

Essay

تاریخ:

Pakistan's Economic Future: Can the country achieve sustainable growth?

A. Introduction

Thesis Statement: There are a bundle of causes which keep Pakistan's economy stagnant, but through some effective measures Pakistan can ensure sustainable growth in future.

B. Current Situation of Pakistan's Economy

C. Causes for Stagnant Economy of Pakistan

- 1) Low Tax to GDP Ratio
- 2) Presence of Trade Deficit
- 3) Over Reliance on Debts

D. Measures to Achieve Sustainable Growth In Economy

- 1) Strong will of Pakistan's Leadership is Needed
- 2) Tax should be collected in effective manner
- 3) Pakistan's Informal Economy Needs to be Documented
- 4) Agricultural Sector Must be Taxed
- 5) Minimization of Trade Deficit be Done
- 6) Less Reliance on IMF Programs
- 7) Privatization of Loss Making SOEs be Done

- 8) Interest Rates of SBP should be lowered
- 9) Meeting GDP Growth Target with Utmost Focus
- 10) Effects of Climate Change Must be Mitigated

E. Conclusion

In a country's body, economy serves as a backbone. Without a good and firm backbone a body cannot perform effectively; in a similar way without good economy a country cannot perform at national or international level effectively. If we observe the economy of Pakistan, one will easily analyze that the country usually faces boom and bust cycle. When it is ready for growth, some circumstances occur and the improvement diminishes. The current situation of Pakistan's economy is stagnant at a level. The major causes which lead the country towards stagnancy are low tax to GDP ratio and the presence of trade deficit. However, Pakistan can achieve the sustainable growth through various measures. For instance, greater role of country's leadership can transform its economy. Similarly, the issue of tax collection can be solved in an effective manner. Along with this, the informal economy of Pakistan must be given utmost focus to shift it in formal economy. In a same manner, the largest sector of Pakistan, i.e., agricultural sector must be taxed to achieve sustainable growth. Moreover, the issue of trade deficit

must be solved at earliest. There are bundle of causes which keep Pakistan's economy stagnant, but through some effective measures Pakistan can achieve ensure sustainable growth in future.

The current situation of Pakistan's economy is not more than satisfactory. The country usually faces boom and bust cycles in its economy. In a year, when every indicator of growth is positive, it follows some unfortunate circumstances and the growth graph comes towards base. A country which shares border with 5th largest economy must improve to be at equal footing in the region. Currently, according to ministry of finance the GDP of Pakistan is almost 262 billion dollars. And the country has not experienced much growth in it over the past years. Hence, there is no doubt that the current situation of economy of Pakistan is stagnant and satisfactory.

There are a bundle of causes which are responsible to hinder the economic

growth of Pakistan and make the economy stagnant at a certain level.

A major cause which hinders the sustainable economic growth is lower tax to GDP ratio of Pakistan. Collection of tax is very essential in the nation states in order to keep the state functional. The countries which perform well and grow usually focus on their tax collection. Basically, tax contributes a lot in the growth of a country's economy. In case of Pakistan, the data showed by country's finance minister shows almost 10% of tax to GDP ratio while the International monetary bodies require 19% of the ratio. This clearly depicts that the country is struggling in the collection of tax. Therefore, it will be no wrong to say that the lower tax-to-GDP ratio undermines the sustainable growth of the country.

Pakistan also faces the issue of trade deficit. Along with other causes, the trade deficit also minimizes the chances of a country's economic growth as the trade money contributes a larger chunk in the

country's economy. Pakistan faces acute problem in its import and export balance. The imports outweigh the exports which as a result create trade deficit. Currently, the Pakistan Bureau of Statistics show that the country's deficit is almost 29 billion dollars. Through the data, one can observe the great imbalance in the trade of Pakistan. As a result, country experiences trade deficit which ultimately hinders the sustainable growth of economy.

• Pakistan is a country which overly relies on debts. Debts borrowing is not a problem for a country but the debt servicing always creates some issues for the countries like Pakistan. This is the reason that the leadership of country usually give remarks in public urging the lender countries or organization regarding debt roll over. At this stage, the debt which Pakistan has to give back to the lenders is around 250 billion dollars which is a huge amount. Pakistan is required to serve the debt back

to the lenders every year in installments and this money is extracted from the ailing economy of Pakistan. Therefore, the over reliance on debts hinders the sustainable growth of Pakistan's economy.

With these causes, the problem of stagnant economy is faced by Pakistan. But, with the help of some pragmatic measures the sustainable economic growth can be ensured.

A strong will of the leadership of Pakistan is the need of the hour.

- The leadership of Pakistan's polity must focus on the economic growth while leaving personal interest behind. The country faces stagnant economy with the boom and bust cycles and for this purpose new initiatives must be taken. Initiatives in Pakistan like the recent one i.e., 'Vision Pakistan' is launched but the implementation of the initiative must be ensured with strong will. The time has come that, Pakistan should not only launch initiatives but the effective implementation is the key towards growth.

Hence, a leadership will iron will will contribute a lot in sustainable growth of Pakistan's economy.

Tax should be collected in an effective manner. As already discussed, collection of taxes contribute a lot to the economy of a country therefore the collection of tax should be given utmost focus. Effective tax collection can only be made by reforming the tax collection body of the country i.e., FBR. FBR should make things simple for the tax payers for instance the filing of tax returns. In a press conference, Pakistan's Finance Minister publicly acknowledged that the process of filing tax returns in the country is complex and the tax payer relies on accountants or lawyers to file it. This factor can be minimised with digital overhaul of the system. Consequently, the tax will be collected in an efficient manner in order to grow the Pakistan's economy.

Along with these, Pakistan must document its informal economy. This is only the

formal economy of a country which contributes the tax to the GDP. While on the other hand the informal economy of Pakistan does not contribute the tax to the GDP. For instance, the small/home based businesses, private clinics, lawyer's chambers etc. come under the ambit of informal economy where the state has no record of cash transactions of the businesses. According to the World Bank, almost 35% of Pakistan's economy is undocumented. When the formal economy is contributing much in the country's economy so documenting the informal economy will surely give benefits to the country in terms of sustainable economic growth.

The Agricultural sector of Pakistan must be taxed. Pakistan is a country with huge area of land and a major chunk of its population work in the agricultural sector of Pakistan. Similarly, among other sectors, the agricultural sector of the Pakistan is the largest one as the country is mostly agricultural. However, it is very unfortunate that the agricultural sector of Pakistan is majorly

exempted from the tax. According to some reports, the Pakistan's GDP is contributed almost 22% by the agricultural sector. While steps are being taken in the country to make the agricultural income taxable, many provinces and feudals are resisting this approach. Hence, in order to achieve sustainable economic growth, the country has to make some reforms in agricultural sector to make its income taxable.

Moreover, the trade deficit of Pakistan must be minimised. As already discussed earlier, trade plays a vital role in the economy of a country. A balance should be maintained in the imports and exports of a country. Pakistan faces trade deficit which is caused by more imports and less exports. As already provided, the country faces almost 29 billion dollars of trade deficit, for this the imports of the country be minimised. Pakistan can cut its imports by relying on domestic products of the country. Hence, trade deficit in Pakistan must be minimised in order to achieve

sustainable growth in the country:

The Pakistan should rely less on IMF programs.

The borrowing of debt is not an issue for a country but servicing is the issue. Same goes with the Pakistan. Pakistan has an huge amount of external and internal debt

which must be minimised while aiming for no other debt in the future. The

debt servicing creates a lot of problems for

the developing countries especially. In a recent

study of World Bank, it was revealed that

the impacts of debt servicing are felt larger

by developing nations than that of developed

nations. This can imply that whatever a country,

which is developing, progresses in a year in

terms of economy has to service that progress

or growth to the debt lenders. Therefore,

Pakistan must focus on ways to rely less

on IMF programs.

Pakistan faces issue with loss making

State owned enterprises and the same

SOEs must be privatised. There are hundreds

of SOEs in Pakistan and among these

there are various which are burden on

Pakistan's ailing economy. And the country has to provide bail out packages to these state owned enterprises every year to keep them running without collapse. There is a list of SOE making loss which include DISCOS and PIA. The economic think tanks and the inter governmental organizations suggest that Pakistan must privatise the SOE which make loss. The process of privatisation must be given focus with utmost importance in order to achieve sustainable growth in economy of Pakistan. In order to achieve economic growth, the state bank of Pakistan should lower its interest rates. The interest rates play an important role in a country's economy as through these people can get money from the banks with lower interest rates for doing businesses or investing anywhere else. Pakistan's State bank continuously strives to keep the interest rates at low as possible but further improvement must be made for the ease of public to do businesses and contribute towards the

economy of Pakistan. According to State Bank of Pakistan, the country interest rates stand at 13%. These must be lowered further in order to achieve sustainable economic growth in the country.

Along with these measures, Pakistan must focus on the GDP growth target with utmost focus. GDP growth is the aim of every country and every country's tries its best to maximize it. A good GDP growth shows economic growth of a country.

And this growth can be achieved with proper reforms at the home. According to IMF, the GDP growth of Pakistan is projected at 3% which is lowered by 0.2 percent recently showed by IMF few months back.

Hence, when a country like Pakistan expects much higher growth while the actual evaluation remains low creates problem in sustainable economic growth of the country which must be given focus.

The climate change is the reality and its effects are devastating which must be mitigated by Pakistan. The effects

of climate change are largely felt by the developing nations than that of developed nations just because of the fact that the developing countries are already trying hard to strive and make economic growth for the betterment of people. Pakistan faced major effects of climate change in terms of flood and ^{less} food production. The effects of Climate change can be minimised through the initiatives and technological advancements like the launch of OE-1 satellite which will warn the country prior to any disaster in place. Through these type of advancements and early warning system, Pakistan's climate change effects can be minimised and as a result, sustainable economic growth of country can be expected.

To put it succinctly, there are number of causes which lead Pakistan's economy towards stagnancy, however, if the country takes some pragmatic measures, a sustainable economic growth can be achieved with hard work and

consistency. Pakistan overly relies on the internal and external debts or IMF programs which hinder its economic growth due to debt servicing. Presence of trade deficits is also a major cause for stagnant economy of Pakistan. Effective measures can be taken to achieve economic growth, for instance, less reliance of the country over the IMF programs along with the privatization of the state owned enterprises which make loss every year. Similarly, the interest rates of state bank of Pakistan should be lowered in favour of general public so that they can contribute in the economy. Moreover, the GDP growth targets of Pakistan must be followed in letter and spirit to achieve progress in the economy. Furthermore, the problem of climate change and the effects can be mitigated with some effective measures. There is no doubt that Pakistan can reach at the heights of glory as thought by its founder Mr. Muhammad Ali Jinnah if the government, political

leaders along with public becomes sincere to the cause to make Pakistan prosper in every field of the world.