

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 position within region. The sustainable management of resources including agriculture, gross energy and minerals energy can provide firm base for economic growth. Leveraging geographical position can enhance trade and foreign investments. Nevertheless, despite of its 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 fossil-fuelated smuggling. Government needs to prioritize stability of economic growth over vested interests of elites. Certain pragmatic measures including documentation of economy, inclusion AI in tax system, ease of doing business and secure agriculture sector can triumph the economic turmoils.

keep the introduction a bit brief.....

Causes behind economic challenges.

Population explosion

Population explosion significantly contribute to economic challenges.

Pakistan is the fifth largest country in the world in terms 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.

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Agriculture is struggling with low productivity:

The agriculture sector, considered backbone of economy, is struggling with low productivity. This sector consists 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.

keep the description of a single argument a bit brief....

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 brought

add and highlight references/examples against these arguments

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

### Tax collection conundrum.

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

Tax collection has reached lowest ~~offet~~ 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 official 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 has amounted economic crisis. A report published by Dawn News, An estimated 1-7

USD  
Billion ~~express~~ 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 scabey.

### 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 Services 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.

## Usman Pakistan Economic Plan

To reform the economic sector, Prime Minister of Pakistan announced 5 years Usman 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.

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## 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  
a few of challenges being faced by  
decoding economic growth including,  
meager tax collection, low productivity,  
political instability among many  
others. To curb these turmoils,  
Government has introduced many  
schemes, recent one is "Tajrat Dast  
Scheme" to register details. Target  
set <sup>10 billion tax</sup> for this collection in fiscal

09 years 2024-2025 but FBR only  
collected 5 million rupees in first  
half of fiscal year. This show  
abysmal failure of this scheme. So  
to rescue <sup>which is</sup> the turbulent economic  
state, not dying, require pragmatic  
measures to sustain economic  
stability beyond vested interest of  
few actors.