# Next Topic: Loan

* In the year June 2024, the total volume of loan is 62 trillion pkr and foreign loan in more than 146 billion dollars.
* In the year June 2023, (economic division: 54+ trillion Pkr. loans on Pakistan) Foreign loan is approx. 140 billion dollars.
* Total loan in 2021 is 38 trillion Pkr., Foreign loan is around 125 billion dollars
* In 2018, it was approx. 29 trillion Pkr Foreign loan is nearly. 107 billion dollars
* In 2013, loan is around 12 trillion pkr Foreign loan is around 84 billion dollars
* In 2008, loan is around 6 trillion Pkr Foreign loan is around 63 billion dollars

Source: State bank of Pakistan (SBP) reported;

**Reasons of Acquiring loan:**

1. **To meet the budget deficit, government acquire loans**

In the FY 2024 -25, the government of Pakistan more than 6 trillion Pkr.

In the fiscal year 2022-23, the total budget deficit was 4.3 trillion Pkr.

The total collection left with the center excluding the provincial share is 4.1 trillion Pkr while the expenditure was 8.4 trillion Pkr.

In the fiscal year 2021-22, the total budget deficit was 4.1 trillion Pkr.

In 2020-21, the total budget deficit was 4 trillion Pkr.

In 2019-20, the total budget deficit was 3.8 trillion Pkr.

In the last 10 fiscal year, the budget deficit remained above 3.5+ trillion Pkr. Means expenditure is more and collection is less.

1. **To support/ stabilize dollar reserves**

One of the major reason is support the depleting dollar reserves. Dollar reserves are being kept in the current account or the foreign account.

In the fiscal year 2022-23, current account deficit was more than 18 billion dollars, Trade deficit is about 44 billion dollars, 13 billion dollars pulled out because of repayment of loan. Total out flux was 57 billion dollars. 29 billion arrived as remittances; 4 billion dollar arrived in Roshan Digital Account. The dollar shortage reduced to 24 billion dollars. 6 Billion dollars arrived in other sources like foreign investment, issuance of bonds etc. but the total shortfall remaining was 18 billion dollars. To meet the short fall, loan acquired.

In the fiscal year 2022-23, the shortfall is about 18 billion dollars to meet the short fall, loan acquired.

1. **Loan has been taken to finance developmental projects:**

Majority of CPEC projects are loan based; road projects, railway projects are all loan based, Dasu Dam and Mumand Dam, dimer basha dam is also loan based projects.

Implication of loan:

1. **Pakistan is stuck in a debt trap:**

State is stuck in the vicious circle of loan, to pay off the loan the government has to acquire more loan. In 2023-24, the government has support to pay 18 billion dollars, it doesnot have any other option other than acquire loan. In the last four fiscal year, 36 Billion dollars loan has been paid off. In the upcoming 3 financial years Pakistan has to pay 74 Billion Dollars. To pay off this loan the government has to acquire more loans. Every government after coming into power either 2008, 2013, 2018 and 2022,and 2024 the first and the foremost step been taken is to acquire loan.

1. **Terms and conditions of loan:**

Loan is always accompanied by a long list of conditionality. Every package of loan given by IMF or ADB or WB or any other lender is accompanied by a long list of conditionality. The first and major condition is to remove subsidies. In Oct 2022 and March 2023, IMF package accompanied by long terms and conditions including removal of subsidies on petrol, diesel and electricity Resultantly increase in the **price of petrol and diesel as well as electricity**, more than double. Second condition was to make rupee free floating. When the governement make rupee free floating, the rupee devalued from 225 to 265 within 3 days. Government has to take Sovereign decision but failed which increases inflation.

**Solutions:**

1. **Acquire more loans:**not acquiring loan is not the option, government has to acquire loan and it has to acquire more or bigger volume of loan, it should try to get soft loans having easier terms and conditions like lesser interest and longer maturity time.
2. Tax reforms
3. Industrial reforms
4. Agricultural reforms
5. Increase in tourism
6. Encourage foreign investment