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Impact of Democracy, Political Instability and Policy Uncertainty on Private Investment: A Case Study of Pakistan

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Abstract

This paper examines the impact of political institutions on growth through the investment in private sector of Pakistan. Three main determinants of private investment in the politico-economy are democracy, political instability and policy uncertainty. The empirical results show that political instability and policy uncertainty are negatively related with gross fixed capital formation whereas democracy is not significantly affecting the level of private investment in case of Pakistan.

I. Introduction

The recent literature on growth indicates the importance of political stability in the growth of economy. Feng (2001) investigated the relationship between political freedom and investment, and found that it is positive. Feng and Chen (1997) also found democracy and investment to be positively correlated with one another. Ali (2001) shows that growth and political instability are negatively related to each other. Furthermore, for the investors and entrepreneurs micro-instability may not be taken that seriously as macro-instability. Similarly, uncertainty in the policies is also a key factor in determining growth of an economy. It has been empirically found that countries where there are fluctuations in the policies have led to the deterrence of private investment and hence growth (Ali 2001). Also consistency in the implication of long-term policies has been preferred over to short-term policies.

The objective of this paper is to study the significant effect of political freedom, political instability and policy uncertainty on the investment in the private sector of Pakistan. The determinants of private investment are economic, political and socio-economic. To be particular, our interest is to check that which of the following three models explains most of the variations in private investment. Is it the model with economic variables? Is it the model with political variables and finally is

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it the model with both economic and political variables that explains more of the variation in private investment in Pakistan?

This paper is organized in the following manner. There are five sections. Section II reviews the literature available on growth and its determinants: private investment in particular. Section III presents the theoretical model used in the study. Section IV describes the data and estimation procedure and presents empirical results. The last section V provides the conclusion and policy implications.

II. Review of Literature

Three main factors that effect the private investment in political economics are; democracy, political instability and policy uncertainty. The theoretical background of the effects of politics on the private investment was given by Feng and Chen (1997). This study suggests that, what ever is the level of political capacity of a government that it achieves or attain, the government that has fluctuations in its competency or waver between being a weak or a strong government is bound to induce uncertainty relating economic issues as compared to government that has a stable political capacity and a consistency in their policies. Therefore, private investment becomes a decreasing function of the political uncertainty.

The effect of political freedom (democracy) on investment and growth is a contradictory hypothesis. The existing literature indicates that one group of researchers favor the democracy to promote the private investment, where as, other one is opposite to it. The first one emphasizes the statement that can be categorized into two. (i) some economists; Persson and Tabellini (1990), Alesina and Rodrik (1994) have pointed out that where there is democracy and presented by the majority of a poor class i.e. the median voter belongs to a poor class then there will be incentives for the investors to invest less and hold on to their capital as they would be deprived of their rights when the redistribution will take place. Then there are those who speak in favor of democracy and promote that there is positive relation between political freedom and investment. (ii) According to others when there is political freedom, there is a desire for immediate consumption which reduces the quantity of resources at the disposal of the economy from which investment can be made, so investment reduces (Huntington and Dominguez, 1975).

If there is an autocracy or a dictatorship, there might be consistency and stability in the government but still autocracy lacks stability of a regime. Moreover in a democratic system, there is a political nature of democracy that is the essence of large investments and growth. In a democratic system, on one side there is support of the people on a large scale and on the other the method of consensus makes the political process more efficient and secure. The comparison that the investor makes is between the potential change of a regime under autocracy or the policy adjustments under a democratic government, which also reduces the long-term radical political change. But empirical approach does show the linkage of democracy with

investment. Pastor and Hilt (1993) finds that political freedom has a positive impact on the investment in private sector.

Political instability is another important issue, which effects the accumulation of capital and directly hits the investment plan. Along with political freedom the competency of the government and the stability of a regime play a key role in influencing the private investment. The instable regime mostly displaces people where they loose their jobs. Thus, it makes not only difficult but also impossible to save money under these circumstances. As there would be fewer saving it would be difficult for the investors to invest money in fixed capital stock and the only option left will be to hold their portfolios and assets in liquid form. Feng (2001) lists "in times of political instability both the supply of investment capital by savers and the demand for capital by investors will decrease". Feng (1997) finds that government that changes irregularly and unsystematically dearly cost the investors which makes them cautious to long term investment. Almost all the economists who favor that the democracy promotes investment and growth having the view that instability in the regime hinders it. Alesina *et al.* (1996) finds an existence of inverse relationship between political instability and investment. Not only political instability creates havoc in the resource allocation and investment planning causing decline in the saving but also hits saving by decreasing the number of job opportunities. Instable regime provides less property rights and with hold foreign investment.

The issue of policy uncertainty is concerned with the uncertainty generated in an economy through changes in the policies. Here the total attention is towards the inconsistency and competency in the government policies and not in the changes of the political system. According to Brunetti and Weder (1998) the uncertainty in the policy can be measured through the "volatility of the institutional framework or through the volatility of outcomes". The fundamental rationale of the fact that when there will be an increase in the policy uncertainty, it will cause investment to decline. Because if there is uncertainty in the policies, the risk avers investor tried to get the reward in form of profit by waiting. This waiting causes the investment to stop and hence leads to investment decline. There is a vast amount of literature that empirically tested the various impacts of uncertainty on investment. Many economist have put forward this issue namely Serven and Solimano (1993), Alesina and Perotti (1996) and Brunetti and Weder (1998). According to Feng (2001), "A strong government with a good policy is able to produce outcomes better than a weak government with the same good policy, but a strong government with a bad policy may produce catastrophic consequences compared to a weak government with the same bad policy". Rodrik (1989) finds a strong inverse relation between policy uncertainty and private investment. Brunetti and Weder (1998) find that majority of the proxies that they have used for the measurement of policy uncertainty are negatively related to the investment in the private sector and growth.

III. Analytical Framework

1. Background of the Basic Model

There are two kinds of investment activities. Firstly, investment activity can be carried out in a market under the influence of the government and secondly, investment activity can be carried out in a market not under the influence of the government. When the investment is made in a market under the influence of the government the investment return is a random variable due to the random effect of government policy and its politics that are established. So this return is given as:

$$R^* = (1-\tau)r \qquad (1)$$

Where:

R^* = Investment returns under government influence and R^* is a random variable

τ = Cost of government policy on investment

r = Certain return without government influence

Now τ is distributed normally with the expected value of τ as $\bar{\tau}$ and the variance of τ as σ_{τ}^2 i.e. $\tau \propto \mathrm{N}(\bar{\tau}, \sigma_{\tau}^2)$. From equation (1), which shows, that government policy has effect on returns it can be observed that τ is playing both a positive and a negative role i.e.

$\tau\langle 0$ Government policy has a positive effect on investment returns

$\tau\rangle 0$ Government policy has a negative effect on investment returns

So τ is interpreted as the politics that affect the private investment. In this context equation (1) states that while investing in the private sector the government policy has it both a positive and a negative effect. Positive externalities of τ include provision of public goods etc and negative externalities of τ include violation of property rights etc.

When the investment is made in a market not under the influence of the government the investment return is certain due to the certain effect of government policy and its politics that are established. So this return is given as

$$r^* = r \qquad (2)$$

From equation (2), which shows, that government policy has no effect on returns the investor invests in the private capital market where both the politics and the policy have no effect on the capital return. This sort of market is assumed to be the case of outflows where the investors send their money abroad because they are fearful of the negative consequences of the government interventions at the domestic grounds hence home government is able to do nothing on the returns that is from investing capital abroad. The authors further assume that in the first market there are initially N investor, which is given by equation (1), each of them endowed with one unit of capital to invest. Equation (2) shows that with the given considerations they make the decision whether to switch to the alternative market or not. Further the authors assume that for the investors to invest they would have to bear an entry cost or exit

cost: $\varepsilon \in (0,\infty)$. If there is no entry cost or exit cost all of the investors will invest in the market that will give the investors a certain return, given government policy has a negative effect on investment returns. In the entry cost ε, the investors differ with each other and that entry cost ε is distributed according to the probability density function $f(\varepsilon)$. So as a result with the entry cost ε the value of switching to the certain investment activity is

$$V_c = r/\delta - \varepsilon \qquad (3)$$

Where:

δ = Discount Factor

The authors has assumed for the sake of simplicity that once the investor makes the investment in any one of the two markets it will stay in the chosen market and not change again. If the decision by the investor is to stay in the uncertain market, then their investment value is

$$V_u = (r - \bar{\tau}r)/\delta - \upsilon(\sigma_\tau^2) \qquad (4)$$

Because when the government politics will be having a high variance the value of the investment for a risk avers investor decreases. The investor will stay in the uncertain market if $V_c \langle V_u$, i.e.

$$V_c = r/\delta - \varepsilon \langle V_u = (r - \bar{\tau}r)/\delta - \upsilon(\sigma_\tau^2) \qquad (5)$$

Which will lead to?

$$\varepsilon \rangle \bar{\tau}r/\delta + \upsilon(\sigma_\tau^2) = \varepsilon_0 \qquad (6)$$

Where:

ε_0 = Critical value of the entry cost

Thus, the investors will stay in the uncertain market only with $\varepsilon \rangle \varepsilon_0$. From equations (5) and (6), it can be shown that the total amount of investments that remain in the uncertain market is

$$\mathrm{I} = \mathrm{N}\int_{\varepsilon 0}^{\infty} f(\varepsilon)d\varepsilon \qquad (7)$$

From equation (7) the authors derive the effects of the expected economic cost of government policy and the variance of the cost of government policy on investment in the private sector of the economy. These two are the effects that the ongoing politics of the government currently in power have on the investment in the private sector of the economy.

By differentiating equation (7) with respect to $\bar{\tau}$ and $\sigma_{\bar{\tau}}^2$ we get the following comparative static results.

$$d\mathrm{I}/d\bar{\tau} = -\mathrm{N}f(\varepsilon_0)d\varepsilon_0/d\bar{\tau} = -\mathrm{N}f(\varepsilon_0)r/\delta \langle 0 \qquad (8)$$

$$dI/d\sigma_\tau^2 = -Nf(\varepsilon_0)d\varepsilon_0/d\sigma_\tau^2 = -Nf(\varepsilon_0)\upsilon'(\sigma_\tau^2)\langle 0 \qquad (9)$$

Equation (8) confirms the intuitive reasoning that government politics that increases the expected economic cost will cause the investment in the private sector to decrease and that the government politics that decreases the expected economic cost will cause the investment in the private sector to increase. Equation (9) states that the variance of government politics on investment will also affect the amount of investment that takes place in the private sector of the economy. Higher the variance of government politics on investment will cause the investment to decrease and lower the variance of government politics on investment will cause the investment to increase.

2. Model Specification, Variables and Data Sources

So far we have followed the model that was developed by Feng and Chen (1997). The contribution that is made from here is that we are directing the model to the case scenario of Pakistan in which the variables that we will be linking with the model will be specific and the analysis that will be performed will be time series. Now there are two sets of variables that we need to link with the model. The first set of economic variables is the one, which are the indicators of the economic performance of a country. Among the economic variables used are the expected growth, inflation rate, literacy rate, real gross domestic product per capita and the public investment. Expected growth is the growth that is anticipated by the private sector investors based on the past economic performance of the economy. More investments will be there by the investors in the coming future the better the past economic record of growth of an economy is. An inflation rate effect on private investment is not clear. On one side inflation rate is considered to spur the investment activities and on the other side it is the cause that dampens it. According to the Tobin-Mundell Model an anticipated inflation causes the real interest rate to fall down which increases the investment, as there are changes in the adjustments of the portfolios that takes place. Others have propagated that the higher anticipated inflation will cause the economy to dampness and thus will reduce the investment activities.

Literacy rate is one of the key determinants of the private sector investments. Increase in the literacy rate will increase the human capital formation and a well-educated labor force can make better and efficient use of the capital that they are disposed with resulting in the higher returns. Real gross domestic product per capita is again influencing the investment in the private sector. If the real gross domestic product per capita is higher at the initial level then this means that the development of the economy is there. This development reflects more organized market system with holding rules and regulations under the free marketing laws. In such a situation the investments opportunities are more vacant and investment is always more conducive to such situations that are prevailing. Public investment increases the expectations of the private investors like provision of infrastructure. With these facilities the marginal product of private investment increases.

The second set of political variables is the one, which are the indicators of the social and political performance of a country. Among the social and political variables used are democracy, political instability indicator and policy uncertainty measure. Democracy is a variable that represents the civil liberties and political rights in a nation. The fundamental nature of the democratic process is the key to its relation with investment in the private sector. Where there is democracy there are civil liberties and political rights providing investors a secure opportunity to invest their capital. Political instability indicator is an index that is used to show the level of instability in the politics of a country. All the negative impacts of the variables that cause political instability are captured with this index. Negative externalities arising from revolutions per year, coups d'état per year, riots per year, strikes per year and number of terrorist attacks per year etc all leave its negative effects on the investment in the private sector. Policy uncertainty measure is a variable that is reflecting the change in the policies that are due to the change in the fiscal, monetary and trade policies of an economy. This sort of change is mainly caused by the major governmental change. Because of this the investors looses its confidence and would hesitate to invest in the private sector of an economy. Thus our main regression equation is as follows:

$$PRI = \alpha_0 + \alpha_1 GDPG + \alpha_2 INF + \alpha_3 LIT + \alpha_4 GDPPC + \alpha_5 PUB + \alpha_6 DEM + \alpha_7 INS + \alpha_8 UNC + \varepsilon \quad (10)$$

We quantify the dependent variable of private investment (*PRI*) in the form of gross fixed capital as a percentage of GDP. Expected growth (*GDPG*) is measured by the average growth rate of real GDP Per Capita over time. Inflation rate (*INF*) is measured by Consumer Price Index. Literacy rate (*LIT*) is the socio-economic variable that we are using in our regression equation. We use the most common measure, which is called the adult literacy rate. GDP Per Capita (*GDPPC*) is the gross domestic product divided by midyear population. Public Investment (*PUB*) is described as the expenditure on the public sector of the economy as a percentage of GDP; it includes all government expenditures for the purchases of goods and services.

Democracy (*DEM*) is the political variable that we are using in our regression equation. There are two sub-variables that are used to construct this main variable of democracy. These two variables are civil liberties and political rights. Civil liberties and political rights are ranked on a scale from 1 to 7 where 1 reflects the highest degree of freedom and 7 reflects the lowest. We take the average of these two variables for the representation of the state of political freedom or political instability in the region. We will be using an index for the measurement of political instability. For the construction of this index all those variables are put into consideration, which cause of the instability in the political system. So in the total five variables are taken which are revolutions, coups, riots, strikes and terrorist

incidents and all are numbers of occurring per year. Each of the variables is assigned a value of 0.1 in the particular year of its occurrence and the index is constructed. The higher value of the index reflects higher political instability and the lower value of the index reflects lower political instability. Policy uncertainty in our regression equation is measured by the use of a dummy variable. We have assigned the dummy variable taking the value of 1 in the years where there have been major governmental changes. This governmental change reflects the change in the fiscal, monetary and trade policies. The change in the government is taken as both the constitutional change and the unconstitutional change. The left over years where there have been the same government in power the dummy variable have been assigned a value of 0, which reflects no change in ongoing policies.

The data series for private investment are taken from World Development Indicators (WDI) and other explanatory variables are collected from Freedom House, World Development Indicators (WDI), and World Institute for Development Economic Research (WIDER).

IV. Empirical Findings

The cointegraion method of estimation is used, when all the variables are integrated of order one, then co-integration analysis is used for estimation purpose. However, if most of the variables are stationary at their first difference and some are stationary at level, then Auto Regressive Distributed Lag (ARDL) model is normally used. Since ARDL is not a much-recommended technique, hence in such case partial co-integration analysis can be carried out using the Engle-Granger Approach. In this process, the error terms of the regression result are checked for stationarity. If these are found to be stationary at level, it is concluded that the long-term relation between the variables exist.

The study was focused to test whether democracy, political instability and policy uncertainty affect private investment. For this purpose, first, time series properties of the data were tested. We applied ADF test on all the economic and political variables. The results of the ADF test are given in table 1, which indicates that all of the variables are stationary at first difference except for GDPG and LIT that are stationary at the level. Hence, we made use of the partial co-integration approach for the estimation purpose. Regressions for several models with different variables and alternative specifications are estimated to check for their robustness. This also helps in dealing with the problem of multi co-linearity. We have carried out least square estimation procedure in general. This is the most appropriate way to capture the effects of independent variables on the dependent variable. The problem of multi co-linearity was considerably reduced by the alternative specifications and use of different variables in regression models. Auto correlation problem was also tackled and much of the auto-correlation was removed. The models explained more of the variations in the dependent variable of private investment. The remaining of

Table: 1. ADF Unit Root Test

Variable	Level / First Difference	With Trend	Conclusion
PRI	Level First Difference	-2.433702 -4.367836	I (1)
GDPG	Level First Difference	-5.096374 -10.90947	I (0)
INF	Level First Difference	-0.441466 -4.400648	I (1)
LIT	Level First Difference	-4.197721 -7.828683	I (0)
GDPPC	Level First Difference	0.178316 -3.733434	I (1)
PUB	Level First Difference	-0.624178 -4.053062	I (1)
DEM	Level First Difference	-2.031309 -5.915410	I (1)
INS	Level First Difference	-1.559873 -5.910269	I (1)

the variation may be due to other factors influencing investment in the private sector or it may be due to chance.

By using the least square estimation technique, we have tested several models with the help of economic, socio-economic and political variables. Table 2 reports the obtained results. In Model 1, we have initially considered only the economic variables that can effect the investment in the private sector. It is evident from the results that all the economic variables are significant at their standard levels. We interpret each economic variable one by one. GDP Growth turned out to be highly significant at the 1% level of the test and has the expected positive sign. As there is an increase in the expected growth it will attract the private investors and higher expected growth will eventually lead to large private investment as a percentage of GDP, the result is consistent with Feng (2001). The result for inflation is positive and significant at 5% level. We can say that in this case Tobin-Mundell hypothesis holds empirically. Contrary to our expectations, real GDP per capita, which is used to show the initial conditions of development in a country, turned out to be negatively related to private investment. However, this variable is significant only when the test is relaxed to 10% level. Possibly due to the concept of diminishing marginal returns the initial conditions of the economy is negatively related with the private investment. Barro (1997) has obtained similar results. The coefficient of public investment is highly significant at 1% level of the test. The result, as expected, is positive. In our case public investment and private investment are complements to each other. Larger the infrastructures built-up the larger will be the marginal utility of the private investor. This result is consistent with Taylor (1988). In Model 2, we have included the socio-economic variable of literacy rate. The inclusion of this

variable in our statistical model has originated very interesting results and has made the regression analysis to be discussed in detail. Firstly, the results of literacy rate contrary to our expectations have turned out to be negative. This variable is insignificant according to our estimation even when the tests were relaxed to higher level. Secondly, the negative results show that an increase in the level of education will result in the fall of investment in the private sector. For the case of our sample country this result can

Table: 2. Politico-Economic Models of Private Investment

	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Intercept	6.547 (2.414)**	3.940 (2.757)	2.941 (0.115)***	3.087 (0.469)***	2.592 (0.211)***
GDP Growth	0.011 (0.003)***	0.007 (0.004)*	—	0.0006 (0.003)	-0.0002 (0.003)
Inflation	0.373 (0.181)**	0.519 (0.245)**	—	—	-0.045 (0.023)*
Literacy	—	-0.034 (0.027)	—	—	—
GDP Per Capita	-1.087 (0.539)*	-0.478 (0.629)	—	-0.121 (0.066)*	—
Public Investment	0.582 (0.145)***	0.415 (0.189)**	—	0.170 (0.055)***	0.144 (0.060)**
Democracy	—	—	-0.109 (0.068)	—	—
Political Instability	—	—	-0.031 (0.008)***	-0.034 (0.008)***	-0.035 (0.008)***
Policy Uncertainty	—	—	-0.019 (0.006)***	-0.023 (0.009)**	-0.024 (0.009)**
R^2	0.7715	0.7704	0.7277	0.8101	0.8131
D.W	2.1974	2.0753	1.9333	1.6196	1.6445
F-Statistic	14.6343	11.9893	9.8007	10.6715	10.8829

Standard Errors are in parentheses. *, **, *** show the level of significance at 10%, 5%, and 1%, respectively.

be justified as follows: Pakistan is a country in which the major contribution to the national income is largely by the agriculture sector. Then comes the sector of manufacturing in which textiles takes the major share and in the end comes the

services sector. Though services sector contributes a lot but it is the only sector which require the higher human capital and hence literacy level. As far as agriculture sector is concerned the farmers and the labors required are equipped with old methods and techniques of cultivation and hence their return is not dependent on the level of education. So this independent relation will make the investor not to invest in the agriculture sector when taking account of the literacy level. The same is the case scenario for the manufacturing sector in which textiles takes the larger share of the pie. The services sector may not be able to accommodate the private investors because of ongoing high competition. So, eventually there will be little room left for the investment of the fixed capital formation causing deterrence in the private investors. Thirdly, by the definition of this variable, it includes all those individuals of age fifteen and above who with understanding can read and write a short statement. By this definition it also includes a large majority of those labors that are not actually contributing to the increase in private investment based on human capital formation due to the nature of the standard of the education that they receive.

In Model 3, it can be seen that both political instability and policy uncertainty turned out to be highly significant at 1% level of the test with the expected negative signs. This result is consistent with Feng (2001). As there will be increase in political instability and policy uncertainty it would lead to a smaller magnitude of private investment. However, for the case of democracy we have found the results opposite to our expectations. The coefficient of this variable is negative and insignificant. The reason might be that in Pakistan democracy has never been practiced in its true essence. Through out the history of this nation we find that a military dictator has overthrown the democratic governments. This dictator at the fall of his legend leaves his power to a puppet prime minister incapable to make key decisions. This results in the loss of the confidence that the private investor has in his plans thus deterring the investment of fixed capital formation.

Model 4, presents the estimates for both economic variables and political variables. It is found that the estimation of this politico-economic model explains more of the variation in private investment than when each of the economic model and political model is estimated individually. We have found very interesting results after estimating this model. Both political instability and policy uncertainty are highly significant at their standard levels and their coefficients are negative. Democracy, however, has been dropped from this model due to its insignificance in the previous estimation. As far as economic variables are concerned we have found out that public investment is highly significant at 1% level of the test with positive sign of its coefficient. Interestingly, GDP per capita have turned out to be significant at 10% level of the test with a negative sign of its coefficient. This means that when there is political instability and policy uncertainty the initial condition of the economy does matter. Also we have observed that expected growth becomes insignificant after the inclusion of political instability and policy uncertainty. It might be a case that the private investor looses its optimistic approach and see his costs

more than his benefits in the presence of political instability and policy uncertainty. The variable of inflation is not included in this estimation because of its high multi co-linearity with GDP per capita.

In Model 5, the political variables have almost the same results as in the previous model. As far as economic variables are concerned we have found that public investment is still positive and significant but at 5% level of test rather than 1% level. As mentioned above, between the two i.e. GDP per capita and Inflation, we have selected inflation and have dropped GDP per capita because of the problem of multi co-linearity. The coefficient of this variable is negative and significant at the 10% level of the test. The argument is that in the presence of political instability and policy uncertainty there is higher anticipated inflation, which dampens the economic activities and thus decreases the investment in the private sector. Indeed, Kormendi and Meguire (1985) and Schneider and Frey (1985) empirically found a negative relation between investment and inflation. Taking account of the growth variable we have found it to be insignificant and having negative relation with the gross fixed capital formation. May be the presence of political instability and policy uncertainty is the root cause of such result.

V. Conclusions and Policy Implications

The major focus of this study was to see the impact of democracy, political instability and policy uncertainty on private investment. The empirical evidence indicated that not only the economic but also the political variables are key determinants of private investment in Pakistan. Among all the economic variables, public investment is the most robust one and inflation remains significant in all the models. The expected growth variable has shown its volatility in our analysis. It not only changes its significance but also changes its direction; when estimating a politico-economic model. Furthermore, initial conditions and education level has a negative effect on the private investment. However, education was insignificant in all economic models and GDP per capita showed volatility regarding its significance. Among the political variables, political instability and policy uncertainty both are highly significant with expected negative signs in all the models. Thus, we can conclude that these two variables are key determinant of private investment. Moreover, democracy has a negative sign contrary to our expectations but is insignificant.

The results of the study lead to several policy implications. Firstly, to increase private investment, it is necessary that a favorable economic climate be provided in such a way that the investor becomes optimistic towards the expected growth of the economy. This can only be achieved if the average growth rate of the economy is maintained. Secondly, democracy is very important for a nation to sustain investment. Thirdly, instability in politics deters the investment plans. There should be a fair play in politics and everyone should have fair opportunity. Finally, long-term policies with certainty in their implications should be preferred over short-

term policies to achieve stable and sustained investment and as a result stable economic growth which is the ultimate goal of economic policies of the government.

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