



The Future of Pakistan lies in unlocking its Social and Human Potential

In today's modern world, ensuring sustainable development is linked to investment in human and social capital. The surge in technological advancements has introduced unprecedented challenges for the human and social capital of a nation. In an era of social media and connectedness, where information spreads like wildfire, economies are becoming increasingly sensitive to the positive and negative influences of social interactions. Undoubtedly, human and social factors can either exacerbate existing challenges or play a pivotal role in a nation's revival by providing a competitive advantage. Therefore, it is essential for nations to encourage and sustain productive human capital, leading to sustainable social capital. Human and social capital are interlinked, and positive human capital is a prerequisite for the optimal utilization of social capital in any society.

Human capital in a society originates from the ideas, knowledge, education, skills, experience, or any other distinct and productive capacity of an individual (Rosen, 1989). The Socioeconomic Theory by Prechter (2016) further elaborates on the dynamics of human interaction and its spillover effect on societal behavior, particularly from the lenses of financial and economic decision-making. The theory establishes how underlying human factors can act as either an asset or a liability for society. Meanwhile, the accumulation of positive and productive human interactions becomes the social capital of a society, as initially posited by Bourdieu in 1985. He defined social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition." In simpler words, relationships, friends, and networks provide individuals with access to the collective resources (i.e., ideas, knowledge, education, skills, experience, etc.) that society holds, and the development of such productive networks has significant economic potential. Its effective utilization requires attention and investment from stakeholders in the economy.

Pakistan is the fifth-largest populous center in the world. This massive population holds significant and untapped human and social potential that can lead the nation toward a sustainable and bright future. Claridge (2018) considered social capital as the lubricating force that streamlines modern economic systems to work effectively and efficiently. At a time when economic giants like Japan are coping with an aging population, with a median age of 50 years, while nations like the USA,

China, and India are on similar declining tracks with median ages of 39, 39, and 29 respectively, Pakistan, with a young and growing population and a median age of 23 years, represents a significant potential asset. If properly harnessed, this youthful population could help kickstart economic revival in a country that has recently and narrowly avoided

economic default. Therefore, the current economic scenario of the nation necessitates the provision and accumulation of human capital, and the optimal utilization of this asset through social capital is the only way forward to ensure the survival and stability of the nation. Only then can Pakistan leverage its demographic dividend to significantly improve the socioeconomic landscape in the short term and lay the foundation for long-term economic growth.

However, aside from economic challenges hindering human and social capital, the nation also faces numerous other challenges on this front, including low literacy rates, inadequate health facilities, political divides, brain drain, gender disparities, and safety concerns, to name a few. Instead of focusing on these issues individually at the micro level, this article will take a macro approach to summarize the internal and external utilization of human and social capital in Pakistan.

Despite low literacy rates, Pakistan is still producing nearly half a million fresh graduates annually, as per the Higher Education Commission of Pakistan (HEC). Hence, despite the need to further improve human and social capital, the first challenge is to optimally utilize the existing capital. According to the Pakistan Bureau of Statistics (PBS), in 2024, the country faces an unemployment rate of around 8%, along with a similar proportion of underemployed individuals. These figures reflect broader macroeconomic challenges in effectively utilizing existing human and social capital. Without addressing such grassroots issues, any efforts to further elevate will be nullified and will eventually create even more challenges.



Dr. Muhammad Haroon Rasheed
Lecturer (Commerce), Malik
Firoz Khan Noon Business School,
University of Sargodha

Therefore, the first and foremost priority is the creation and provision of sufficient economic opportunities for society. For a developing and struggling economy like Pakistan, a dynamic private sector is key to effectively utilizing human and social capital while enhancing output and innovation. According to World Bank statistics, around 70% of domestic output and 90% of employment in developing nations is directly attributable to the private sector. Similarly, professional institutions like the Institute of Cost and Management Accountants of Pakistan (ICMAP) have a significant role to play by providing a competent, technology-oriented, and ethically equipped audit environment to safeguard stakeholders' interests. This will eventually create a flourishing environment for the private sector, expanding horizons and promoting economic development. As Mincer (1984) considered social capital both an antecedent and consequence of economic growth, only good economic growth can lead to better human and social capital through improved education, skills, and institutional quality, which, in turn, will further enhance economic growth and productivity. However, social capital alone cannot perform under deteriorating economic conditions. Therefore, the creation of the Special Investment Facilitation Council (SIFC) by the incumbent government to encourage businesses, particularly foreign investors, is a step in the right direction. Still, comprehensive and systematic reforms are needed to overcome long-standing systemic challenges.

The second immediate issue concerning human and social capital is brain drain and the expatriate human capital of Pakistan. Given the lack of economic opportunities and the time required to build sufficient capacity to utilize existing human and social capital, an effective, coordinated, and optimal export of talent is necessary. The population of Pakistan is currently its largest resource, and by gaining optimal value from expatriates, the nation can achieve the economic stability needed to further elevate human and social capital. Currently, almost 9 million Pakistanis reside around the globe, primarily in the Gulf, the United States, and the United Kingdom. Data reveals that remittances from Pakistani expatriates through official channels are on par with the country's yearly exports. Hence, remittances are a primary source of foreign exchange in Pakistan. Still, it is believed that a significant portion of remittances is funneled through illegal channels like hawala and hundi due to their better rates, efficiency, and ease. Therefore, the government and financial institutions in Pakistan need to provide better convenience and facilitation to expatriate human capital. The inception of Roshan Digital Accounts and the integration of Raast and the Buna Payment System are steps in the right direction, but much more is needed. The second issue with this avenue is that a vast majority of these expatriates are laborers involved in blue-collar jobs. It is essential to better train and equip outgoing human capital with the necessary knowledge and skills so that they can effectively utilize the

opportunities presented by aging populations in developed nations, thereby creating mutually beneficial social capital for both the host and home nations.

Lastly, the rise of technology and artificial intelligence models provides huge potential to be exploited by every nation. Equipping Pakistan's ample young human capital can give it a competitive advantage in the global market. Currently, Pakistan ranks 4th in the global freelancing landscape, which indicates the potential and capabilities of its youth. Pakistan's IT-related exports are rising, and the government aims to push this even further. However, effectively utilizing the potential generated by this talent pool requires support from consistent policies, education, investment, and infrastructure to sustain and elevate growth.

No doubt, the government has played a significant role in this rise. On one hand, the consistent provision of laptops to students over the past decade, and on the other, the introduction and expansion of 3G and 4G internet services across the country, played a crucial role. Yet, this avenue still holds significant potential. Recent institutional efforts, including the "DigiSkills" program by Virtual University, the Digital Learning & Skills Enrichment Initiative (DLSEI) by HEC, and the ICMA Digital Academy, are among many initiatives aiming to equip the nation's youth with essential human and social skills for the modern world.

Conclusion

Pakistan's human and social capital holds immense potential to transform the country's fortunes. However, fully realizing this potential requires a coordinated effort to address existing challenges and create opportunities. By leveraging its demographic dividend, investing in education and skills, along promoting private sector growth, Pakistan can build a sustainable competitive advantage on the global stage. The youth, armed with knowledge and skills, are the key to unlocking a prosperous and sustainable future.

References

- Bourdieu, P. (1985). *The Social Space and the Genesis of Groups*. *Theory and Society*, 14(6), 723–744.
- Claridge, T. (2018). *Introduction to Social Capital Theory (SOCAP101; Social Capital Research*, pp. 1–51.
- Mincer, J. (1984). *Human capital and economic growth*. *Economics of Education Review*, 3(3), 195–205. [https://doi.org/10.1016/0272-7757\(84\)90032-3](https://doi.org/10.1016/0272-7757(84)90032-3)
- Prechter, R. R. (2016). *The Socionomic Theory of Finance*. PROBUS Publishing Company.
- Rosen, S. (1989). *Human Capital*. In J. Eatwell, M. Milgate, & P. Newman (Eds.), *Social Economics* (pp. 136–155). Palgrave Macmillan UK. https://doi.org/10.1007/978-1-349-19806-1_19

About the Author: Dr. Muhammad Haroon Rasheed is a Lecturer (Commerce) at Malik Firoz Khan Noon Business School, University of Sargodha. He is currently an International Postdoctoral Research Fellow at College of Economics and Management, Nanjing University of Aeronautics and Astronautics, China. His research interests lie in exploring the dynamics of financial decision-making through the lens of behavioral finance. Additionally, he also holds the status of Affiliate Financial Accountant (AFA) from ICMA Pakistan.