

## Pakistan's Financial Crisis

A healthy financial system is crucial for growth and prosperity of any state. The economic challenges being faced by Pakistan are acting as a major hindrance in its development. According to the latest report presented to the senate committee, the burden of external debt has risen upto 130 billion dollars. Pakistan has to pay almost 27 billion dollars by the end of 2024, whereas it only has 14 billion dollars in its foreign reserves. In this case, IMF and the allies have become reluctant to provide further financial aid. A major contributor of this crisis is the circular debt entailed by capacity payments. This vicious cycle of debt is harming the domestic economy and the export indus-

-try. This phenomena has led to a major trad deficit, bringing about a huge gap between imports and exports. Poor tax collection system is also a cause of this economic crisis. Instead of bringing in the tax avoiders to the chain, the tax payers are being charged more. In order to overcome these challenges, Pakistan must take immediate and effective measures. These measures should include promoting the local trade, renegotiating the agreements with IPPs, Utilization of local energy resources and development of efficient tax collection systems. Conclusively, Pakistan needs to immediately work on better economic policies in a stable political environment in order to fix the poor economic system caused by bad decisions of past.