

Economical Crisis of Pakistan and its Solutions

The arguments should be mature
Try to write simple sentences

Outline:

1 Introduction In second main header, explain the

Trade key term i.e. economic crisis

Responsible factors for the economical crisis of Pakistan

a- Higher energy imports

b- The imports of electronics and machinery

c- Cotton, wheat and edible oil are the key products of Pakistan which are mostly being imported

d- Weak industrial sector has resulted into lesser exports and more imports

e- The declining agriculture sector of Pakistan

f- Increase in population

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Budget deficit is another responsible factor ~~of~~ ^{for} the economic crisis of Pakistan

a. Flawed taxation system results in ~~it~~ ^{into} lesser collection

b. Repayment of loan along with interests

c. The burden of subsidies and pensions over the budget of Pakistan

d. Defense spending is another financial constraint

4. Impacts of the economic crisis ~~of~~ ^{on} Pakistan

a. Increasing balance of payment crisis or dollar crisis

b. Increasing dependency on loan

c. Higher inflation causes socio-political instability in country

5 Solutions for economical crisis
of Pakistan

a Acquire more loan

b Adopt protectionist measures

c Increase in production base

d IT sector could turn around
the trade imbalance of Pakistan

e Tax reforms can play a vital role

6 Conclusion

The economical crisis of Pakistan resemble do the race of hare and turtle where the hare sleeps and the turtle wins the race. Similarly, Pakistan can counter the race of the economical crisis if she leaves her drawbacks sleep for a duration. As the maxim says, "slow and steady wins the race", Pakistan can win the race of economical crisis' elimination with some but fruitful initiatives. Keeping the major factors of economical crisis of Pakistan in view, can be listed down as: Pakistan has been highly indulged in the importing and the indulgence in the exporting is very rare. The huge part of imports can be visualized in the sectors of energy, electronic machinery, cotton, wheat, and the edible oils. Additionally, the weak industrial sector has poured oil in the fire along with the declining agriculture to weaken the economical crisis in the shape of increasing imports. Furthermore, the bulge in the population

within the few decades has been a blister in the addition of the imports. Moreover, the fragile taxation system has resulted in a deficit in the budget system. And the repayments of loan with interests causes economical crisis. Besides, the burden of subsidies and pensions are causing the increase in budget of Pakistan. And no doubt the defense spending is another financial constraint. Therefore, the dollar shortage in the country is leading towards dependency on loan which is resulting in higher inflation and political and social instability. As a result, the fatal diseases can be countered through acquiring more loans but the utilization should be in a protective way. Apart from this, the increase in the production base can benefit the state to come out from the phase of crisis. The IT sector along with the increase in businesses and industry can turn around the economical situations with a correct tax collection policy. Indeed, Pakistan is engulfed

in the inferno of economical crisis. These crisis ~~is~~ are causing due problems and obviously both, the state and masses are suffering from ~~the~~. Even so the country like Sweden can turn a prosperous state from the wastes turning it into gold. Similarly, Pakistan can combat ~~with~~ these problems and can pave the way to prosperity.

Higher energy imports is a due cause of economical crisis in Pakistan. Pakistan is compelled to import because she lacks the resources or is poor in production of resources. According to Economic Survey of Pakistan, Pakistan has imported energy of \$23 billion, among which \$17 billion of oil and \$6 billion of LNG and coal were imported. This bulge of import is dragging the country to the edge of the economical crisis.

The imports of electronics and machinery is a bulky cause to the economical crisis.

of Pakistan. Pakistan has remained very poor in making electronic appliances and machinery. She always relies on the import to fulfil the requirement of such stuffs. Since, 2015 each year \$ 3 billion electronics are imported, says Pakistan Survey of Economics. In this web of import, mobiles, laptops, spare parts and as well as the spare parts of automobiles are included. The Pakistani industries only assemble the spare parts but do not manufacture. Thus, this immense drawback leads to crisis of economic to the state.

Another reasonable factor for the economical crisis of Pakistan is the import of wheat, cotton, and edible oil. Pakistan was a worthy country in the production of cotton in the twenty century. But according to the reports, since the beginning of twenty first century, Pakistan has imported 35% of its cotton from central Asia, Afghanistan and Egypt.

And she has been a major importer of wheat from Ukraine and Russia. Similarly, each year \$7-8 million of edible oil is imported. This manifesto shows the fragility of the country, that how weak and dependent Pakistan is on the other countries.

Additionally, weak industrial sector has resulted into lesser exports and more imports which has popped up the economical crisis of the country, Pakistan. Textile has remained the backbone of the country. It has helped in exporting to a greater level. But the reports manifest that a series of mega textile units were closed down in 2022 and 23.

As a result, the backbone of Pakistan has broke down and became a reluctant factor in the economical crisis of the state.

The declining agriculture sector of Pakistan is a mega factor responsible for the economical crisis. The production of in agriculture sector is a great pillar

For the stability of economy, Agriculture has remained a very important factor, as traditionally, since the inception of Pakistan, in the rural areas, almost 60 percent population integrates with agriculture. But the Economic Survey of Pakistan says that before agriculture would contribute 23% in the GDP whereas, it now contributes 20%. The decline in agriculture is due to inflation, archaic techniques and technology, consequently, agriculture is contributing in the economical crisis of Pakistan.

Similarly, a leading factor responsible for the economical condition of region is the increase in population. The more ^{is the} population, the grave concerns are ^{is the} ~~burged~~ ^{burdened}.

The reports clearly show that the population of Pakistan in 1951 was around 7 crore whereas it increased to 140 million till 1998 and the last census of 2023, it reached to 242 million. The 5th largest populated state in the world.

With the increase of population the demand of commodities and local industries has increased to the great extent. Resultantly, which is causing the financial issues to the country.

Moreover, the flawed taxation system has become a giant factor responsible for the stability of the economy of Pakistan. Collecting taxation is an obligatory phenomenon to run a prosperous state. As Benjamin Franklin said, "In this world nothing can be said to be certain except death and taxes." But in Pakistan the major problem of taxation system is the lack of documentation of economy. According to IMF Report of November, 2022: 35-40% of Pakistan economy is not documented, which is ostensibly a huge loss to the revenue of Pakistan.

In addition, Repayment of loan along with interests is a fatal factor that can be considered responsible

for weak economy of Pakistan. Pakistan, due to poor governance, has been acquiring loan packs from IMF and other states or organizations. It should be noted that the availed loans, when returned, are repaid in dollars. The exchange markets based on international privileges keep on changing the rate of dollar which as a matter of fact differs for Pakistan as compared to rate of ~~availed~~. This phenomenon jeopardizes the economical condition of Pakistan. The Reports say, "from the federal expenditure 35-38% of total expenditure is allocated for the repayment of the loans." Hence, the scenario of repayment of loans along with interests is a grave concern for the economy of Pakistan.

Besides, the burden of subsidies and pensions over the budget of Pakistan. The official employees were given as a subsidy

electricity, gas, oil, industrial, agricultural and other sectors, the amount of 1.6 trillion PKR. The officials reports manifest, 200 billion PKR were spent on Benazir Income Support program, PIA was given, 700 billion PKR, Railway: 23 billion PKR, steel mill Karachi 16 billion PKR. Furthermore 760 billion PKR was spent on pensions, in which 160 billion reserved for civilian and 500 billion for Army Pensions. Thus, the subsidy and pensions are considered as a venom for economy of Pakistan.

In addition to this, defense spending is another major problem for the economic situation of Pakistan. The defense takes a massive amount of budget for the security threats of the country. The reports say, in the year 2022-23 more than 1.6 trillion PKR was spent whereas in 2021-22 the amount was 1.52 trillion. Undoubtedly, the defense sector

cracks down the economy of the country.

As a result, increasing balance of payment crisis or dollar crisis takes place in the country.

The government sells and purchases the commodities in dollar. The sales are less and the purchases are more.

Reports declare, in 2022-23 Pakistan sales were 36 billion dollars alternatively the purchases 30 billion dollars.

Resultantly, 44 billions dollars moved out from Pakistan that caused the shortage of dollar in the country.

In the same way, in June 2021, the reserves of dollar in Pakistan were almost 27 billion dollars which

in June 2023 declined to 8 billion dollars.

For this reason, Pakistan is suffering from the money problem.

Similarly, increasing dependency on loan is a severe compulsion of Pakistan.

The imports of the country are more than the double of the exports.

A Report in The Tribune says, "Remittances arrived in Pakistan in 2023

\$24 billion and further dropped below \$22 billion with 10% decline in 2024. This shortfall could be met with no other option but to acquire loan. And IMF also demands for increasing taxes, electricity and gas bills, devaluation of PKR, and the removal of subsidies. In the last two years Pakistan has faced the highest inflation rate which is due to the conditionalities of IMF. Thus, Pakistan is to rely on the loans.

Another serious impact of feeble economy of Pakistan is higher inflation which causes socio-political instability in the country. In increase of inflation IMF is playing a vital role as it demands the increase the prices of diesel, petrol by more than hundred percent. In last two years, per unit of electricity has increased from 16 PKR to 42 PKR. This clearly shows that instable economy has impacted in a profound way.

clearly, Pakistan needs to acquire more loan to provide a persistence in the struggling economy. The all jumbling can not bestow a robust economy to the country. For the sake of the stability in the ailing economy the initiative of loan has to be taken which must be utilized in a systematic way to provide positive charges.

In addition to this, adoption of some protectionist measures should be availed to boost up the declining economy. Implementing tariffs on imported goods to protect domestic industries. Similarly, limiting the quantity of imported goods to prevent the massive quantity of imported goods. And also mandating a specific percentage of local content in goods and services to promote domestic production. Such measures and many others can bring a dead society of ascending the economy of Pakistan.

Moreover, there should be a storm increase in the production base to give a solidification to the suffering economy of Pakistan. Establishing new industries and expanding existing ones can help to boost the production level up. As well as developing transportation network, and energy supply can bring growth in industrial support. Besides, the modernization of agriculture; improving the farming techniques, irrigation system can enhance agricultural production.

For this reason, the formation sector should be revolutionized to give a firmness to the distressed economy.

Along with this, IT sector could turn around the trade imbalance of Pakistan. IT sector has its own significance in the field of trading which can be fruitful for the underperforming economy. It can ease the trading through digitization where a trustworthy and easy trend of

Transaction can be performed. Therefore, the role of IT sector can not be neglected in making a good economy in the country.

Similarly, Tax reforms can play a vital role in robusting the troubled economy of Pakistan. Broadening the net of tax payers the government can collect a massive revenue and will not be dependent on few tax payers. Including, the low tax rates can encourage the foreign investment. As well as, simplifying the rules of taxes can minimize the confusion and unnecessary conflicts. It can help the improvement in the efficiency and effectiveness of tax authorities. By implementing these reforms government can create a more stable tax growth for social stability.

To sum up, from the above discussion it can be noticed that there are numerous factors which are resulting

the vulnerable economy. The factors can be listed as: higher energy imports, electronic appliances and cotton, wheat or edible oil which are the core needs of a life. Similarly, the weak industries performance and outdated agriculturing are leading the country towards the clungeon the darkness. Not only the increased numbers of masses but also the rotten taxation system has resulted in the weak economy of country. The flooding loans and the destructive burden of subsidies and pensions are contributing their part in this regard. These all are impacting the economy of the country where dollar crisis, dependency on loans and the storming inflation are making the masses suffer. However, hope enlightens every pit of the darkness and Pakistan can also counter these serious issues while taking some initiatives which can ostensibly lead the country to the edge brightness.