

What major ^{causes behind} Economic challenges are being faced by Pakistan? What recommendations do you suggest to deal with these issues?

Introduction:

Pakistan is endowed with wealth of resources, encompassing natural assets, human capital and strategically advantageous geographical position within region. The sustainable management of resources including agriculture, ~~gas~~ energy and minerals can provide firm base for economic growth. Leveraging geographical position can enhance trade and foreign investments. Nevertheless, despite of rich resources, country is facing major

economic challenges including high inflation rate, low economic growth, budget and fiscal deficits. These are primarily contributed by excessive reliance on IMF, population explosion, low-agriculture productivity, failures in tax collection, and proliferated smuggling. Government needs to prioritize stability of economic growth over vested interests of elites. Certain pragmatic measures including documentation of economy, inclusion A1 in tax system, ease of doing business and secure agriculture sector can tame the economic turmoils.

Causes behind economic challenges.

Population explosion

Population explosion significantly contribute to economic challenges.

Pakistan is the fifth largest country in the world in term of population. It is evident by the fact that; Population as per census 1951 was 33.4 million, It has sharply ascended to 241.9 million as per census 2023.

This increase economic burden with large unemployed dependent youth. In neighbouring countries India and Bangladesh, the ratio of work-force is very high as compared to Pakistan.

Agriculture is struggling with low productivity.

The agriculture sector, considered back bone of economy, is struggling with low productivity. This sector consist of 40% workforce of country. Major industry, which is textile, is primarily dependent on

this sector. low productivity of agriculture has increased in recent years owing to drought, excessive rainfall, inflation and much reduction in payments received by farmers due to inefficiencies and corruption of higher authorities. All these factors have led to stunted agriculture growth mainly in Sindh and Punjab. This condition has worsen the economy of country.

Excessive reliance on IMF:

Pakistan's consistent reliance on IMF has further deteriorated economy rather than stabilizing it. Pakistan has turned to IMF for more than 22 times. Loans of IMF come with certain conditions requiring government to reduce public spending and high taxes. This reliance has trapped

the economy in vicious cycle of debt. As various Economists of world called IMF International Monetary Federation, a loan sharks of last resort.

Tax collection conundrum:

Another factor behind economic challenges of country is tax collection conundrum. FBR has persistently failed to achieved tax target set every fiscal years.

Tax collection has reached lowest ^{over} ~~in~~ past 8 years. Resultantly Pakistan's Tax to GDP ratio is lowest in developing countries. As result of lack of tax collection, Pakistan has to borrow more money to meet expenditure, which increase economic crisis of state.

Governmental Inefficiencies

Incompetencies of government officials are largely responsible for stagnated economy. They have spent beyond means, which led to mounting of debts. Now the repayment of debts take 60% of total revenue. But officials have continue their reckless spendings.

A recent 188 percent increase in salaries and perks of cabinet members, weeks after announcing cost cutting measures. This example clearly show lack of commitment of government to financial prudence.

Proliferate rate of Smuggling

Smuggling of key products through Pakistan paramount economic crisis. A report published by Dawn News; An estimated 1-7

USD
Billion ~~surplus~~ smuggling is occurring between India and Pakistan. This smuggling and informal trade undermines normalized trade relation between countries. reports suggested that mostly smuggling carried through Dubai and made through Hawala/Hundi. This smuggling is engulfing economy in scarcity.

Recommendation to deal with economic crisis

Strengthening of agriculture sector

The first step^{is} to reform agriculture sector, as it contribute 18% to GDP of state. Government needs to introduce new farming, irrigation techniques, manage soil and water and provide subsidies to agriculture sector to improve economic growth of country.

Inclusion of AI in tax collection

In recent years, the advancement of technologies including AI has potential to transform tax administration. India's Goods and Service Tax network (GSTN) include AI and Data Analytics to monitor compliance with Tax legislation. Moreover, UK's HMRS system use AI to detect tax evasion and fraudulent activities. Pakistan should follow these steps. As AI can streamline FBR operations, detect tax evasion, fabricated claims to achieve high revenue.

creating Business friendly environment

In order to increase exports and investment, Government should act as facilitator to increase business opportunity and reduce cost of establishing business. There is need to develop single business

regulation framework to avoid cost of various regulation. Policy making in economy must include business sectors to increase investments in economic sector.

Encouraging offloading of SOEs having persistent loss.

Another measure is to encourage and accelerate offloading of State-owned enterprises (SOEs), which consistently bearing loss and have become burden of economy. It would reduce economic burden and capital would be used in repayment of debt. According to World Bank 200 enterprises are in loss and are liability of State. So the debt repayment a main burden on state can be contribute by privatization of these enterprises.

Vision Pakistan Economic Plan

To reform the economic sector, Prime Minister of Pakistan announced 5-years Vision Pakistan Economic Plan in 2024. This plan focus on export, infrastructure, environment, energy and technology. It aims to make Pakistan trillion dollar economy in coming years. It aims 6% GDP rate till 2028 and 8 Billion USD investment in country. The strict and consistent implementation of this plan will be mounting success of economic growth.

Conclusion

In recent years, Pakistan has witnessed a major economic crisis and the decline of economic growth is going. This economic downfall has accelerated major socio-political

problems of state. These are
kinds of challenges being faced by
declining economic growth including,
meagre tax collection, low productivity,
political instability among many
others. To curb these turmoils,
Government has introduced many
schemes, recent one is "Tajiz Dost
Scheme" to register retailers. Target
set for ^{10 billion tax} this collection in fiscal
year 2024-2025 but FBR only
collected 5 million rupees in first
half of fiscal year, This shows
abysmal failure of this scheme. So
to secure the turbulent economic
state, ^{which is} near dying, require pragmatic
measures to sustain economic
stability beyond vested interest of
few actors.