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decline Economy of Pakistan / problems etc.

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Pakistan today confronts multiple challenges which vary in intensity. Some of the challenges appear to be multi-dimensional and complex in nature which certainly take many years to overcome. Interestingly a few of the problems and challenges have been self-inflicted by the power-houses, that have caused a widespread socio-economic damage to this country.

This way the poor economy of Pakistan remains the chieftain among the challenge since the country's birth. The weak and fragile structure and the picture of the economy of Pakistan are what inevitably produce other inter-linked social challenges such as poverty and corruption. Economy of Pakistan is declining and it needs to be improved.

Pakistan, soon after its independence in 1947, faced the issue of dwindling resources since India refused to give the due share of its wealth to newly born country. The settlement of refugees from India was another major challenge that aggravated the already severe economic conditions. Key sectors of economy progressed at a much faster rate pace especially during the Green revolution of 1960s and the subsequent industrial development of 1970's. At the time of independence, the country was a predominantly agrarian economy. In the year 1950, agriculture accounted for almost 60% of the total GDP. After the signing of Indus water treaty between India and Pakistan, Green revolution started during early 1960's. The main elements of Green revolution were fertilizers, pesticides, high yielding varieties of seeds, irrigation and farm mechanization in the form of tube wells, tractors, threshers and other

farm machinery which resulted in increasing of cropped area and cropping intensity.

Pakistan's economy in the period 2008-2012 been characterised as unstable and highly vulnerable to external and internal shocks. However, the economy proved to be unexpectedly resilient in the face of multiple adverse events concentrated into a four-year (1998-2002) period.

• Bulk of Pakistan's exports are directed to The Organization For Economic Cooperation And Development (OECD) and China. 2016 data shows that more than half of our exports are shipped to these two destinations, i.e., OECD and China. Brexit triggered a steep fall in the value of GB Pound, this made exports in UK expensive and fell 5-7% exports of Pakistan to UK. Pakistan's exports declined by 3-4% fiscal year 2016-17. Imports, however, continued to grow at a much faster rate 18.67% in 2017.

According to recent economic survey overall

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fiscal deficit contracted by an annual reduction of over 1 percent of GDP. Main contributing factors were: higher revenue receipts, rationalization of direct and indirect subsidies, and reduction in current expenditure. Current account deficit for the financial year 2021-2022 of \$17.41 billion and for July 2022 of \$3.13 billion, and balance of trade deficit for the financial year 2021-2022 of \$44.71 billion and for July 2022 of \$3.35 billion.

Similarly burden of internal and external debts are also impeding Pakistan economic growth. Public debt of Pakistan is around PKR 62.46 trillion (USD 274 billion) which is nearly 79 percent of Gross domestic product (GDP) of Pakistan. Currently Pakistan has \$5.82 billion in its foreign exchange amid debt repayment obligations of more than \$8 billion in the first quarter of 2023.

In 7th National Finance Commission (NFC) award it was decided that tax to GDP ratio would be raised to 15%, which could not be implemented. Pakistan tax to GDP ratio has improved to 9.2 percent in the fiscal year 2021-2022, the federal board of revenue (FBR) said. In Pakistan, although the tax to GDP ratio has been low compared to other regional countries yet if viewed over the past so many years this ratio has significantly increased.

Similarly devaluation of money is another factor which is responsible for the decline in Pakistan's economy. Pakistani rupee likely devalue to PKR 270 against the dollar by end of the current fiscal year or June 30, 2023. The exports of the Pakistan will be increased due to the devaluation of the currency because a greater number of resources will be exported at a lower price. Similarly,

the increase in prices of imports will also harm the economy as imports will be bought at higher prices.

Natural resources are the major source of earning subject to good management of natural resources. Pakistan is rich in resources but poor in their management. Pakistan is facilitated with abundance of natural resources, i.e., second largest coal reserves, second largest salt mines, fifth largest gold reserves, seventh largest copper reserves, sixth largest gas producing capacity in Asia Pacific, 436.2 million barrels of proven oil reserves, 31.3 billion cubic feet of proven gas reserves, but still Pakistan is a poor country.

In the same way corruption in Pakistan is widespread, and extends to every sector from government to judiciary, police, health services and education. The problems are long-standing, and despite ongoing calls for reform, and many attempts to

improve the situation, there is little evidence of progress. Economics of corruption deals with the misuse of public power for private benefit and its economic impact on society. Corruption is considered major cause of economic decline in a country, because corruption is contrary to economic growth in a country.

Pakistan has been a member of the International Monetary Fund (IMF) since 1950. Due to unpredictable nature of its economy and its dependence on imports, the IMF has provided loans to Pakistan on twenty two occasions, with IMF demanded an increase in the interest rate under the prudent and proactive monetary policy of the seventh and eighth reviews of Pakistan's economy by IMF in order to get IMF program. Due to this Pakistan increased the interest rates from 9.75% (December 2021) to 15% (October 2022).



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Economic growth of Pakistan is dependent upon IMF loans. At present Pakistan is facing economic crises and looking at IMF packages, for the survival of its economy.

Pakistan is the member of trade organizations like, Economic cooperation organization (ECO), South Asian free trade area (SAFTA), World trade organization (WTO), Asian infrastructure investment bank (AIIB), and Asian development bank (ADB) in order to attain loans in the time of economic crises. AIIB is considered competitor of International monetary fund (IMF). These trade organizations play an important role in the development and prosperity of economic growth. It is in the prior duties of Pakistan to maintain good relations with all trade organizations.

Pakistan's exports were \$32.467 billion in fiscal year 2022, and imports were

\$72.043 billion in fiscal year 2022.

21.0% of Pakistan's exports are from United States, 8.6% of Pakistan's exports are from China, 6.8% of Pakistan's exports are from United Kingdom, 5.7% from United Arab Emirates, 5.4% from Germany, 4.6% from Netherlands, 3.5% from Spain, 3.3% from Italy, in the year 2022.

Similarly 24% imports of Pakistan are from China, 12.1% from United Arab Emirates, 5.9% from Kingdom of Saudi Arabia, 4.7% from Singapore, 4.2% from United States, 3.7% from Indonesia, 3.2% from Kuwait, and 2.8% from Japan in the fiscal year 2022.

Pakistan's <sup>main</sup> major exports are Textiles, Food, chemical and pharmaceutical products, leather manufacturers, support goods, petroleum etc, and main imports are petroleum, Agriculture and other chemicals,

Machinery, Food, Textile, Metal, Transport etc.

Worldwide gross domestic product in 2021 was at about 12,230 USD per capita. GDP in Pakistan, on the other hand, reached USD 1,505 per capita, or 348.26 billion USD for the whole country. Pakistan is therefore currently ranked 49 of the major economies in fiscal year 2022, and in 23rd number in terms of purchasing power parity in fiscal year 2022. GDP growth <sup>has</sup> decreased by 3% in start of 2023. India has recently become the world's fifth-largest economy overtaking the U.K. and is behind the US, China, Japan and Germany only. India's estimated GDP value is around \$3.46 trillion at present. Therefore, it is very difficult for Pakistan to compete India in terms of economy. Every problem has a solution, in the same

- way, there are many solutions for the  
- deterioration of the economy. The way  
- forward is political consensus on  
- solutions to economic woes and not in  
- politicizing the issues.

- To improve economy of a country  
regional peace is mandatory. Regional  
peace and regional integration allows  
countries to overcome these costly distances  
integrating goods, services and factors' market,  
thus facilitating the flow of trade, capital,  
energy, people and ideas. Regional peace  
can be promoted through common physical  
and institutional infrastructure. With regional  
peace in the society, many foreign investors  
notice that the environment in your  
country is good and invest there. Therefore,  
Foreign direct investment<sup>(FDI)</sup> comes in the  
country due to which economy of the  
country goes up.

In the same way tight monetary  
policies should be adopted. Tight monetary

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policy aims to slow down an overheated economy by increasing interest rates. Conversely, loose monetary policy aims to stimulate an economy by lowering interest rates. Bonds are issued by the government to improve the monetary policy, which stops inflation and improves the economy of the country. Therefore, tight monetary policy should be implemented.

Similarly, industrialization provides increased employment opportunities in small and large scale industries. In an industrialized economy, industry absorbs underemployed and unemployed workers from the agricultural sector, thereby increasing the income of the community. The industrial revolution shifted from an agrarian economy to a manufacturing economy where products were no longer made solely by hand but by machines. This led to increased production and

efficiency, lower prices, more goods, improved charges, and migration from rural areas to urban areas. Besides the boost in economy industrialization has many other benefits like <sup>boost</sup> the important export market, availability of goods, affordability of goods, increased jobs, improved medical care, increased income disparity, and many others. Therefore industrialization is also mandatory for the better economic condition of a country.

Economy always follows politics and politics remains the byproduct of law and order situation prevails in a country. If law and order situation runs smoothly, the politics play smoothly and therefore the stable economy of the country will be. Law and order situation must be implemented in the country for the economic growth, because if there is

no law and order situation inside a country it not only destroy the national integration, but also destroy economy of the country. Therefore, government and law and force agencies should make suitable steps to overcome chaos in the society.

In the same manner exploration of new markets are also important in the present economic turmoil. By expanding to new markets, companies drive their production and thus lower their cost per unit. This occurs because costs - both fixed and variable - are spread out over a wider number of goods and services. with economies of scale, the larger the business, the greater the cost savings. Entering a new market with a new product or service means the customers have access to a wider range of products to choose from, this could mean they

are better quality or just different to their home brands. As well as more variety, more products mean more competitive prices for the brands they want.

In the same way political stability is also needed for better economic growth. Economic growth and political stability are deeply interconnected. On the one hand, the uncertainty associated with an unstable political environment may reduce investment and the speed of economic development. On the other hand, poor economic performance may lead to government collapse and political unrest. However, political instability disturbs smooth functioning of trade by affecting income and prices directly and investment in physical capital indirectly. Political instability increases uncertainty about future economic situations and policies.



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Therefore, political stability is needed for economic growth and prosperity of the nation.

It needs not to be emphasised that Pakistan is not poor but poor management of its natural resources has made it so. The enormous natural resources of all kinds like energy, minerals, agriculture, and human could have made the ~~economic~~ country a wealthy economy. Instead, there been bleak picture of economy and undesirable image outside due to the chronic flaws in vision and policies. Thus, the daunting challenge ~~of poor~~ of poor management of natural resources, trade deficit, budget deficit, burden of internal and external debts, low tax to GDP ratio, and devaluation of money directly needs to be addressed not only to overcome economic self sufficiency and prosperity of the nation, but

<sup>to get rid of</sup>  
also ~~cause~~ chaos and many problems  
in the ~~society~~. Therefore, the onus  
lies upon the government of Pakistan  
to revisit its policies and strengthen  
institutions to not only tackle such  
situations but making them to  
our use. It is high time that the  
government as well as every citizen  
of Pakistan plays its own respective  
role to bring about a positive  
change. We need to build better  
relations with all the countries of the  
world, especially developed countries  
so that we can get financial assistance  
from them in times of trouble so that  
we can recover economic decline.