

Q2 Discuss major economic challenges facing Pakistan and propose strategies for sustainable economic growth and development.

Major Economic Challenges facing Pakistan

Pakistan is a state standing in line of economically and politically unstable countries with unpredictable future. As political and economic stability go hand in hand, here in Pakistan, mainly political crises emanate rise of economic crises. Major economic challenges hindering her development are:

① Budget deficit

② Balance of payment crises

③ Debt servicing

Root cause of issues faced by government in case of economy are budget deficits where expenditure by the state is more than collection. Expenditure over luxury items, unnecessary products, investment in those sectors which brings only temporary relief and fail to prevail economic sustainability. One recent example is Punjab government provided 45 million rupees subsidies for electricity, it can bring temporary happiness and prosperity but there is no guarantee of permanent

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sustainability. Instead, if this budget would have been invested in education, industrial or agricultural sector it could have brought economic sustainability.

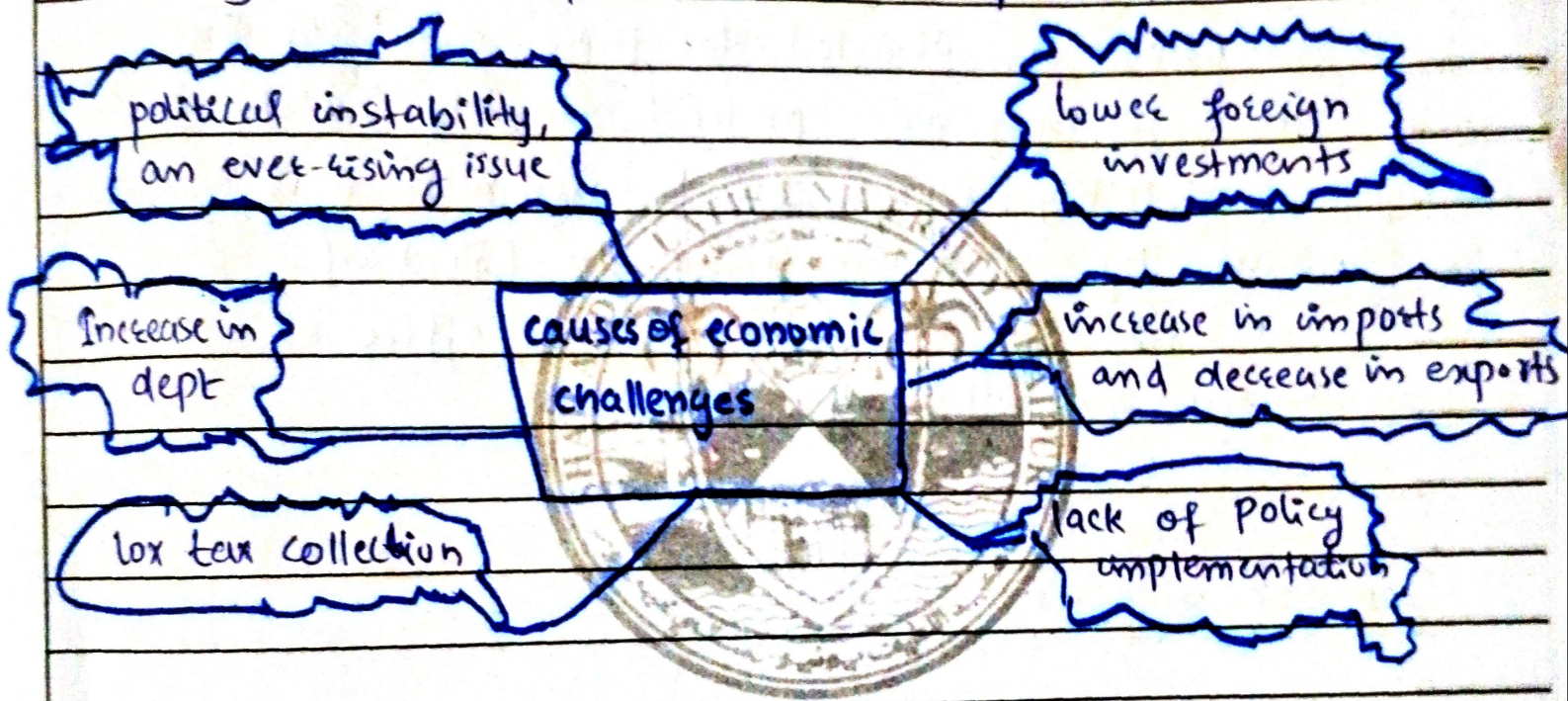
According to Pakistan Bureau of Statistics report 2023-24, our expenditure was 9.1 trillion PKR, whereas ~~the~~ overall collection by the state was 4.6 trillion PKR, bringing about fiscal deficit around 4.5 trillion rupees which has immensely risen as compared to previous years.

Year	Budget deficit
2019-20	3.8 trillion PKR.
2020-21	4.0 trillion PKR.
2021-22	4.1 trillion PKR.
2022-23	4.3 trillion PKR.
2023-24	4.5 trillion PKR.

Another challenge regarding economic challenge is balance of payment crisis severely drying out our dollar reserves. There is a major gap between influx and outflux of dollar that brings immense pressure in lives of deplorable poor public because of currency devaluation and inflation.

Root issues that growth these economic challenges

Here we will highlight some significant problems that need to be addressed by government to fill gaps of budget deficit or reduce those gaps as an effort to address economic crises and bring stability in this plummet situation of Pakistan.



Political instability, an ever-rising issue of Pakistan;

Since the establishment of Pakistan there is always rise and fall of political instability that shatters not only Pakistan's economy but also her reputation on the map of the world. One recent spell was vote of no confidence passed against prime minister Imran Khan under agenda of excessive inflation and poor economic performance. As a result it brought unprecedented

results of economic fallout including dollar rate rising to apex that prevailed further inflation. Due to political mayhem country has faced numerous tough trends of economy.

Lower foreign Investments

Investors are attracted to those areas of the world where economic and political stability exist. Along with stability, foreign direct investment can be increased by strengthening of the board of Investment (BOI) - It should have one office so that investors are attracted.

Low tax collection

Our tax collection policies are weak though recently many sophisticated steps were taken but still lower tax is being collected. A great number of medium and large industries are either unregistered or partially registered, small businesses, health sectors, educational institutions, retailers, hotels, restaurants are either partially registered or unregistered. There is no proper documentation of these processes resulting in system of

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tax avoidance and tax evasion, eventually low tax collection.

Increase in imports and decrease in exports

Every year there is rise of import of products including luxury items, unnecessary products which ~~are~~ weaken our economy, on the other hand, decrease ~~of~~ ~~exp~~ in exports further worsens the situation that bring economic fallout and a dip in dollar reserves of the country.

Debt servicing has created a vicious cycle

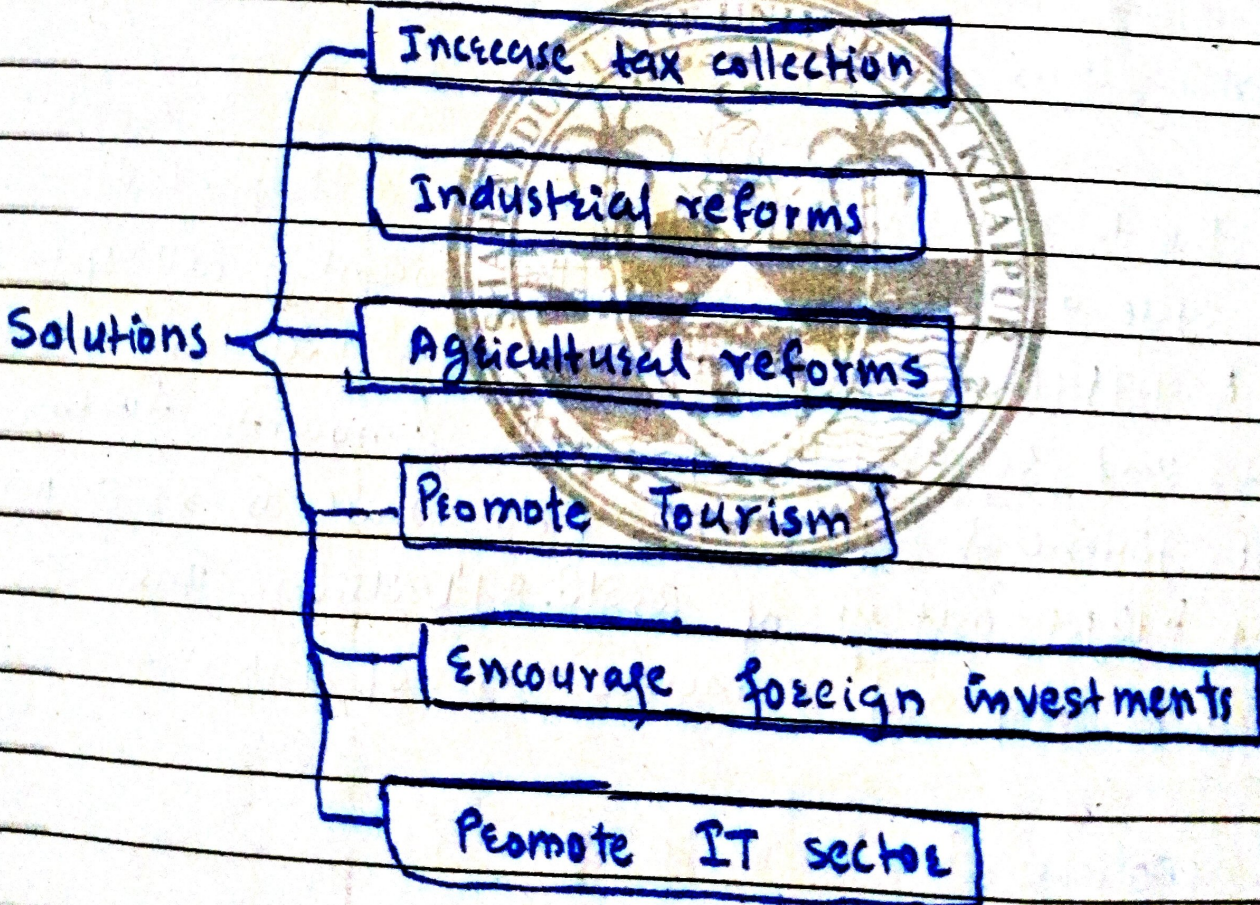
Due to economic crises, Pakistan is trapped in a vicious cycle of debt crises. The country will spend around Rs. 9.7 trillion on debt servicing including interest payments and retiring its principal amounts during the next financial year 2024-25 which is 51.8 percent of total budget outlay of Rs 18.87 trillion. This has further deepened economic crises of Pakistan.

Lack of policy implementation

Pakistan has historically been weak in the implementation of policies. Unstable governments do not complete or accomplish their tenure and there only exist formulation of policies but problem is mainly execution.

of policies which leaves behind many incomplete projects. New government when come in power they don't accept previous ~~poter~~ policies and they introduce new projects to prove themselves but ultimately what we are left with are incomplete projects that give no benefit to the economy.

Solutions to cure economic ailments



① Increase tax collection

Tax collection should be done across the board with special special emphasis should be given on introducing new tax files instead of increasing tax on already filed individuals. Advanced procedures should be introduced for proper documentation and whole system should be revolutionized into computer based system, so that all consumptions are taxed.

② Industrial and agricultural reforms

Various reforms should be introduced for development of industrial and agricultural sector for economic growth and development. Because economically stable states are developed states in real sense. Formulate policies and plans to promote textiles, factories, mills, ^{for} agricultural development advanced procedures should be introduced for cultivation, irrigation, new scientific ways should be introduced for production of different crops and farmers should be encouraged and awareness should be given so that the state comes on strategic level of economic growth and prosperity.

③ Promote tourism

Tourism should be encouraged by enhancing tourist spots, ensuring their safety which maintains reputation of the state as a peaceful nation.

Pakistan already offers multiple tourist opportunities especially religious for Hinduism, sikhs, Buddhism, others are sports tourism, mountanist tourisms, archeological and coastal tourism etc. These all places should be maintained to promote tourism and foster economy of the state.

④ Encourage foreign investment

Stable economy is a key factor for enhancement of foreign investment, another step of one-unit office should be introduced to create ease for investors, that office should be high powered and be formed of people with high credibility. ~~to~~ So that country is saved from crises of economic fallout and rises in high sky with stability and prosperity.

⑤ Promote IT sector

As the world has evolved from stone age and reached at level of advancement of Artificial intelligence (AI). World in future belongs to those

state which are ahead in science and technology.

To stand at upgraded level in this world of science country should emphasize on introduction of scientific projects. We should learn from India as it earned more than oil exports of Saudi Arabia which is a great example for us to bring encourage us to invest in electronics development which can immensely bring economic growth and stability in the state.
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