

Economic Policies of Pakistan during Democratic Governments (1947-2012): An Analytical Study in Islamic Perspective

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In the history of Pakistan, democratic governments ruled for a long period of time but they did not make stable policies for its economic development. A certain class got economic benefits whereas masses remained deprived of basic necessities of life. Public welfare got secondary importance which resulted in economic disparity. In Islamic state, it is the responsibility of a ruler to provide individuals with basic necessities of life and to circulate wealth. Democratic governments relied on conditional external economic assistance which not only increased the burden of debt but also affected our social values. Economy of Pakistan challenged the problems such as foreign trade imbalance, external debt and its liabilities, high aggregate demand, slow GDP growth, poverty, poor rate of literacy, high unemployment rate and poor health care facilities etcetera. Pakistan could develop, if any of the governments might have followed Islamic economic principles. This research paper followed descriptive and analytical methods.

Key words: Democratic, Pakistan, Islam, Policy, Development

After its independence, Pakistan faced various economic issues. Partition of British India was widely and particularly an economic miscreation. The role played by Islam was one of the major concerns. It raised a question whether Pakistan was a secular or Islamic state governed by Muslims or Sharia respectively. Quaid-e-Azam Muhammad Ali Jinnah made clear that Pakistan is an Islamic state and its constitution will be based on Islamic principles. In February 1948, demonstrating essential principles of Islam, he said that constitution of Pakistan will be democratic. Islamic doctrines are as applicable in life as they were thirteen hundred years ago. Islam imparted us democracy which advocates equality of men, justice and fair play. In this state, Non-Muslims will enjoy the rights and privileges as the Muslims would.⁽¹⁾ In 1948, on the opening ceremony of the State Bank of Pakistan Quaid-e-Azam Muhammad Ali Jinnah said that West Economic System creates many problems. We must present to the world an economic system based on true Islamic concept of equality and social justice which is the sure way of prosperous society and welfare of mankind.⁽²⁾

Unfortunately, all democratic governments continued the western alley policy rather than adapting and implementing basic principles of Islamic

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Economic System. It not only affected economic growth but also destroyed the peace and shattered social values of Pakistan.

Economic policies and their implementations in important sectors of Pakistan, during democratic governments, are detailed here:

- Initial Years (1947-1958)
- Prime Minister Zulfiqar Ali Bhutto's Era (1971-77)
- Prime Minister Benazir Bhutto and Nawaz Sharif's Period (1988-1999)
- Prime Minister Yousef Raza Gillani's Regime (2008-2012)

1. Industrial Policies

After independence, the most prominent feature of Pakistan's economy was the extremity of its industrial backwardness. Pakistan did not have a single jute mill, in spite of the fact that it produced 75 percent of total world's jute. At the time of its partition, Subcontinent had 394 textile mills. India got 380 whereas Pakistan got just 14.³ In initial years (1947-58), to meet the requirements of the home market, Pakistan developed consumer goods-led industry rather than capital goods. Government's industrial policy was to give a fillip to the industrialization of the country by all possible means and to encourage such investments. Government gave industrial bias in taxation policy such as total exemption from Business Profits Tax, exemption from income tax of the profits to the extent of 5 percent of the capital invested for the first five years, total exemption of capital goods and essential raw materials from import duties and sales tax and special depreciation allowances in the case of buildings, plant and machinery.⁴ To advance medium and long term credit to industrial concerns, Pakistan Industrial Finance Corporation had been founded which started functioning in October, 1949.⁵ In the mid 1950's, profits of 50 to 100 percent on industrial investments were not extraordinary due to high prices of productions, comparatively low prices for capital goods and low real wages. Liberal depreciation allowances, low direct tax rates and with no anti-monopoly legislation appealed industrial investment. These factors also led to a highly concentrated pattern of industrial ownership.⁽⁶⁾

President Ayub Khan's industrial policy and incentive such as tax rebates, tax holidays, advance on low markup, import of machinery on less duty charges, and the structure of low wages rooted concentration of wealth in the hands of a few industrialists. According to Ishrat Hussain, to reduce the concentration of wealth in private industrialists, the most dramatic decision of Bhutto's era was the nationalization of large private manufacturing and financial institutions.⁷ Viqar Ahmed and Rashid Amjad describe that the nationalization in the industrial sector was initially limited to the capital and intermediate goods industry which, in a country where consumer goods-led industrial growth had taken place, meant that less than 20 percent of value-

added of the large-scale manufacturing sector was taken over. Later, nationalization was extended to the vegetable ghee industry and in August 1976, to ginning factories, rice husking and flour mills.⁽⁸⁾

In seventies, government industry policy was encouraging smaller enterprisers. The developing of small-scale industry has a special role in the social-economic policies of government. Small-scale industry requires small amount of capital but creates more job opportunities. It does not lead to the evil of concentration of productive assets in a few hands. Locally available raw material can be utilized for the manufacture of local equipment. Industries from large cities also extend to small areas.⁹ In this era, the share of large-scale manufacturing declined from 12.6 to 10.7 percent of GDP between 1971 and 1977, the corresponding share of small-scale manufacturing rose from 3.8 to 4.5 percent, and private investment in this sub-sector was also positive.⁽¹⁰⁾

Downside of this period, there was a greater corruption in industrial sector. Public enterprises were quite often established for social or political purposes. Units were frequently set up in favorable remote backward areas such as Larkana, Bhutto's home town. In remote areas, plants capacity could not be used adequately as on average 90 percent of Bannu Sugar Mills plant capacity had not been utilized.¹¹ During Prime Minister Bhutto's period, industry units were founded in politically favorable remote areas. No doubt, development of remote regions by establishing industries is significant policy to reduce regional disparity. Nonetheless industrial units should be established in such remote areas where capacity of plant can be utilized appropriately. These should be set up in remote areas where they are required rather than in those areas where they are set up on political basis.

In nineties, Pakistan experienced Structural Adjustment and Stabilization Programs. To develop private sector, government granted incentives to industries and adopted privatization policy. For new industries, tax holidays were awarded for period of three years, eight years in regions considered as backward and five years in other rural regions of Sindh and Punjab. Custom duties were reduced on imported plant and machinery. The reductions range from fifty percent for the more advanced regions of Punjab and Sindh and to hundred percent for the less advanced regions. A number of regulatory restrictions were abolished or greatly liberalized. A package of incentive for the Special Industrial Zones was introduced which contained fiscal measure and provision of infrastructure and other facilities, concentrating in particular on exports.¹² Government paid special attention to Industrial Estates, the number of industrial Estates reached 72 at the end of March 1997. These Industrial Estates enjoyed various incentives and facilities like tax rebates, varying degree of exemption from custom duty on imported machinery and raw material etc.⁽¹³⁾

In 1990s, Privatization Commission had been set up. Till 1998, 96 State Owned Enterprises (SOE) had been privatized.⁽¹⁴⁾ This policy had negative impacts on the economy of Pakistan such as corruption, unemployment, monopoly in the market and concentration of wealth in a few hands etc. It would have been better if the government had measured causes of decline of privatized units and would have setup policy for their growth. Government must follow the same strategy for future plans.

In Prime Minister Yousef Raza Gillani's era, the worse condition of law and order and energy crises badly affected industrial progress and Foreign Direct Investment (FDI). The government stimulated private investment and granted fiscal and monetary incentives to industrial sector, yet large-scale manufacturing had not shown any sign of improvement. However, the average growth rate of small-scale manufacturing remained eight percent in five years.¹⁵ Nevertheless, the privatization process continued slowly.

Although, democratic governments have encouraged small-scale industry yet government should encompass more small-scale industries for generating employment opportunities and to decrease the population pressure on large cities. In this concern, Pakistan should follow the example of Japan which has developed small-scale industries and has laid emphasis on entrepreneurship. Government should also provide more incentive to small-scale industries. Government should arrange seminar and distribute pamphlets to create awareness of investment in small-scale industry.

During democratic governments, commercial bank and Industrial Corporation issued interest based loans. Islam detests interest. Allah Almighty commanded clearly about interest:

﴿وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا﴾⁽¹⁶⁾

Almighty Allah allowed trade and prohibited usury.

Hazrat Muhammad (SAWW) cursed the individual who is involved in interest matter.¹⁷ Governments should and should have developed interest free credit system because interest is strictly prohibited in Islam. Banks should adopt Islamic mode of financing such as Mudarba and Musharka, according to their basic Islamic principles.

2. Agricultural Policies

Agricultural sector is backbone of Pakistan's economy. In early years, government supported agriculture by providing economic assistance. Agricultural Development Finance Corporation was founded in 1953 to provide economic assistance to individual agriculturalists and corporate bodies on reasonable rate of interest for long term to purchase modern agricultural equipment.¹⁸ During this period, country faced shortage of food grain. Agriculture stagnated to an extent that its growth was not even enough to cope with the growth in population, resulting in a fall in per capita consumption of

food grains and the need to import food as well. A stagnant agriculture in a predominantly agricultural economy meant a slow growing economy. India also created problem for agriculture sector. The head waters of the Indus River and its main tributaries were under Indian control. The disputes between the two nations arose and did not settle until the Indus Waters Treaty was signed in 1960.

In seventies, farmers were facilitated by various incentives. Government granted subsidies on agricultural inputs like fertilizers, plant protection, tube wells and new varieties of seeds etc. To ensure sufficient profit to the farmers, government had fixed procurement prices of major crops like wheat, rice, sugarcane and cotton. The small farmers owing land up to twelve irrigated acres or twenty five un-irrigated acres had been exempted from land revenue and other land taxes. This tax policy provided great relief to small farmers. Agricultural credit agencies and commercial banks advanced credit on relatively low interest rates.¹⁹ In seventies, government's significant agricultural policy was land reforms. Under the land reforms of 1972, up to the end of March 1977, 10265 persons filed declarations and area was resumed from 2298 owners. Out of the total resumed land of 1.16 million acres 0.69 million acres were disposed of among 70,851 small farmers and tenants, each getting an area equal to subsistence holdings.²⁰ President Ayub Khan's and Zulfikar Ali Bhutto's land reforms are comparable. Such as, in both legislations, the choice to choose a land and leave it for better yield was merely in the hands of land lords. Therefore, landlords surrendered a high proportion of land which was declared to be uncultivable. The provision relating to partitioning had emboldened the owners to have fairly large (4 to 5 times larger than the average) economic holdings which caused the average size of holdings to rise and to increase the weight of middle sized farms. Land reforms also became victim of corruption because these had been implemented by revenue bureaucracy.²¹ The main objectives of land reforms were to facilitate the tenants and to reduce the concentration of land in a few hands as told by the government. Nonetheless, its actual reason was to strengthen the government by getting political loyalists.

Government should and should have a strategy to take the land from feudal lords if it causes the concentration of wealth. In the era of Zulfikar Ali Bhutto, ownership of landlord was a cause of concentration of wealth. Therefore, land reforms were the requirement of time. The tenants are the most exploited class. This class has been subjected to the worst type of tyranny by feudal lords. To eliminate exploitation of this class, Islam practically abolishes feudal system. In the history of Islam, when Iraq was conquered, Hazrat Umar (R.A) did not distribute land among the soldiers²². It is because; he wanted the whole nation to get benefit by revenue of land. Land of Iraq had been

considered a state property which was measured by Hazrat Usman bin Hanif (R.A). Land Tax was collected and whole state became prosperous.

Islam introduces ownership of land by rehabilitation of wild, barren and ownerless land (Mawat) and grant of land to individuals by Islamic State. During the era of Holy Prophet (SAWW) and Hazrat Umar (R.A), individuals could also acquire lands. Nevertheless, if a person would not cultivate his land within a period of three years it should be taken under the control of state.²³ Hiring land and tenancy (Muzarat) are also lawful modes by which the landowner and tenants could get benefit. Muslims could also donate land. As Holy Prophet (SAWW) said:

(ان يمنح احدكم اخاه خيرا له من ان ياخذ شيا معلوما)⁽²⁴⁾

If anybody donate his land to his Muslim brother, it is better than to rent it out.

In Zulfiqar Ali Bhutto's era, lands were granted to those who had political allegiance or background. Islam forbids this action. Once Hazrat Umar (R.A)'s father-in-law came and demanded something from treasury. He scolded him and asked him if he wanted the name of Hazrat Umar (R.A) to be included in the list of corrupt sovereigns. Nevertheless, he granted him ten thousand dirhams from his own wealth.⁽²⁵⁾

Government should and should have developed an agriculture sector as Hazrat Umar (R.A) also paid special attention towards agriculture. Canals, barrages and big pools had been constructed to irrigate and supply water in different areas of the state. Now a days, Pakistan is facing serious problem of shortage of water for agricultural and energy sector. Pakistan must immediately construct new dams, especially Kala Bagh Dam, for irrigation.

In nineties, under the framework of Structural Adjustment Program government reduced the subsidies on agricultural inputs like fertilizers, plant protection, tube wells, and new varieties of seeds. Consequently, rise in the cost of agricultural output affected the reduction in the profits of farmers. Though farmers were compensated by increasing the prices of harvests yet the large farmers earned profit through this policy because they had large marketable surplus. Increase in the prices of agricultural product also hurt poor countrymen.²⁶ Subsidies are essential for small farmer. Government should and should have continued the policy of subsidies to develop agricultural sector and to make small farmers prosperous. And increased its revenue by imposing agricultural tax on land lords.

In Prime Minister Yousef Raza Gillani's period, the provision of fertilizers, high yield seeds, insecticides, tractors, tube wells and agricultural advance were made easy. In twenty six villages, An Agriculture Model Village Program had been started. It was supported by Zarai Taraqiati Bank Limited. The objective was to organize the farming community at the village level

guaranteeing farmers easy access to credit.²⁷ During this period, unfortunately, Pakistan faced the great flood of 2010. More than twenty million people suffered, 1.6 million homes were affected, more than two million hectares of standing crops were destroyed, thirty thousand cattle were missed and the roads comprising of twenty five thousand kilometer were destroyed. Economy of Pakistan suffered the loss of ten billion USA dollars and GDP growth was reduced by two percent. In this regrettable condition, farmers were supported by credit, fertilizers and seeds.²⁸ Government should and should have made a plan to control flood. Economic planning is imperative in Islamic Economic System. For example, when the king of Egypt told about his dream and it reached Prophet Yousef (A.S), he not only described them its interoperation but also explained how to make a plan to overcome economic problem. As it is mentioned in Holy Quran:

﴿قَالَ تَزْرَعُونَ سَبْعَ سِنِينَ دَابًّا. فَمَا حَصَدْتُمْ فَذَرُوهُ فِي سُنْبُلِهِ إِلَّا قَلِيلًا مِّمَّا تَأْكُلُونَ. ثُمَّ يَأْتِي مِنْ بَعْدِ ذَلِكَ سَبْعٌ شِدَادٌ يَأْكُلْنَ مَا قَدَّمْتُمْ لَهُنَّ إِلَّا قَلِيلًا مِّمَّا تُحْصِنُونَ﴾⁽²⁹⁾

For seven consecutive years, you shall sow as usual and that (the harvest) which you reap you shall leave in ears, (all) except a little of it which you may eat. Then will come after that, seven tough (years), which will consume what you have laid by in advance for them, (all) but a little of that which you have guarded (stored).

Pakistan can also overcome flood by plantation. For, trees like Eucalyptus and Mangroves are very useful as they naturally safeguard the land from flood. These plants can be planted near rivers, canals and dams. Their roots spread far and deep underground and dry up all the water. We can also control flood by constructing new dams because excessive water can be stored which can save us from flood.

3. Import and Export Policies

Foreign trade has important role in development of a nation. Pakistan also exports numerous agricultural products and imports the capital goods. During early phase of Pakistan in September 1949, Pakistan did not devalue currency following the devaluation of the pound sterling when India and number of other countries followed suit. Adopting this policy, Pakistan demonstrated that Indian economic policies did not determine Pakistan's economic decision-making. This policy was also in the favor of economy of Pakistan. Because, if Pakistan had devaluated its currency, it could cause an increase in the prices of imported machinery and it could adversely affect industry sector.³⁰ Newly established trading class benefited greatly from Korean boom. It was the period from mid-1950 to early-1952. Pakistani merchants bought raw material, especially raw cotton and raw jute, at cheap prices from domestic market and sold them in international market at very high

prices to earn large profit. Although, government tried to move capital in industry sector but traders took interest in trade because trade was more fascinating for them due to Korean boom. It allowed government to practice a liberal import policy. But with the collapse of Korean boom, government feared foreign exchange crises as export prices were falling, government re-imposed control. This controlled resulted high prices of consumer goods in domestic market which fascinated traders to invest in industry sector. Pakistani rupee was devaluated in July 1956 by 30 percent in relation to the pound sterling which had mixed impact on balance of payment.⁽³¹⁾

Pakistan's balance of payment showed a surplus during 1947-48 and 1950-51. But, it was in deficit in rest of the years of initial phase. One of the major reasons of imbalance of payment was the use of foreign exchange due to shortage of food grains which was overcome by import. In 1948, several floods in Sindh and Punjab and in 1954 in East Pakistan and Punjab adversely affected food grains. In 1951, the catastrophe of monsoon, continued drought conditions and locus attacks led to a disastrous wheat crop harvest. United States of America, Canada and Australia, and other countries advanced long-term credits and aid which helped in the import of food grains. During 1956-57, country again faced short falls in food production and imported it from world market at very high price and at a very short notice.⁽³²⁾

Although Government coped with challenges gradually but its foreign trade and industrial policies rose up various social problems such as concentration of wealth in a few hands. A special class occupied foreign trade and invested its profit in industrial sector. President Ayub Khan further strengthened its roots by providing more monetary and fiscal incentives such as tax holidays, tax rebates and other facilities. Islamic teachings lay stress on circulation of wealth. In early years, government should have designed and implement policies to promote middle class and help them acquire an opportunity to invest in trade and industry. Government should and should have made Alms obligatory to reduce the difference between rich and poor. Islamic Economic System also establishes socio-economic justice among all the members of the nation. Islam establishes system of Alms in order to make distribution of economic resources justified. Islam also forbids unfair, illegal and unjust earning. Moreover, Islamic state can also levy taxes on prosperous as Holy Prophet (SAWW) said:

((ان في المال حقاسوى الزكاة))⁽³³⁾

In wealth, there is a right other than Zakat.

If whole economic system of Islam is acted upon, socio-economic justice would automatically be achieved.

Righteous caliphs had also taken practical measure to reduce class difference. Hazrat Abu Bakar (RA) distributed surplus of booty equally among

the Muslims and he (R.A) did not follow the policy of (وَالسَّيْفُونَ الْاِوْلُونَ)³⁴. Whereas, Hazrat Umar (R.A) distributed surplus of wealth among the Muslims by three principles: family ties with the Holy Prophet (SAW), earlier embraceor of Islam and the one who made sacrifices for its basis, and soldierly amenity to Islam. Thus, the wives of Holy Prophet (SAW) were awarded 10,000 dirhams, Hazrat Ayesha (RA) was given 12000 dirhams, companions of Holy Prophet (SAW) who participated in battle of Badar acquired 5000 dirhams each and their sons were awarded with 2000 dirhams, participant of Uhud battle up to the Treaty of Hudaibiya received 4000 each. The Muslims who embraced Islam before the conquest of Makkah were awarded with 3000 each. Those who embraced Islam after the conquest of Makkah and those who took part in the battles of Yarmouk and Qadsia were given 1000 each. The allowances were granted to every Muslim whether male or female, young or old.³⁵ But, in the end of Hazrat Umar (R.A)'s era, he preferred the policy of Hazrat Abu Bakar (R.A). Hazrat Ali (R.A) also followed the policy of Hazrat Abu Bakar (R.A). To reduce functional Inequality, government should act upon the policy of righteous caliphs.

Regional disparity was also a great problem. Jute was produced in East Pakistan but merchants of West Pakistan earned foreign exchange by its export and most part of this revenue was invested in the development of West Pakistan. East Pakistan had also inadequate economic and social facilities. During the era of president Ayub Khan, regional disparity also rose up. If government will not have discriminated with East Pakistan, it would never have come into being on the map of world as Bangladesh. Setting up of a policy for merchants of East Pakistan was essential that they may earn profit and become prosperous by exporting jute. Government should have facilitated the people of East Pakistan. For example, in the history of Islam, Hazrat Umar (R.A)'s efforts are evident. Hazrat Umar (R.A) said:

”وَالَّذِي لَا إِلَهَ إِلَّا هُوَ، ثَلَاثًا، مَا مِنْ نَاسٍ أَحَدٍ إِلَّا فِي هَذَا الْمَالِ حَقٌّ أُعْطِيَهِ أَوْ مَنَعَهُ، وَمَا أَحْدَبَ أَحَقُّ بِهِ مِنْ أَحَدٍ إِلَّا عَبْدٌ مَمْلُوكٌ، وَمَا أَنَا فِيهِ إِلَّا كَأَحَدِهِمْ وَلَكِنَّا عَلَى مَنَازِلِنَا مِنْ كِتَابِ اللَّهِ، وَ قَسَمْنَا مِنْ رَسُولِ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ، فَالرَّجُلُ وَ بِلَاوِهِ فِي الْإِسْلَامِ، وَالرَّجُلُ وَ قَدَمِهِ فِي الْإِسْلَامِ، وَ الرَّجُلُ وَ غَنَاوِهِ فِي الْإِسْلَامِ، وَ الرَّجُلُ وَ حَاجَتِهِ، وَاللَّهُ لَنْ يَبْقِيَ لِيَابَتَيْنِ الرَّاعِي بِجَبَلٍ صَنْعَاءَ حَظَّهُ مِنْ هَذَا الْمَالِ وَ هُوَ مَكَانَهُ“⁽³⁶⁾

It meant that economic rights should be given to every person from the government treasury. Hazrat Umar (R.A) took the obligation of economic prosperity of rehabilitation of all the provinces. He (R.A) provided allowances for the people of distant regions such as Syria, Iraq and Yamen.⁽³⁷⁾ Hazrat Umar (R.A) said that if he (R.A) remains alive to help the widows of Iraq, he will leave so much for them that they will never need to ask for help to any leader who comes after him.⁽³⁸⁾ Hazrat Umar (R.A) said that amount collected by communities of Arab's villager would be returned to them, so each of them

might have hundred camels. Inhabitant of Iraq and Iran should gain advantages and bear restrictions like an Arab's villager.³⁹ It is narrated by Hassan that few persons came to Hazrat Umar (R.A) and said that their ruler granted Arabs but he left the Non-Arabs. Hazrat Umar (R.A) wrote to him that it is immoral if he considers anyone of his Muslim brothers worthless. Hazrat Umar bin Abdul Aziz also ordered Zakat to be distributed equally among the Arabs and free Non-Arabs.⁽⁴⁰⁾ There was also political stability in Hazrat Umar (R.A) and Hazrat Umar bin Abdul Aziz (R.A)'s eras due to provision of economic rights to every region of Islamic state. Government should and should have reduced regional disparity to make Pakistan prosperous and a peaceful land.

During seventies, in May 1972, government devaluated currency which caused high prices of export commodities. Economic growth in early two years of this period also enhanced exports. In early two years, after devaluation of currency, the export's growth was forty percent.⁽⁴¹⁾ In and after FY1973, balance of payment remained in deficit due to Middle East war that was initiated in 1973. It led to rise of oil prices which increased the export's bill of Pakistan adversely. Oil prices also affected price of fertilizer, chemical and industrial machinery.⁽⁴²⁾ Large-scale manufacturing growth remained very slow. Although, investment in small-scale industries increased, yet this sector contributed very little in exports. Agricultural sector also remained backward which affected export of agricultural product. Due to all the above mentioned factors, balance of payment remained in deficit.

Since 1988, Pakistan is following a comprehensive reforms program with a strong emphasis on competitive trade, decrease in tariff walls and opening up of the domestic market. Tariffs were reduced significantly in the late 1980s and 1990s. Pakistan abolished most of its banned and quantitative restrictions. The tariff reduction program was started in 1995.⁴³ In 1991 and 1992, government announced many measures to liberalize trade. Import licensing was finished for most of goods, many products were removed from the lists of restricted imports, and import duties were amended. Foreign companies also got permission to exports and public sector monopoly in the export of rice and cotton was also removed. Government reduced various exemptions and concessions on custom duties.⁽⁴⁴⁾

During the era of Prime Minister Yousef Raza Gillani, balance of payment was also in deficit, though textile industry had good ratio in exports. After the global financial breakdown in 2008-09, The International Statistics Report on Export of Textile and Clothing Trade showed some signs of recovery in textile and clothing sector. In 2010, China was recorded to be the largest exporting nation of textiles whereas European Union was second and India was placed in the third with its forty percent increase in its exports of

textiles. In FY 2012, Pakistan textile sector also showed sign of improvement which contributed to imports and enhanced foreign exchange reserves.⁽⁴⁵⁾

In democratic regimes, balance of payment remained in deficit. To fill up the gap of imports and exports, government depends on external interest-based debts which are still increasing the external debt and liabilities.

For balance of import and export, following steps should be and should have been taken:

- To design trade policy in national bias.
- To export surplus goods. (Public necessities should be preferred.)
- To export finest quality of articles, especially textile, to compete in international market.
- To import only that is not manufactured in domestic market. If Pakistan imports such goods, it not only dumps the domestic industry but foreign exchange reserves are also misspent. For example, the import of such items from China which can be easily manufactured at domestic level has dumped our domestic industry.
- To ban unnecessary items (especially luxuries).
- To import goods from low-cost market.
- To develop bilateral trade with neighboring countries.
- To ensure macro-economic stability and to solve energy crises

4. External Debt and Aid

Since its Independence, Pakistan has been depending on external debt and economic aid. In early years, World Bank, International Monetary Fund and several countries granted Pakistan debt and aid. Projects grant was provided by international donors and western countries in the form of machinery, goods and technical services. It was utilized in agriculture especially for fertilizer, factories of cement, energy sector, transport services, communication services and industrial development. Pakistan received aid from America, Australia, Canada, New Zealand and World Bank.⁴⁶ In the first five year plan (1950-55), Pakistan received \$372 million dollars as external assistance and debt. Total grant was \$251 million dollars, loan repayable in non-convertible rupee was \$20 million dollars and loan payable in foreign exchange was \$101 million dollars.⁴⁷ In 1958, Pakistan's total external debt and economic assistance were 21, 19 lakh rupees.⁴⁸ In seventies, government continued the policy of dependence on foreign debt and grants. In beginning of this period, Pakistan's total external debt services were 122 million rupees and foreign reserves were 819 million dollars whereas at the end of this period, external debt services were 420 million dollars and foreign reserves were 2,028 dollars.⁽⁴⁹⁾

In nineties, government initiated Structural Adjustment Program with the assistance of World Bank and International Monetary Fund. In the second

phase (1988-1999), Pakistan had both the short term and multiyear arrangements with International Monetary Fund. It laid emphasis on different types of structural reforms and demand management policies.⁵⁰ In 1992-93, Social Action Program (SAP) was initially launched. SAP-I, the first phase of the SAP program, was framed for a period of five years from 1993 to 1998. SAP-II, the second phase of the SAP program, was for four years from 1996 to 2000. It was profusely funded by the government of Pakistan and international bodies such as World Bank, Asian Development Bank, Netherlands and United Kingdom. SAP was a multispectral program involving primary education, primary health, nutrition, family planning, ruler water supply and sanitation.⁽⁵¹⁾ SAP has impact on Pakistani society such as it enhanced NGOs participation in education sector, family planning program and women empowerment etc. In FY 1989, disbursed & outstanding debt was \$14,190 million and debt servicing were \$1,125million whereas in FY 1999, disbursed & outstanding debt was \$22,633 million and debt servicing were \$1,530 million.⁽⁵²⁾

Prime Minister Yousef Raza Gillani also continued the policy of depended external debt and assistance. Carry Logger bill was an agreement between America and Pakistan to assist Pakistan, in its fight against terrorism. This bill had few conditions such as ending support to extremist and terrorist groups, thwarting Al-Qaeda- Taliban and associated terrorist groups like Lashkar-e-Taiba and Jaish-e-Muhammad, closing terrorist camps in Fata, disassembling terrorist bases in different areas of the country, organizing check and balance system on Madras and their core curriculum.⁵³ Pakistan should have developed trade with USA rather than taking conditioner aid. In FY 2012 Pakistan's total debt and liabilities were 14,552 billion rupees which were 72.6 percent of GDP whereas IMF loan were 694 billion rupees which were 3.5 percent of GDP.⁵⁴ Islam strictly prohibits interest based debt. As Allah Almighty says in Holy Quran:

﴿الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَامْتَنَ فَلَهُ مَا سَلَفَ. وَأَمْرٌ هُوَ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ﴾⁽⁵⁵⁾

Those who eat usury will not stand (on the Day of Resurrection) except like the standing of a being beaten by Satan leading him to senselessness. It is because they say that trading is same as usury, whereas Allah Almighty has allowed trading and prohibited usury. Thus, whosoever gets talking-to from his Almighty and ends eating usury will not be punished for the past. His matter is for Allah Almighty but who returns usury such are the persons of the Fire - they will bear therein.

Islam also detests plead for debt as it is mentioned in Hadith -e -Nabvi (SAWW):The one amongst you, who keeps on begging until the day he meets Allah Almighty, will not have even a single piece of flesh on his face.⁽⁵⁶⁾ At another place Muhammad (SAWW) said: The one who disgraced himself for begging, his wealth will not be blessed and his condition becomes so miserable that he eats but is not satiated and the upper hand is better than the lower.⁽⁵⁷⁾ The practical application of above mentioned hadiths Nabvi (SAW) can be seen in current economic condition of Pakistan. Our governments are unsatisfied forever and despite their begging for more than sixty eight years now, their hunger is not satiated even when they are continuously getting debt and aid. Yet the condition of country is getting worse and the natural calamities are adding to our miseries but we are not watching our ways critically.

To lessen the burden of debt Pakistan should and should have known:

- Pakistan's economy is rich in mineral resources. Government should pay special attention to explore mineral resources and projects should be designed to explore and utilize them. Initiating these projects, people will acquire work opportunities and Pakistan would get large amount of revenue. It can be utilized to lessen the burden of debt and welfare of masses.
- Muslim countries are enriched with natural resources and Allah Almighty has also blessed them with economic resources. They can easily manage Islamic Bank which can issue interest free credit and can work on Islamic mode of financing. Under-developed and developing Muslims countries such as Pakistan can be assisted by this bank.
- Pakistan should have enhanced Foreign Direct Investment (FDI) rather than economic aid, as China is investing in Pak-China Economic Corridor.

5. Social Welfare

Social welfare indicates that government should provide basic facility to inhabitants of each region. After its independence, Pakistan faced many problems and government made efforts to solve them, gradually. One of the major problems was rehabilitation of approximately seven million refugees. The Pakistan Refugee Rehabilitation Finance Corporation was founded in May 1948 to support them by issuing loans, organizing schemes of cottage industries on co-operative basis and arranging the marketing of their goods. The credit issued to individuals, firms and societies was 16.9 million rupees by the end of 1956.⁽⁵⁸⁾

Education plays an essential role in the enlargement of a nation as it subsidizes the development of human capital. Democratic government

improved number of educational institutions but their number did not meet educational requirements of population. Expenditure on education as percentage of GDP (average annual) was 1.7 percent in 1970s, 2.0 percent in 1990s, 1.8 percent in FY 2009 and 2.0 percent in FY 2012.⁽⁵⁹⁾

To improve educational system, following steps must have been and must be taken:

- To increase the literacy rate by improving quality of education through teachers' training, reforming higher education sector and encouraging public-private partnership.
- To make Muslim citizens lead their lives according to Islam as one of the major objectives of Islamic Economic System is to work for spiritual welfare of citizens.
- To enable students understand basic knowledge of Islam. At primary and Elementary level Arabic language must be taught in a manner so that it could help students understand Holy Quran and Hadith.
- To make educational system fair. Appointment of teachers must be on merit for the future of students and thus of nation lies in their hands and if we adopt demerit policy, it would destroy the future of our nation.

To employ individuals are one of the foremost responsibilities of government. In seventies, to create more employment opportunities government started many employment generating programs such as People's Works Program, National Development Volunteers Program, Integrated Rural Development Program and Agrovilles Program.⁽⁶⁰⁾ People also acquired work in Middle East. To protect labour rights, labour reforms were introduced in February 1972. A number of financial advantages were announced such as the employee's share in profit, compulsory payment of bonus, group insurance, old age pension, children free education and housing and medical facility. The labor laws were applicable to the workers in Baluchistan and Malakand Division of NWFP (KPK). For the first time, workers were given the right of participation in management at factory level. Worker's share in company profit, which was raised from 2.5 to 4 percent in February 1972 and was enhanced to 5 percent, was made payable in cash annually at the option of worker.⁽⁶¹⁾ A National Industrial Relation Commission was set up under the Industrial Relation Ordinance in November 1972 to deal with cases of unfair labor practices and to promote the formation of national organization of workers. The commission undertook extensive tours and met representatives of workers and employers with a view to ensure industrial peace and promotion of a healthy trade union.⁽⁶²⁾ Junior Labor Courts and Labor Courts were set up in four provinces to settle the matters of labors.⁽⁶³⁾

Teaching of Islam also creates social harmony and promotes relation of brotherhood between employer and employee. In an Islamic society, there exist

no antagonist classes of haves and have-nots which are set against each other. Rather employer and employee are brothers of each other. Islam promotes full unity and cooperation between them. Prophet Muhammad (SAWW) said: Allah Almighty says that He will be an opponent of a person on the Day of Resurrection who employs an employee and takes full work from him but does not pay him wages.⁶⁴ Your slaves are your brothers and Allah has put them under your command. Thus, whoever has a brother under his command should feed him of what he eats, and dress him of what he wears. Do not ask them to do things beyond their capacity and if you do so, then help them.⁶⁵ At present, dignity and respect must be given to employee, working environment should be good and reasonable wages should be fixed and promptly paid. Employee should also perform his duty devotedly, sincerely and honestly.

In nineties, to solve the unemployment problem, government introduced self-employment schemes such as Youth Investment Promotion Society and Self Employment Program. Credits had been provided to unemployed individuals to purchase taxicabs, mini-buses, buses, trucks, coaches and auto-rickshaws.⁶⁶

During Prime Minister Yousef Raza Gillani's era, to reduce unemployment, government initiated a few projects and provided the facility of credit. To skill the youth, National Vocational and Technical Education Commission was set up. An income of two thousand rupees per month was paid to the participants. Individuals also acquired overseas employment. In 2011, total number of registered Pakistani employees in different countries was 456,893.⁶⁷ However, lack of good governess, worse condition of law and order and energy crises affected industry and trade. Work opportunities reduced due to the slow development of economic sector.

Governments must and must have:

- Set up policies and taken practical steps to increase employment opportunities.
- Design short and long period projects to employ people. Objectives and targets of projects should be clear that government would provide financial resources according to requirements. It should also clear, how much manpower is required in different sectors.
- Recruitment should be on merit basis rather than promoting political backgrounds and favors.
- As solid policy for industrial sector also enhances employee opportunities, foreign direct investment should be encouraged in industrial and trade sectors which can generate more work.
- Banks should be advanced interest free credit for setting up business.
- Government must provide women with job opportunities to help them participate in various economic activities. They can not only

accomplish their financial requirements but also help the needy. For example: Hazrat Zaynab (R.A), wife of Hazrat Abdullah bin Masood (R.A), was well aware of household. Hazrat Zaynab (R.A) asked Holy Prophet (SAW) about spending money on husband, children and nephew. Holy Prophet (SAW) gave her good news of double reward.(One of sadaqat and second spending on family)⁽⁶⁸⁾

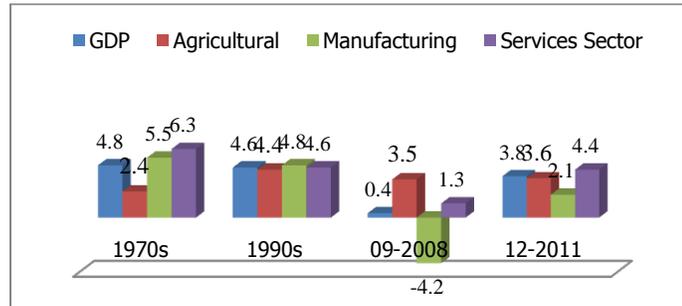
In Health sector, Pakistan is facing the challenge of low life expectancy, high infant and child mortality rate, high maternal mortality ratio, limited health infrastructure, low public spending and high level of communicable diseases. The Medical Council of Pakistan was established in 1948 to maintain the standard of medical education.⁽⁶⁹⁾ In order to educate the people in the elementary principles of health and hygiene, Health Education Bureau was established in Karachi which started functioning in August 1952.⁽⁷⁰⁾ Efforts had been made to create awareness and control of disease. In nineties, under SAP, government also increased health facilities. During Yousef Raza Gillani's regime, according to WHO, communicable diseases such as measles, hepatitis B & C, neonatal tetanus, tuberculosis, malaria, typhoid and meningitis caused approximately half of the deaths. Incidence of non-communicable diseases like diabetes, hypertension, cardiovascular diseases and cancer is also growing expeditiously. There are certain areas in country where HIV, malaria and dengue fever are also growing.⁽⁷¹⁾ Ministry of health started many programs to control diseases and improve quality of life, for example: Expanded Program on Immunization, National Program for Family Planning & Primary Health Care (LHW Program), National Maternal, Neonatal and Child Health Program, National AIDS Control Program, National Nutrition Program, National Malaria Control Program and National Program for Prevention and Control of Hepatitis.⁽⁷²⁾ Although during democratic rules, health facilities have been increased but these were inadequate. Development in increasing the access of people to basic health facilities was very slow. The number of doctors, dentists and hospitals remained small. Expenditure on health as percentage of GDP (average annual) was 0.6 percent in 1970s, 0.7 percent in 1990s, 0.5 percent in FY 2009 and 0.3 percent in FY 2012.⁽⁷³⁾ Governments should and should have increased expenditure on health care and provide this facility to people free of cost with better quality.

Conclusion:

During early years, Pakistan gradually resolved the problems such as rehabilitation of refugees, establishment of industry sector, food grain shortage, setting up of educational institutes and provision of health facilities etc. Prime Minister Zulfikar Ali Bhutto was fascinated by socialism. Therefore, his economic policies were based on public ownership. In seventies, industries, banks, insurance companies, educational institutions and other organizations had been nationalized. In period of nineties, government encouraged deregulation, privatization and free trade policy. Government introduced

structural reforms but they did not achieve the goals such as low fiscal deficit and balance of payment. Prime Minister Yousef Raza Gillani’s era faced energy crises, flood and slow economic growth etc. Economic development of democratic government is shown in the following Fig. 1.

Fig: 1. Indicator of Economic Development during democratic Period (Average growth Rate)



(Source: Pakistan Economic Survey, 2014-15, Social and Economic Indicators)

During 1990s, agricultural development was better due to availability of agriculture input and easy availability of credit. Manufacturing and services sector showed signs of improvement during Prime Minister Zulfiqar Ali Bhutto’s period.

Our economy has been rendered stagnant due to the specific conditions involving interest based debts and economic assistances from international bodies like IMF & World Bank. Indirectly, these debts and aids are affecting our social values and contributing to our moral decline. Unfortunately, despite its adverse impacts, every new government in Pakistan continued to borrow loan on the conditions laid down by IMF. It has created several economic and social problems in Pakistan which consequently become a hurdle in its economic growth. The basic goal of Pakistan should be the development of domestic resources and putting an end to corrupt practices instead of exclusively depending upon the external interest based loans. In the same way, the accountability of dishonest and corrupt rulers is also essential.

Peace is obligatory to develop industry, trade and agriculture. Government should encourage manufacturing sector and pay special attention to small scale industries. Government should expand tax network to increase the number of tax payers, cancelling pressure of taxes on the poor and strict actions should be taken against individuals who are involved in tax corruption in any way and at any level. Government should design policies and take practical steps for social welfare that masses may get the basic necessities of life. Pakistan is in need of a sincere ruler who may formulate an effective, solid and integrated economic policy based on Islamic principles to make Pakistan march on the path of peace and economic prosperity.

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