

See Paper 2015 Question No. 2

QUESTION NO. 2

HUMAN CAPITAL:

Human capital is the body of human knowledge that contributes 'know how' to productive qualities. These include skills, abilities, ideas etc. The knowledge base of a nation is added to by research and disseminated by teaching through general education and vocational training.

HUMAN CAPITAL FORMATION (H.C.F.):

H.C.F refers to the "process of acquiring and increasing the number of persons who have the skills, education and experience which are critical for the economic and the political development of a country.

According to Schutz, **there are five ways of developing human resources:**

- (i) Health facilities and services, broadly conceived to include all expenditures that affect the life expectancy, strength and stamina, and the vigour and vitality of the people.
- (ii) On-the-job training, including old type apprenticeships organized by firms.
- (iii) Formally organized education at the elementary, secondary and higher levels.
- (iv) Study programmes for adults that are not organized by firms, including extension programmes notably in agriculture.
- (v) Migration of individuals and families to adjust to changing job opportunities.

QUESTION NO. 3

COOPERATIVE FARMING:

It is a voluntary organization in which farmers pool their resources in order to carry out various agricultural operations with each others help for their common economic cause.

In other words, co-operative farming is a system where in farmers voluntarily come together, pool their resources in buying inputs, using resources like land, water and market the produce and divide the earnings.

SCOPE OF COOPERATIVE CO-FARMING:

The advantages of co-operative farming society described above are no doubt very appealing co-operative farming societies organized with various objectives have miserably failed in attainment of above goals.

No co-operative farming society was organized. The govt. had experiment co-operative farming on state land. The armed force persons and their families were given state land for co-operative farming in various districts of Punjab. The experiment failed. These societies were dissolved by cooperative department. There was no cooperative farming society organized by land owners. There is no question of failure of cooperative farming. It is concluded that the socio-economic conditions are not conducive for cooperative farming in Pakistan. There are various hindrances. These are:

- | | |
|---------------------------------|---------------------|
| (1) Attachment with land | (2) Illiteracy |
| (3) Lack of co-operative spirit | (4) Lack of capital |
| (5) Dishonesty | |

(1) Attachment with Land:

The villagers in no case are willing to surrender the rights of lands as they have too much attachment with it.

(2) Illiteracy:

The farmers are mostly illiterate and are generally reluctant to adopt any change in farming operations.

(3) Lack of Co-operative Spirit:

Spirit of brotherhood is extremely lacking among farmers. They are divided in various sections on caste basis. Therefore, no unity among tillers of soil.

(4) Lack of Capital:

Co-operative farming societies lack finance to meet the growing needs of agriculture.

(5) Dishonesty:

The management of these societies often turns out to be dishonest. The member once elected holds the office-till his death or dissolution of firm.

SUGGESTIONS:

Performance of co-operative farming in Pakistan remained unsatisfactory. Co-operative farming is in the experimental stage upto now. In some villages co-operative farming has been introduced on compulsory basis. It did not produce any demonstration effect on the farmers residing around those villages. Therefore the small farmers should be encouraged to cultivate land individually. Timely inputs should be provided to farmers. It will increase production per hectare. Financial position of the farmers will improve and power to save will create. Higher savings will lead to higher investment and will increase production. It will be helpful to break the vicious circle of poverty in Pakistan. Vicious circle of poverty can be broken by increasing savings.

U.S.S.R, China, Israel, Egypt and Italy have adopted collective farming. In all these countries co-operative farming societies are working under the guidance and supervision of the state.

QUESTION NO. 4

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QUESTION NO. 5

MAJOR EXPORTS OF PAKISTAN

Major items of our exports are following:

(1) Rice:

Rice is an important export of our country. It is a source of foreign exchange earning. We export rice to Sri-Lanka, Dubai, Saudi-Arabia, Iraq, Kuwait, Oman and Turkey. Total export was of worth 1,774.8 million dollar in 2010-11.

(2) Cotton Yarn:

Cotton yarn is also important export of our country. Export of cotton yarn is increasing day by day. We export cotton yarn to Hong Kong, Japan, China, Bangla Desh etc. Total export was of worth 1,689.7 million dollar in 2010-11.

(3) Cotton Cloth:

A sufficient amount of cotton cloth is exported to other countries. Importing countries are U.K, America, Russia, Sudan, West Germany, Iran, Hong Kong and Poland. Total export was of worth 1,955.8 million dollar in 2010-11.

(4) Carpets:

Pakistan is a producer of best quality carpets. Demand for our carpets in foreign countries is increasing day by day. Pakistan exports carpets to West Germany, Switzerland, France, America, England and Italy. Total export was of worth 109.6 million dollar in 2010-11.

(5) Leather and Leather Goods:

Export of leather and leather goods has increased up to a large extent. Pakistan exports leather and leather goods to Italy, Spain, Japan and Romania. Total export was of wroth 447.3 million dollar in 2010-11.

(6) Raw Cotton:

Cotton production is a backbone of our economy. For many years cotton was the biggest export item. Total export was of wroth 263.6 million dollar in 2010-11.

Production of cotton is affected by various attacks.

(7) Fish:

Export of fish from Pakistan is increasing day by day. Due to the construction of Port Qasim, the export of fish has increased. Total export was of wroth 233.9 million dollar in 2010-11.

(8) Ready Made Garments and Hosiery:

Export of ready made garments and hosiery has increased up to a large extent. Total export was of wroth 1,435.6 million dollar in 2010-11.

(9) Surgical Instruments:

Surgical instruments are our important export and it is increasing day by day. Total export was of wroth 207.3 million dollar in 2010-11.

(10) Petroleum Products:

Petroleum products are also exported to other countries from Pakistan. Total export was of wroth 1,089.8million dollar in 2010-11.

(11) Bed Sheets and Towels:

Bed sheets and towels worth 653.3 million dollars were exported from Pakistan in 2010-11. Importing countries are U.K, U.S.A and Russia etc.

(12) Sports Goods:

Pakistan is earning a sufficient amount of foreign exchange by exporting sports goods. Total export was of wroth 2061.1million dollar in 2010-11.

(13) Fruits and Vegetables:

Pakistan exports fruits and vegetables to Gulf and South Asian Countries. Total export was of wroth 445.1 million dollar in 2010-11.

[CONCENTRATION, COMPOSITION AND CREATION OF EXPORT]

(1) Concentration of Exports:

During 2010-11 (April-July) exports were of 20,154.2 million against 15,773.2 in the corresponding period of 2010-11. Pakistan exports however continued to be consisted of a few items namely cotton manufactures (52%), leather (5.4%), rice (11.2%), synthetic textile (1.7%) and sports goods (1.6%). The share of these five items is 72.4% of total exports. Thus there is no diversification of exports.

(2) Composition of Exports:

The composition of exports has changed from primary to semi-finished goods. There is need to change our exports towards high valued goods.

(3) Direction of Exports:

Pakistan exports commodities to a few countries namely U.S.A. (16.1%), Germany (5.1%), Japan (5.1%), UK (2.3%), Hong Kong (2.2%) and Saudi-Arabia (2.2%). We should expand our trade relations with more and more countries.

(4) Nature of Exports:

Our exports consists or raw material and semi-finished goods. Now due to economic development share of primary products is increasing.

QUESTION NO. 6

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QUESTION NO. 7

There is a controversy over the impact of inflow of capital for the development of a country. It is argued that capital is one of the variable in the growth process. It alone cannot act as decisive factor to economic development. For instance, if the government of a country is ineffective and inefficient, education standard is low, justice is denied to the people and people are not receptive to social changes, the inflow of capital resources and technical assistance would go waste. In case, the developing nations have the will to absorb capital and technical knowledge and the social and political barriers are overcome, capital then becomes the touchstone of economic development.

[ADVANTAGES OF FOREIGN DEBT]

The main benefits of foreign economic assistance, however, in brief are as under:

- (1) **Increasing the Level of Investment:** Most of the developing countries are facing the problem of low rate of savings and as a result there is low level of investment. Foreign loans are required to supplementary domestic savings for bridging the resources gap between the desired investment and the domestic savings.
- (2) **Building Infrastructures:** Foreign loans can help the country in developing various infra-structural facilities which require huge investment such as transportation, communication, power generation, irrigation etc.
- (3) **Undertaking Risky Projects:** Due to shortage of capital and low expertise, the domestic capital is usually shy of undertaking risky projects, like oil and gas exploration, mineral resources etc. The country with the help of foreign capital and necessary expertise can undertake such risky projects and explore the natural resources for economic development of the country.
- (4) **BOP Support:** Most of the developing countries including Pakistan due to heavy import of machinery, chemicals and other necessary equipments are facing deficits in the balance of payments years after years. The foreign exchange gap caused by excess import / export is filled up with the inflow of foreign capital from IMF.
- (5) **Development of Basic Industries:** Foreign loans can assist in building the basic industries like iron and steel, petroleum, heavy engineering etc., in the country.
- (6) **Provides Greater Employment Opportunities:** The financing of various projects with the help of foreign assistance provides greater employment opportunities in a country.

- (7) **Increases Productivity of Various Economic Sectors:** The inflow of capital and technical know-how increases the productive capacity of various sectors of the economy.
- (8) **Increasing in Real Wages:** The foreign resources help in increasing marginal productivity of labour in the recipient country. The real wages of the workers are thus increased with the help of foreign assistance.
- (9) **Provision of Higher Quality Products:** The foreign capital helps in the establishment of industries in the country. The inflow of technical knowledge improves the quantity and quality of manufactured goods and makes them available at lower prices to the domestic consumers.
- (10) **Increase in Tax Revenue:** The profits earned on foreign investments are taxed by the government. The revenue of the state is thus increased.
- (11) **External Economies:** The inflow of foreign capital and advanced technology stimulates domestic enterprises. The firms avail of the benefits of external economies like that of training of labour, introduction of new technology, new machinery etc.

[DISADVANTAGES OF FOREIGN DEBT]

Foreign aid is useful provided it helps in overcoming bottlenecks in the way of economic development of a country. It has been observed that most of the developing countries including Pakistan are not fully utilizing the foreign aid. As such the costs of foreign aid is very heavy on the recipient countries. The burden of foreign debt can be judged from the following facts:

- (1) The burden of debt servicing is increasing as time passes. Debt servicing as percentage (%) of export earnings is rising.
- (2) The tied loans given to a developing country raise the economic cost of the donor country if it is faced with inflation.
- (3) The donor country may misdirect and burden the economy of a developing country by giving project tied loans which are not on the priority list of the country.
- (4) The domestic agricultural production may be discouraged by the receipt of commodity aid from the developed nations.
- (5) An import substitution industry established by foreign assistance may continue depending on the import of essential raw material from the rich countries.
- (6) There may be political strings attached to the bilateral loans.
- (7) Debt overhang may also discourage efforts by the Government to carry out basic fiscal reforms.
- (8) The piling of debt depresses growth by increasing uncertainty among the foreign investors.

QUESTION NO. 8

(a) HUMAN RESOURCES AND ECONOMIC DEVELOPMENT

Meaning of Human Resources:

The term human resource has been defined as:

- "The quantity and quality of labour force".
- "The sum total of all knowledge, skills, attitude available in a country".

Human Capital and their Role in Economic Development:

Human capital is the body of human knowledge that contributes 'know how' to productive qualities. These include skills, abilities, ideas etc. The knowledge base of a nation is added to by research and disseminated by teaching through general education and vocational training.

Human Capital Formation (H.C.F.):

H.C.F refers to the "process of acquiring and increasing the number of persons who have the skills, education and experience which are critical for the economic and the political development of a country.

ROLE / IMPORTANCE OF H.C.F:

It is highly recognized that the growth of tangible capital stock depends to a considerable extent on human capital formation, which is the "process of increasing knowledge, skills, and the capacity of all people of the country".

(1) Existence of Surplus Labour:

In LDCs existence of surplus labour is an acute problem that is due to lack of skills and appropriate knowledge. Then H.C.F. aims at solving these problems by creating the necessary skills in man as a production sources.

(2) To Utilize Physical Capital:

It is obvious that just by importing physical capital, LDCs can never achieve the growth and development targets. Human capital is therefore, needed to operate and utilize that physical capital to get optimum output and to make that capital more beneficial for economy.

(3) To Increase Productivity:

Human capital formation makes physical capital more productive. LDCs mostly engaged in development programmes such as; construction of road, dams, factories, hospitals, schools etc., for this purpose they needed engineers, technicians, managers and administrative personals, doctors, economists, statisticians etc., so all these specialist will be available to utilize physical capacity productively only through human capital formation.

(4) Utilization of Foreign Assistance:

Most of the LDCs are forming problems of debt burden due to misuse of loans and technological assistance provided by developed countries. Highly educated, skilled and trained persons are required for optimal utilization of this assistance to avoid the problem of debt burden and to make this aid beneficial for economy.

(5) To Remove Economic Backwardness:

To remove economic backwardness, it is necessary to increase the knowledge and skills of the people. Only skilled and trained population will be able to get employment opportunities that will enhance their income and consumption level. They will be able to consume different economic goods to raise their living standards.

In LDCs most of the people are suffering from the problem of low living standards due to low income. To avoid LDCs from this acute problem human capital formation is strongly advocated.

(b) EXTERNAL DEBT OF PAKISTAN