

Economic Crisis in Pakistan

1- Introduction

Pakistan, a country having tremendous potential of economic growth, has little progress on the economic front owing to weak policies of government that have landed ~~the~~ country to the whirlpool of economic crisis. However, by introducing robust reform, Pakistan's economy could move towards economic prosperity.

2- Causes of Economic Crisis

- a- Political instability has exacerbated economic growth
- b- Weak policies in tax collection lessen economic growth
- c- High budget deficit effects badly on economy
- d- More imports and less exports falls out economic growth
- e- Emigration of highly trained labour puts negative impact on economy.
- f- Climate change hits economy badly.

3- Impacts on Pakistan's economic growth.

- a- Debt trap has increased.
- b- Inflation and poverty has been exceeded.
- c- Energy crisis have exacerbated.
- d- Unemployment rate is high in Pakistan.
- e- Terrorism has ^{been} increased.
- f- Unstable relation with neighbouring countries.
- g- Poor performance in health and education sector.

4. Measures for Economic Growth

- a. Political situation should be stabilized.
- b. Tax reforms should be enhanced.
- c. Agriculture sector should be improved.
- d. IT sector should be promoted.
- e. Pakistan's mineral wealth should be utilised.
- f. Strengthening education and health sector is the need of the hour.
- g. Stringent legislation should be done to stop corruption and terrorism.

5. Conclusion

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Pakistan is a developing country which has tremendous potential of economic growth. However, Pakistan, since its inception, is facing economic crisis which are being more critical day by day owing to less effective policies and their implementations. It has economic fallout caused by political instability, weak policies in tax collection, high budget deficit, more imports and less exports, emigration of highly trained labour, climate change and many more. Owing to these causes Pakistan, an agrarian-based country, has a number of impacts which exacerbate its economic growth. For instance, debt trap has been increased, inflation, poverty and energy crisis have become serious issue in the country. Moreover, unemployment rate, terrorism and unstable relation with ~~other~~^{neighbour} countries put negative impacts on economic growth. However, through various robust measures Pakistan can come out of economic crisis which include political stability, effective reforms in tax and

agriculture sector, It sector developments strengthening education and health sectors performances, and by stringent legislation. These all measures can make Pakistan's economy prosperous.

There are various causes of less economic growth among which political instability is one of the major causes.

Afflicted by political instability, Pakistan has faced a difficult trail in economic growth. Political stability and economic growth work in tandem with each other. In 90's ~~era~~ period there was political instability which plunged the country into foreign debt and a decrease in export rates and revenues. The instability due to the delay of elections and the rise of emergency by ~~political~~ political leaders made the GDP growth rate fall from 4.8% to 1.7%. Again there were political instability in 2014 due to sit-in in Islamabad for 126 days led the country into economic crisis which was 610 bn.

Caring to weak policies in tax while economic growth also decreases. The unfairness built into our tax system is the main factor holding our tax-to-GDP ratio at 9.2pc, one of the lowest globally, causing successive governments to accumulate huge fiscal deficits and massive debt, besides creating distortions in the economy. According to Economic Survey 2021-2022, Total revenues during July-March FY22 was 17.7pc against 6.5pc in FY21. This increase was due to increase in tax collection but the unfairness is, government is following indirect taxes policy. Salaried people have to pay tax but ~~wholesalers~~ wholesalers and retailers pay just Rs 100 in taxes whereas both constitute 10pc of the economy.

Another cause of economic crisis is high budget deficit which affects badly on economy. There is demand and supply gap in Pakistan's economy because exports are less and imports are more in the country. According to Economic Survey 2021-2022, exports in Pakistan is 45.8pc whereas imports are 32bn USD.

65bn USD
~~49.6pc~~ which is historically high. Pakistan's fiscal deficit is also higher than previous year. According to Pakistan Economic Survey 2021-2022, fiscal deficit is 3.8pc of GDP during July-March FY22 against 3.0pc in FY21. Despite a significant rise in tax collection, higher current and development expenditures widened the fiscal deficit in Pakistan. However, by making robust policies in tax collection and increasing exports and decreasing imports can be helpful for economic prosperity in Pakistan.

More imports and less exports falls out economic growth in any country. Despite being an agrarian-based economy, Pakistan has very less growth in agriculture sector which lead towards less exports. According to Pakistan Economic Survey 2021-2022, agriculture growth rate is 4pc in FY22 and recent floods in Pakistan has exacerbated the agriculture sector more. Pakistan's exports are lesser than imports which are ~~48.4pc~~ ^{65bn USD} and ~~49.6pc~~ ^{32bn USD and 65bn USD} respectively. However, by making

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Agriculture sector effective and using the country's natural resources and banning the luxurious cars and other ~~material~~ luxurious inputs can lead the economy of Pakistan towards effective growth.

Moreover, emigration of highly trained labour puts negative impact on Pakistan's economic growth. Individuals who have talent to boost the economy migrate to another countries for earning which has been a contentious issue in the developing world since the 1960s. According to the Bureau of Emigration Overseas Employment (BEOE), 286,648 workers were registered for overseas employment in 2021, representing a 28% increase over the previous year. In 2022, 765,172 Pakistanis proceeded abroad for the purpose of employment in which 426,508 overseas Pakistanis were highly skilled. The reason behind such huge number of emigration is Pakistan's shaky economy. However, increasing employment opportunities with effective policies can be helpful for Pakistani professionals to stay in the country.

Among other major causes of economic fallout climate change also hits economy badly. Due to natural disasters, Pakistan has stuck into many problems in which poverty, inflation and health related issues are more prominent impacts. According to the World Bank Report 2022, between six and nine million Pakistanis are set to be dragged into poverty as a result of catalysmic monsoon flooding linked to climate change. Inflation in the country is set to stand at 23pc for the financial year 2023. Despite the fact that Pakistan contributes less than 1pc of the world's greenhouse gas emissions, the country is experiencing severe impacts due to poor management policies of government. Climate change impacts can be overcome by making effective disaster management policies and implementing them effectively.

There are several impacts of less economic growth among which debt trap is a major negative impacts. When any country face economic crisis, it has to go for loans

from other countries and Organisation like IMF. IMF gives loans per its policies which have negative impacts for developing countries. In Pakistan IMF also gives loan with high interest rates. The country has also taken loans from different countries which are unable to be repaid due to high debt trap and less effective ~~policy~~ economic policies.

~~# According to Economic Survey of Pakistan 2022.~~
 According to State Bank of Pakistan, the country's total debt and liabilities increased by 11.85 trillion in FY22 and has reached Rs 59.696 trillion by June 30, compared to Rs 48 trillion in FY21, ~~and the year on year growth in debt and liabilities~~. The country had to pay \$15.071 bn as external debt servicing in FY22 in which \$2.978 bn was interest. However, by making effective ~~policy~~ economic policies and by ^{this} increasing exports and decreasing imports, ~~can~~ issue can be solved.

Another impact of economic fallout is inflation and poverty which have been increased due to recent ^{natural} disasters and economic fallout.

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According to Economic Survey of Pakistan 2021-22, poverty ~~has been~~ and inflation have been increased in FY22 as 85 million more people entered extreme poverty in 2020 globally which became more extreme owing to recent floods and earthquakes in many countries especially Pakistan. Inflation has also reached at 11pc in FY22. However, effective economic policies and political stability can minimize the poverty and inflation level.

Another major impact of economic crisis is energy crisis. It has been more exacerbated due to Russia-Ukraine war, political instability and recent floods of 2022 in Pakistan. According to Pakistan Economic Survey 2022, import bill of oil has been increased to 95% along with other imports items related to energy. If Pakistan uses its natural resources to generate electricity, and other minerals, ~~Pakistan~~ There will be less need of oil and fuel to import.

Unemployment rate is also high in Pakistan which is due to economic

Crisis. Pakistan is the world's fifth most populous nation which is 224 million. Therefore, Pakistan needs to create more jobs as recently its unemployment rate has been decreased by 6pc whereas its employment rate is also increasing which is 42pc. (Pakistan Economic Survey 2021-22)

Many programmes such as Youth Entrepreneurship Scheme and Huzermand program - skills for all have been started but still more projects and programmes need to be introduced.

Terrorism has been also increased due to economic crisis as there is not effective policy to combat terrorist activities as well as no implementation of rules and laws and this is all due to shaky economy that ~~we~~ government cannot provide good facilities to the institutions and organization who ~~are~~ work to stop terrorist activities.

Another factor is unstable relations with our neighbouring countries as Iran, Afghanistan, India are our neighbour countries. Pakistan is recently doing trade agreement with Iran and Afghanistan but

not on a broad level due to ~~less~~ budget trade deficit which is 33 bn according to Pakistan Economic Survey 2021-22. There ^{are} also conflicts between India-Pakistan on water distribution and Kashmir issue. If Pakistan wants to maintain good relation with neighbour countries, it has to increase its trade activities and make good policies which can settle disputes with other countries.

The impact of economic fallout are also ~~poor~~ on health and education sectors as their performances is also poor due to not having proper facilities and poor management policies. According to Labor Force Survey 2020-21, literacy rate in Pakistan is 63pc in which 73pc are males and 52pc are females which shows that there is less literacy rate in females. Our founding fathers Quaid-e-Azam Mohammad Ali Jinnah said,

“No nation can rise to the height of glory unless you women are side by side with you.”

There should be equality in education for

all as it is the fundamental right of every person. Health sector is also not playing effective role as there is not any proper system of treatments so people have to survive alot.

There is not any issue in this world which does not have any solution. Therefore, ~~if~~ if Pakistan is facing economic crisis, there must be solutions for robust economic growth. First of all, political situation in the country should be stabilized by following the concepts of good governance and democracy which were followed by our Caliphs of Islam. With Political stability, the social

~~Another important measure is tax reforms~~ disorders will reduce and more investors will find it as an encouraging opportunity, promoting economic growth.

Another important measure is tax reforms as indirect taxation should be implemented because this system is close to Islamic system. and Pakistan is Islamic Republic of Pakistan where islamic ideology is followed.

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Agriculture sector should also be improved which has substantial potential of enhancing the overall productive capacity of the economy. In Pakistan Economic Survey 2021-22, this year growth in agriculture is 4pc of the GDP despite the fact that Pakistan is an agrarian-based country which contributes 23% to GDP and employs 37pc of the labour force. Therefore, improving agri sector productivity can enhance the exports of the country.

Information Technology (IT) sector should be promoted. Advancement in technology will be helpful for the developing countries to be developed nations.

The mineral sector has been a key source of earning for many countries, including China, Turkey, Italy, Australia and South Africa. Pakistan is also endowed with sizeable natural wealth which has world's second largest salt mines and also has coal deposits, copper and gold reserves. Balochistan is especially blessed with copper, gold, lead, zinc iron ore, magnetic sands and stones. To tap

its mineral wealth, Pakistan must ~~not~~ develop uniform and investment-friendly, national and provincial mineral policies with a smart regulatory framework.

Education and health sectors should be strengthened with good policies and their effective implementation. There should be effective budget allocation in both sectors along with transparency and accountability of all developments.

Terrorism and Corruption are most destructive ~~part~~ factors in any country. Therefore, both should be stopped by government institutions. Institutions, which work to combat these issues in the country, should be given authorities with zero political interruption. Stringent legislation should be done against these crimes.

To sum up the entire discussion, Pakistan has a lot of potential to make the country prosperous as it is an agricultural country along with plenty of natural resources but owing to political instability

and weak economic policies, Pakistan has been suffering since its inception. The country has potential to reach the status of developed nations by making effective and transparent policies.

