

Pakistan Debt trap: Dependence on loans and its Consequences

Outline

1, Introduction:

2, Current status of Pakistan debt

- Public Debt = 76 Trillion PKR
- Domestic debt = 51.5 Trillion PKR
- External debt = 134.9 billion dollar.

3, Pakistan's reason for dependence on loans:

3.1, Enormous fiscal deficit

3.2, High imports and low exports

3.3, Failure of FBR in tax collection

• In FY 2024-25 FBR tax shortfall = 178B

3.4, High interest payments

• In FY 2025-26 interest payment is 8.2T

3.5, Enormous defence budget of the country.

• In FY 2025-26 D.B rise by 20% = \$9B.

3.6, Mountaining expenditures of elite class and civil servants

• Politicians, Judges, civil servants etc.

3.7, Recurrent government change

leads to frequent policy changes.
4, Consequences of loan taking on the country:

4.1, Influence of the donor terms and conditions restricting

Policy space

4.2, Inflation and price hike

4.3, Stagnant development of the country.

4.4, Devaluation of currency.

4.5, Trap in deathloop of loans.

5, Way forward to counter these traps of loan:

5.1, FBR reforms for transparent tax collection.

5.2, Rationalize the expenditure of elite class and civil servants.

5.3, Strengthen the local business structure

5.4, Promote favourable conditions for foreign investments.

5.5, Bring transparency in loan taking and repaying system.

5.6, Upgrade and promote the

agriculture sector.

5.6, Interest on favourable condition.

6, Conclusion:
