

"Economic Crises in Pakistan".

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Outline.

Already been evaluated

I) ~~Introduction.~~

II) ~~Historical overview on Pakistan's economy.~~

III) ~~Root causes of Pakistan's economic crises;~~

i) ~~Negative balance of payment leads the country's economy towards decline.~~

ii) ~~Excessive government's spendings directs the budget towards deficit.~~

iii) ~~Poor low production ratio limits the gross domestic production (GDP) growth.~~

iv) ~~Poor fiscal management weakens the economic stability.~~

v) ~~Widespread corruption in financial officials directs the economy towards decline.~~

vi) ~~High population growth hinders the economic development.~~

IV) ~~Implications on Pakistan's economy.~~

i) ~~The country faces moves towards the danger of fiscal deficit.~~

ii) ~~The country faces the risk of debt burden.~~

DATE ___/___/___

iii) GDP (Gross Domestic Production)

suffers a lot.

iv) Inflation rate enhances rapidly.

v) The unemployment ratio enhances exponentially.

vi) Poverty spreads more violently.

v) Policy Measures to get out from crises.

i) Enhancing production to counter deficit.

ii) Strengthening the governance system to ensure accountability.

vi) Conclusion.

Pakistan's economy has faced a turbulent journey, marked by recurring crises that have hindered its potential, stifled growth, and kept millions in poverty. Despite of having abundant ^{natural} resources, the country's economy has faced many ups and downs. It is due to the economic fluctuations, the country has stood in the crossroads of declination or default. The country has faced the crises many times. Negative balance of payment has become the primary cause of the crises. This would have threatened the product income generation of the country. Furthermore, excessive spendings in different sectors has also turned the economy's direction towards declination. Moreover, the GDP (gross domestic production) has suffered many times because of the low production tendency. Another root cause of the crises is the poor fiscal management in all

sectors. This would have weakened the economic stability of Pakistan. In the reflection of these instances, the country has faced the problem of fiscal deficit many times. The country has taken loans many times. It is due to the GDP (gross domestic production) rate has faced more risk many times. Consequently, the inflation rate has jumped with higher ratio. These all implications has put pressurized Pakistan's economic stability. Pakistan needs some steps to counter the crises and to pursue sustainable development. It is better to mention that, enhancement in production rate can counter the crises. Moreover, a good governance system can also extract the country from the pond of corruption and can averts the ~~enor~~ economy towards progress.

Since its independence, the economy of Pakistan has

passed through ^{many} the doors of
troubles. changes over
time. Pakistan's economy was
primarily agricultural when it
gained independence in 1947.
It's economy grew rapidly in
the first four decades after
independence, with an average
annual growth rate of 6%. In
the late 20th century,
Pakistan has experienced
economic crisis due to debt
crisis and volatile short-term
liabilities. Since 2012, it's GDP
growth has gradually increased.
It is due to initiatives like
the China - Pakistan Economic
Corridor (CPEC) have contributed
to infrastructure and energy
development. Amid these economic
dynamics, Pakistan underwent a
structural transition. The GDP
share of agriculture declined
from 53% in 1947 to 21.2%
in 2010, while the GDP share of
industry rose from 9.6% in
1949-50 to 25.4% in 2010.
Additionally, the GDP share of
the services sector increased from
37.2% in 1950 to 53.4% in 2010.

With the start, one of the primary root causes of economic crisis is the negative balance of payment. As Pakistan is ~~agricultural~~ based country.

Its exports^{are} mainly agricultural goods such as cotton, wheat, rice and textiles etc. While its imports^{are} mainly heavily machinery, petroleum items, and electronic etc. The prices of these items are too heavy while the export rates of agricultural goods are low as compare to the import items. It is due to, the economy of Pakistan has faced the hazard of negative balance of payment. As it is that, ~~the exports in October 2024 has remained~~ within range of \$ 2.5-2.8 billion, and imports ~~rem~~ \$ 4.5-4.9 billion. This data shows a major difference in ~~the~~ exports and imports rates. Therefore, the negative balance of payment has become one of root causes of economic crisis.

~~Adding on~~ excessive

government spending directly contributes to budget deficits by increasing expenditures beyond the government's revenue.

When a government allocates large sums of money to programs, infrastructure, or social services without sufficient tax income or alternative funding sources, it creates a financial shortfall. Pakistan^{also} has faced persistent budget deficits due to excessive government spending.

One major example is the country's high defence and debt servicing expenditures, which consume a significant portion of the national budget. For example, in the fiscal year 2022-23, Pakistan allocated over 50% of its total budget to debt repayments and defence spending, leaving limited funds for development projects. This cycle of overspending can weaken economic stability. Thus, unchecked government spending is a major driver of persistent budget deficits.

Heading on one of the key

factors limiting Pakistan's GDP is its low production ratios which results in insufficient output to meet both domestic and international demand. The country's industrial and agricultural sectors face numerous challenges including outdated technology, energy shortages, and lack of skill labour, all of which contribute to low productivity levels.

For instance, Pakistan's manufacturing sector operates at a lower efficiency compared to regional competitors like India and China, reducing its ability to export goods at competitive prices. Additionally, the agricultural sector, which employs a significant portion of the population, suffers from water scarcity and poor infrastructure, further restricting overall production. ~~Therefore,~~ low production rate also contributes in strengthening the crisis.

Adding to this, poor fiscal management significantly weakens

Pakistan's economic stability by increasing budget deficits, inflation, and debt burdens. High levels of debt servicing divert resources away from essential sectors like education, healthcare, and infrastructure, slowing down long term economic growth. Additionally, insufficient tax collection and a narrow tax base limit government revenue, forcing authorities to cut development spending or impose indirect taxes that disproportionately affect lower-income groups. Misallocation of funds, corruption, and lack of transparency further erode investor confidence, discouraging both local and foreign investments. As a result, economic instability persists, making it difficult for Pakistan to achieve sustainable growth and financial independence.