

Outline:

1) Introduction

Thesis statement: Pakistan's economy has suffered from a series of economic problems and financial challenges because of flawed policies implemented by various governments; therefore, to secure the nation's independence and ensure long-term stability, it is crucial to undertake effective economic reforms aimed at fostering substantial and sustainable growth.

2) Definition and Types

3) History

4) Significance

5) Current Scenarios

6) Causes ^{and effects} of economic problems of Pakistan

Topic Statement 01:

Tax evasion is a detrimental practice that leads to a decline in economic growth of Pakistan.

Topic Statement 02:

Poor economic governance is a significant cause that triggers a fall in economic growth.

Topic Statement 03:

Political instability exerts a detrimental impact on economic growth.

Topic Statement 04:

Terrorism cast a dark shadow on the economic growth of the country by disrupting business activities.

Topic Statement 05:

Agriculture, the backbone of Pakistan's economy, decrease crop yield that leads to ^{fall of economic} growth of the country.

Date: _____

Topic Statement 06:

Trade deficit is cause
worsening poverty in Pakistan
that hampers the economic
growth.

Suggestions

Topic Statement 07:

Fiscal discipline and tax
reforms reduce economic problems
of the country.

Topic Statement 08:

Enhancing quality of education
and health care, and agricultural
productivity helps in economic
growth of Pakistan.

Conclusion.

In the backdrop of a such history, the country grapples with a host of pressing economic problems that hinder its progress and impede the well-being of its population. Pakistan's economy has suffered from a series of economic crises and financial challenges because of flawed policies implemented by various governments; therefore, to secure the nation's independence and ensure long-term stability, it is crucial to undertake effective economic reforms aimed at fostering substantial and sustainable growth. Pakistan faces a multitude of economic problems that have hindered its progress and development. First, tax evasion is an illegal crime in Pakistan that leads to shortfall of government's revenues and hampers the economic growth

of a country. Second, poor economic management obstruct the ^{economic} growth of the country because of fraudulent leaders. Third, skilled labor left the country because of political instability. Fourth, the terrorist attacks disrupt the growth of businesses in Pakistan. Fifth, agriculture sector hinders the growth of economic sector because of climate change. Sixth, persistent trade deficit puts pressure on the economy of Pakistan. ~~Strong~~ Hence, strong economic growth is an indispensable prerequisite for any country's prosperity and progress; however, Pakistan finds itself grappling with a lack of economic growth, impeding its path towards prosperity and development.

Date: _____

Economics is defined as a social science that focuses on the distribution, production, and consumption of goods and services, and analyzes the choices that individuals, businesses, governments, and nations make to allocate resources. It mainly focuses on efficiency in production and exchange. Gross Domestic Product (GDP) and the Consumer Price Index (CPI) are widely used economic indicators. Economics is divided into two major types: microeconomics and macroeconomics. The microeconomics focus on the choices of individuals and businesses. While the macroeconomics concentrates on the behaviour of the economy as a whole, on an aggregate level. Hence, economics is a branch that is crucial for the country. Since its inception, Pakistan has faced a multitude of economic

Date: _____

problems throughout its history. Pakistan's economic history has periods of high rate of growth followed by periods of ~~short~~ sluggish performance. The military was in charge during three eras. Pakistan has received huge foreign capital during military eras. During General Ayub Khan's era the country has managed 5.82 percent economic growth rate from 1959-1962. However, signing a major benchmark in the history, the country has faced last decade of Bhutto's government and Gen. Zia's liberal government. The post Zia's period has faced political turmoil ^{but} and the Musharraf's government has shown a remarkable trend in economic growth of the country. In 2013/18, the PM N's government has left the economy stronger, bigger and

better according to many people's claim, however, the government has totally dependent on IMF loan schemes. Then, PTI come into power in 2018. The economic growth rate in FY18 was 8.4 percent. The economic growth rates of country were badly hit by COVID-19 pandemic in 2019. So, the country has experienced high level of economic instability since its partition.

The significance of economic growth lies in its ability to generate numerous benefits for a nation.

Economic growth plays a crucial role in the development and well-being of a country. It leads to higher employment opportunities, as expanding industries and sectors require a larger workforce. Economic growth promotes innovation and technological advancement, fostering productivity

gains and efficiency in various sectors. Moreover, it stimulates trade and exports, boosting international trade relations and improving the balance of payments. Our neighbouring country, India, grew its GDP by 8.7 percent in 2021, reaching \$3.1 trillion, making it the fastest growing major economy in the world. To conclude, economic growth is vital for a country as it improves the standard of living for its citizens.

Pakistan is currently facing a range of economic challenges that pose significant threat to its growth and stability. The economy of Pakistan is currently under severe stress, with low foreign reserves, a depreciating currency and high inflation. The economic growth is expected to slow. Real GDP growth is expected to slow sharply.

to 0.4 Percent in FY23 reflecting corrective tighter fiscal policy, flood impacts, high inflation, high energy prices and import controls. (The World bank report, 23). Pakistan's debt burden is escalating, making it increasingly difficult to repay its payment obligations.

The country is currently running on foreign loans taken on high rates of interest. It will have to repay \$80 billion in the coming three years according to the World bank report, 23.

On the nutshell, Pakistan is at the critical juncture of an economic crisis that affects the citizens of the country.

There are many causes of Pakistan's economic crisis. Tax evasion is the first and foremost cause of economic problems of Pakistan. It is illegal or unethical act of not

reporting income or assets to tax authorities or deliberately misrepresenting the amount of taxes owed to reduce one's tax liability. Many small businesses and self-employed individuals do not report their income or pay taxes, either because they are unaware of their tax obligations or because they believe that the risk of being detected is low. One of the main factors behind tax evasion is the large informal economy. According to Islamabad Post Newspaper, the informal economy is estimated to be 35.6 percent of Pakistan's GDP, which represents approximately \$66.1 billion at GDP PPP level. The informal economy is the main reason behind the decline of formal sector of Pakistan's economy. Hence, tax evasion has emerged as a significant contributor to the country's economic problems.

Date: _____

Moreover, poor economic governance plays a crucial role in triggering the economic problems within the country.

Economic management in Pakistan has steadily deteriorated to the point where the economy has lurches from one financial crisis to the next. At the heart of the problem has been poor management of public finances and deep-seated structural issues in the economy that bad management and poor governance has exacerbated. Corrupt leaders hinder the economic growth of the country. As a result, corruption of poor economic governance increases transaction costs, disruption of contracts and property rights. In Pakistan, huge scams were witnessed in sectors like sugar, wheat, petroleum, real estate, and public procurements, etc. where tons

Date: _____

of public finance were siphoned off and the main reasons were imprudent public policies, flawed decision making, and lack oversight by Economic Coordination Committee (ECC) and Cabinet. In this way, poor economic governance has plagued the economic growth of the country.

Furthermore, after inception in 1947, Pakistan faced several issues, with the most political instability. The tendency of the change in the government and its structures, either in a "constitutional" or "unconstitutional" way is called political instability. In Pakistan, the rise of violence and civil unrest due to political instability disrupted the productivity growth of the country. These protests are one of the factors which express the situation of political

Date: _____

instability. Normal procedures of market was decreased and affect the growth rate. PTI's sit-in in 2014 in Islamabad led to the shutting down of business activity and the closure of trade routes, for which Pakistan faced an economic loss of 6.10 billion. due to PTI's long march of 126 days in Islamabad. In the nutshell, Pakistan faces irreparable damage to the economy due to political instability.

In addition to it, terrorism in Pakistan is a major cause of economic problems, leading to significant hindrances to the country's economic growth and development. Pakistan involved in the war on terror allocate a significant amount of their budget towards military operations, intelligence gathering, and security

measures. This diverts funds away from essential sectors such as education, infrastructure, and economic development, which are necessary for sustainable economic growth of the country. Pakistan continued to pay a heavy price in terms of both the economic and security terms.

According to the Ministry of Finance, the economy was subjected to enormous direct and indirect costs which continued to rise from \$ 2.699 billion in 2001-02 to \$ 13.6 billion by 2009-10, projected to rise to \$ 17.8 billion in 2010-11 and moving forward.

In this way, terrorism in Pakistan hampers overall economic growth of the country.

Besides it, the role of agriculture in the economy has been a significant factor contributing to various economic

problems of Pakistan. The agriculture sector, being a primary source of livelihood for a substantial portion of the population in Pakistan, plays a crucial role in shaping the overall economic landscape. However, in recent years, various factors disrupt the growth of agricultural sector that may impede the growth of economic sector. Climate change, land degradation, and water scarcity, etc. are the factors that constrain agricultural production and limit the cultivation of crops. The catastrophic flood of 2022 is the gravest disaster for the economic sector of Pakistan. According to the World Bank report, 2022, over USD thirty billion more losses have been reported due to flood damages. To conclude, the decline of agriculture

contributes to the economic downfall of Pakistan.

Lately, Pakistan's persistent trade deficit has been a significant contributing cause to the economic problems faced by the country. A trade deficit refers to a situation where the value of a country's imports exceeds the value of its exports during a specific period. The industries of Pakistan are not competitive on the global market, it may struggle to export goods and services. This can lead to an imbalance where imports exceed exports, resulting in a trade deficit. Rising global commodity prices contributed significantly to the increasing import volume. Pakistan's trade deficit ballooned to an all-time high of \$48.66 billion in July 2022. From \$30.96 billion a year ago,

indicating an increase of fifty seven percent. (Dawn, 2022).

Therefore, widening trade deficit has played a key role in the decline of Pakistan's economic growth.

As every cause has a few effects, tax evasion in Pakistan has significant implications for the country's economic sector. Taxation plays a crucial role in supporting country's economy and society, by providing various benefits to the citizens.

Tax evasion exacerbates budget deficits as the government has to rely on borrowing or other sources to compensate for the revenue shortfall. This can lead to an unsustainable accumulation of public debt, putting strain on the economy. According to Express Tribune newspaper, Pakistan's Federal budget deficit projection

has been revised to history's highest at Rs. 6.92 trillion, highlighting the fiscal crises that have pushed the country into a debt trap. Hence, tax evasion in Pakistan directly impacts the country's budget and hampering economic growth.

Secondly, poor economic governance has had a detrimental impact on the economy of Pakistan. For many decades, successive governments, civilian and military, with few exceptions, pursued similar policies that contributed to or reinforced Pakistan's structural economic problems. Their foreign policy and economic management interested to produce an outcome in which the country became dependent on external financial assistance, aid and borrowing. In recent years, reliance on the

Date: _____

West has been replaced by dependence on close strategic ally China, Saudi Arabia and the Gulf states, who have provided financial help to bail out the country from economic and liquidity crisis. The heavy reliance on external aid has significantly impacted the economy of Pakistan, creating a host of challenges and vulnerabilities.

To conclude, the adverse effects of poor economic governance on Pakistan's economy have been evident, hindering progress and impeding the nation's path towards prosperity.

Thirdly, Political instability has had a profound impact on the economic growth of Pakistan, sending ripples through its socioeconomic fabric and hindering progress in various sectors. Political instability in Pakistan

contributes to brain drains as talented individuals may seek better opportunities and stability abroad, depriving the country of human capital that is crucial for economic progress. One of the major consequences of brain drain is a shortage of skilled workers in key sectors of the economy. This scarcity of skilled professionals can impede the progress of industries, hamper innovation, and limit technological advancements. According to Pakistan Today newspaper, from 1971 till now, 29,939 doctors, 11,968 nurses, 5791 pharmacists, 87,869 engineers, 66,093 accountants, and 930,639 painters/artists have left the Pakistan because of political instability. To conclude, talented individuals left the Pakistan because of political instability that have detrimental

Date: _____

impact on the country's economic growth.

Fourthly, the scourge of terrorism in Pakistan has cast a dark shadow over its economy, causing immense disruption, hampering investment, and undermining stability. Terrorism creates a perception of ^{high} risk among foreign investors. The frequent occurrence of terrorist attacks and the overall insecurity in the country make potential investors hesitant to commit their capital. Terrorism disrupts business operations and supply chains. Disruptions create uncertainties and additional costs for investors, making Pakistan a less attractive destination for foreign direct investment (FDI). According to Al-Jazeera, in June 2020, four heavily armed militants attacked the Pakistan

Stock Exchange building in Karachi. The attack disrupted trading activities at the stock exchange, causing panic among investors and leading to a temporary suspension of trading. Hence, the economy of Pakistan has ~~been~~ been severely affected by the devastating impact of terrorism.

Fifthly, agriculture remains a crucial sector in the economy of Pakistan but it presents negative impacts that affect the overall economic performance of the country. In agricultural sector, environment plays a crucial role in growth. Environmental challenges such as water scarcity, soil degradation, and improper land management practices pose significant threats to sustainable agricultural growth. These challenges impact crop yields

and contribute to increased production costs. Because of low agricultural yield, the supply of crops also reduced that leads to food inflation. According to Reuters, food inflation for both rural and urban areas reached 48.1 percent ^{in April, 2024}, the highest since FY 16. The highest food inflation hampers the economic growth of the country. To conclude, agriculture profoundly affects the economy of Pakistan and overall economic well-being.

Finally, the trade deficit in Pakistan has notable effects on the country's economy. Trade is central to ending poverty. Countries that are open to international trade tend to grow faster, innovate, and improve productivity. However, in Pakistan, a persistent trade deficit puts pressure on the country's currency.

Date: _____

To finance the deficit, Pakistan may need to sell its currency and buy foreign currencies, leading to a depreciation of the local currency. This can make imports more expensive, contributing to inflation and increasing the cost of living for the population. According to Express Tribune Newspaper, the overall value of the Pakistani rupee depreciated by Rs 48.38 against the greenback in 2022. In this way, the trade deficit affected the Pakistan's economy and overall financial stability of the country.

There are many suggestions to improve the economic problems of Pakistan. First of all, Pakistan should focus on maintaining fiscal discipline by reducing budget deficits and curbing government spending.

Date: _____

This can be achieved through efficient tax collection, reducing non-development expenditures, and prioritizing critical sectors. For instance, Germany is known for its disciplined fiscal policies, often referred to as "die schwarze Null" or "the black zero." Adding more to it, implementing comprehensive tax reforms is crucial to broaden the tax base and increase revenue generation.

Simplifying the tax system, reducing tax evasion, and introducing progressive taxation can help in creating a fair and efficient tax structure.

In the same manner, enhancing the quality of education and healthcare is essential for human capital development. Investing in education and vocational training

Programs will improve workforce productivity and enhance the economic growth of the country. Last but not least, as agriculture plays a vital role in Pakistan's economy, reforms targeting this sector are crucial.

Enhancing agricultural productivity, providing farmers with access to credit, modern technology, and irrigation facilities can boost agricultural output and reduce poverty in rural areas.

Successive governments have failed to bring in effective economic reforms in the country resulting in the downward trajectory of Pakistan's economy; therefore, the incumbent government must pay its attention to ensure financial stability of the country in order to reap the fruits of economic growth which is necessary for the prosperity of

Pakistan. The economic problems of Pakistan are rooted in a combination of factors that have had far-reaching effects on the country's development and well-being. The causes of these issues can be attributed to many factors such as political instability, corruption, trade deficit etc. These problems have resulted in a multitude of effects on economic growth of the country. There are feasible solutions that can pave the way for sustainable development and prosperity. The future of the country will remain bleak if economic problems persist.
