The jute, cotton, consumer goods, hides and skins industries were given priority for establishment. As a result of rapid industrialization, the large scale manufacturing industries grew at a rate of 23.6% from 1949 to 1954.

(2) SETTING UP OF PIDC:

The Government of Pakistan set up Pakistan Industrial Development Corporation (PIDC) in 1950 for planning, promoting, organizing and implementing programmes for setting up large scale industries in Pakistan. It established industries in those fields where private capital was shy and the projects involved heavy capital. PIDC established 60 industrial and mining project with a capital outlay of Rs.1227 million from 1952-1972. The nationalization of industries in January 1972 by the Peoples Party Government inflicted a heavy blow to PIDC. The nationalized industries were given under the administrative control of holding corporations.

(3) PROVISION OF INDUSTRIAL CREDIT:

In order to meet the working and fixed capital requirements for industries set up in the private sector, the Government of Pakistan established a number of specialized credit institutions such as PICIC (Pakistan Industrial Credit and Investment Corporation in 1957), IDBP (Industrial Development Bank of Pakistan in 1961), ICP (Investment Corporation of Pakistan in 1966), NDFC (National Development Finance Corporation in 1973). Equity Participation Fund etc.

(4) TARIFF PROTECTION:

The Government of Pakistan from 1953-64 promoted industrialization in the country by giving tariff protection to local industries. All imports into Pakistan were regulated by some forms of quantitative controls.

(5) ESTABLISHMENT OF LARGE INDUSTRIAL ESTATES:

In order to encourage the establishment in industries, the government has set up 72 industrial estates in the four provinces of the country. In these industrial estates which are located in the suburbs of big cities, the Government has provided land, gas, electricity, roads, banking facilities for the promotion of industries.

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(6) EXPORT BONUS SCHEME:

The Export Bonus Scheme was introduced in 1959 which remained effective up till 1972. Under this Scheme the exporter of manufactured goods of Pakistani industries was entitled to receive a specified percentage of his export earnings for import of machinery and industrial raw materials from a list of importables. The Scheme helped a lot in the promotion of industries in the country.

(7) FOREIGN INVESTMENT:

Pakistan attaches highest importance to the inflow of foreign investment for the development of industries in the country. Foreign capital contributed significantly to the rapid increase in industrialization in 1960's. The flow of foreign investment has remained uneven due to number of constraints such as economic sanctions on nuclear test, HUBCO and IPP issues etc.

(8) NATIONALIZATION OF INDUSTRIES:

Pakistan³ People Party (PPP) in its election manifesto in 1968 announced that if the PPP comes in power, they will nationalize all the basic industries, private and domestically owned banks, educational institution etc. The period of 1972-77 was a period of bad luck of PPP and the country. The growth of nationalized industries came to halt. There was a flight of capital during that period.

(9) DEREGULATION AND LIBERALIZATION:

In the Sixth Five Year Plan, 1983-88, the industrial growth was encouraged by an improvement in the industrial policy. A package of deregulation and liberalization of the economy encouraged the private sector to take part in industrial development of the country.

(10) PRIVATIZATION PROGRAMME 1991:

In order to attract capital both domestic and foreign in the private sector, the government of Pakistan announced privatization programme in 1991. All the state owned manufacturing units financial institutions are now gradually privatized by auctioning them to local and foreign investors. The gross privatization proceeds stood at Rs.148.4 billion. The privatization programme is attracting domestic and foreign capital in the industrial sector.

(11) EXPORT PROCESSING ZONES:

The Government has set up export processing zones at Karachi, Sialkot, Lahore, Rawalpindi, Peshawar for providing facilities to exporters. At these export processing zones all types of basic facilities such as telecommunication, banking, insurance, water, electricity etc., have been provided under one window service. The facilities provided in these zones are attracting foreign capital and the modern management skills are now available to the exporters for increasing the exports.

(12) FISCAL AND MONETARY INCENTIVES:

For ensuring rapid growth of industrialization both in the rural and urban areas, the government has given a number of fiscal monetary incentives. The three years income tax holiday to new industries, reduction in custom duties and sales tax on imported machinery etc., are likely to help in the growth of industries.

(13) DELETION POLICY:

The Government has approved a deletion programme for more than 1000 industrial units. The objective is the attaining of self reliance in engineering sector and ensuring transfer of technology.

(14) TRADE WITH AFGHANISTAN:

In order to allow our trade and industry to develop, the trade with Afghanistan has been liberalized.

(15) IMPROVEMENT IN THE PERFORMANCE OF PUBLIC SECTOR INDUSTRIES:

The overall share of the public sector in the large scale manufacturing has declined considerably over the years. At present there are 7 holding corporations controlled by the Ministry of Industries and Production with 22 industrial units. The performance of Pakistan Steel has considerably been achieved and efforts are being made to increase the installed capacity.

(16) REDUCTION IN INTEREST RATE:

The Government has reduced the interest rates in all the saving schemes. The bank rates on short, medium and long term loans have also been brought down to help the industries to expand production.

(17) LONG TERM TEXTILE POLICY:

A long term policy is being drawn to prepare Pakistan to compete in a quota free and restriction free markets from 2005 onward.

(18) SELF ASSESSMENT SCHEME:

In the Federal Budget, the public companies have also been allowed to declare their income under 'Self Assessment Scheme'.

(19) INCOME FROM SOFTWARE EXPORT:

The income from software exports is exempted from the payment of income tax.

(20) FOREIGN DIRECT INVESTMENT:

Due to reforms introduced to attract the flow of foreign investment, the FDI has crossed the targeted mark by the end of the fiscal year 2009-10.

THE END

SUGGESTED ANSWERS