Resource Mobilisation

There are two types of resource channels:

(a) **Revenue Receipts:** Revenue receipts can be bifurcated into:

(i) Tax Revenues, and
(ii) Non-Tax Revenues.

(b) **Capital Receipts:** Capital receipts can be classified into:

(i) External Borrowings, and
(ii) Internal Non-Bank Borrowings.

There are two ways through which resources can be mobilised. They are:

(a) **Internal Resources:** Resources can be mobilised internally by two methods. They are:

(i) **Voluntary Savings:** The task of voluntary savings is a crucial one. This can be done through moral suasion and active government participation. The government should provide necessary incentives to increase the savings through various policies programmes. The government should develop its financial sector so that it can act as an efficient instrument for mobilising resources.

(ii) **Involuntary Savings:** Involuntary savings refer to the system of mobilising resources through tax revenues and non-tax revenues:

- **Tax Revenues:** Taxation system occupies the most important place in the socio-economic aspect of a country to mobilise the internal resources. The resources so obtained are then channelised for development purposes by the government. Pakistan has imposed various types of direct and indirect taxes for raising revenues. These include custom duties, excise duties, estate duty, income tax, corporate tax, taxes on sales and purchases, terminal taxes and surcharges, etc. Tax revenues are 'revenue receipts'.

- **Non-Tax Revenues:** Non-tax sources of revenues for the Federal Government are state trading profits, earnings of commercial departments like post office, telegraph and telephone, interest charges on loans to provincial governments, local bodies, etc., whereas for the provincial governments, they include irrigation charges and forests, etc.

(b) **External Resources:** The external resources include grants, loans and foreign aid of various types. Since the internal resources are inadequate to meet the government expenditures, we have to rely heavily on foreign assistance. For this purpose, we have been taking loans from IMF, IBRD, ADB and various developed countries.

How to Increase the Rate of Capital Formation:
A country can increase its capital formation through its own domestic saving and by inflows of capital from abroad. Following are the ways to increase net capital formation as a percentage of national income:

(a) **Capital Imports:** We can increase the capital formation with the pain of reducing current consumption, by capital inflows from abroad or exploitation of idle resources.

(b) **Moral Suasion:** The government should convince the people to save more. Sound national economic management, coupled with a social security system, might make people less insecure about economic emergencies, so that they may invest more in productive activity.

(c) **Improvement to the Tax System:** Saving is unconsumed current production. Taxation is one form of saving. Improving the tax system increases saving. There should be emphasis on direct taxes, taxes on luxuries and sales taxes.

(d) **Increasing Investment Opportunities:** Government subsidies, tariffs, loans, training facilities, technical and managerial help and construction of infrastructure may increase saving because prospective entrepreneurs perceive higher investment returns.

(e) **Redistribution of Income:** The government can encourage particular sectors and economic groups by its tax, subsidy and industrial policies. It can redistribute income to persons with a high propensity to save or stimulate output in sectors with the most growth potential and in which saving and taxation are high.

(f) **Local Financing of Social Investment:** Local government can levy taxes, that Federal Government cannot if the funds are used to finance schools, roads or other social overhead projects that clearly benefit local residents.

(g) **Inflationary Financing:** The banking system can provide credit and the treasury can print money to loan to those with high rates of saving and productive investment. Creating new money, although inflationary, increases the proportion of resources available to high savers, so that real capital formation rises.

(h) **Foreign Inflow of Capital:** The foreign investors from developed countries are also invited to invest in the country. Moreover, the foreign aid and assistance are also obtained from developed countries and international financial institutions such as IMF, World Bank, ADB, Islamic Bank, Paris Club, EU, etc.