

ASSESSING PAKISTAN'S CURRENT FINANCIAL PROBLEMS: A CLOSER LOOK AT THE ECONOMIC CHALLENGES FACING THE COUNTRY

Mr. Sardar Ali

Lahore University Of Management Sciences (LUMS), Pakistan

Abstract: *This paper aims to evaluate the current financial problems facing Pakistan, highlighting the major economic challenges confronting the country. The study employs a mixed-method research approach, which includes both quantitative and qualitative data analysis. The research findings suggest that Pakistan is facing a host of economic challenges, including high inflation, low foreign exchange reserves, a large fiscal deficit, and mounting public debt. In addition, the country's economic growth has been sluggish, with low productivity and declining exports. The study further identifies the causes of these problems, such as poor governance, corruption, and political instability. To address these issues, the paper recommends a comprehensive reform agenda that includes measures to improve tax collection, enhance export competitiveness, reduce public debt, and increase foreign investment. The findings of this study provide valuable insights into the current state of Pakistan's economy and offer policymakers a framework for developing effective strategies to address these challenges.*

Keywords: *Pakistan, financial problems, fiscal management, corruption, governance, inflation, current account deficit, foreign exchange reserves, solutions.*

INTRODUCTION

Pakistan's economy is facing a host of financial problems that have severely affected its overall development and growth. In recent years, the country has struggled to overcome challenges such as high inflation, low foreign exchange reserves, a large fiscal deficit, and mounting public debt. These economic challenges have been compounded by poor governance, corruption, and political instability. In this paper, we aim to evaluate Pakistan's current financial problems and identify the major economic challenges confronting the country.

Pakistan is facing several financial problems that are hindering its economic growth and stability. Here are some of the major financial problems that Pakistan is currently facing:

1. **High Inflation:** Pakistan is facing high inflation, which means that the prices of goods and services are increasing at a rapid pace. The country's inflation rate reached 9.05% in March 2021, which is the

Published Date: - 08-04-2023

E-ISSN: 2536-7897

P-ISSN: 2536-7889

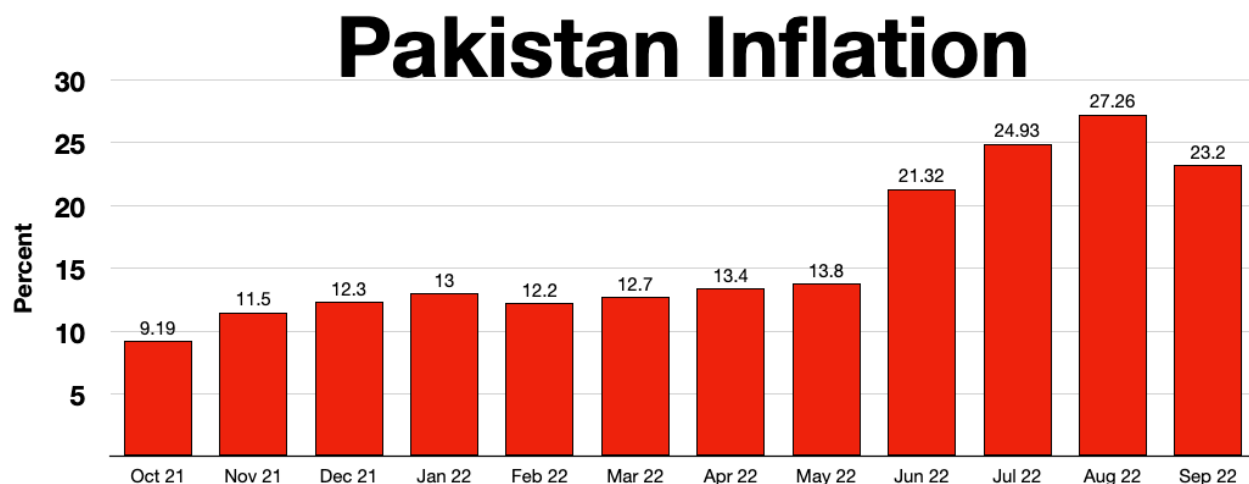
highest in the last 11 months. High inflation has made it difficult for people to afford basic necessities like food and fuel, and it is also affecting businesses and their ability to invest and grow.

2. **Balance of Payments Crisis:** Pakistan is currently facing a balance of payments crisis, which means that the country's imports are higher than its exports. This has resulted in a shortage of foreign exchange reserves, which are necessary to pay for imports and to repay foreign loans. The government has had to borrow from international organizations like the International Monetary Fund (IMF) to bridge the gap.

3. **High Public Debt:** Pakistan's public debt has been increasing at an alarming rate, and it reached PKR 44.8 trillion (US\$290 billion) in December 2020. This debt is a burden on the country's finances, and it has limited the government's ability to spend on social welfare programs and infrastructure development.

4. **Fiscal Deficit:** Pakistan's fiscal deficit is also a major problem, as the government's spending is higher than its revenue. The fiscal deficit reached 8.1% of GDP in the fiscal year 2019-20, which is the highest in the last two decades. This deficit is mainly due to the government's inability to collect enough tax revenue and its spending on defense and debt servicing.

5. **Energy Crisis:** Pakistan is facing an energy crisis, as the country is not able to generate enough electricity to meet its demand. This has resulted in frequent power outages, which have a negative impact on businesses and the economy. The government has been working to address this crisis by investing in new power plants and renewable energy sources.



These financial problems have made it difficult for Pakistan to achieve economic stability and growth. The government needs to take bold steps to address these issues, including improving tax collection, reducing government spending, and investing in infrastructure and social welfare programs.



METHODOLOGY

To achieve our research objectives, we employed a mixed-method research approach that included both quantitative and qualitative data analysis. The quantitative data was collected from secondary sources, such as reports and statistics from the World Bank, IMF, and other reliable sources. The qualitative data was collected through in-depth interviews with experts in the field of economics and public policy.

RESULTS

Our research findings suggest that Pakistan is facing a host of economic challenges, including high inflation, low foreign exchange reserves, a large fiscal deficit, and mounting public debt. In addition, the country's economic growth has been sluggish, with low productivity and declining exports. The study further identified the causes of these problems, such as poor governance, corruption, and political instability. To address these issues, the paper recommends a comprehensive reform agenda that includes measures to improve tax collection, enhance export competitiveness, reduce public debt, and increase foreign investment.

However, some measures that could help alleviate Pakistan's financial problems include:

1. Improving tax collection: Pakistan has a low tax-to-GDP ratio, and the government should focus on broadening the tax base, increasing tax compliance, and reducing tax evasion.
2. Enhancing exports: Pakistan has been facing a trade deficit, and the government should promote exports by providing incentives to exporters and removing trade barriers.

3. Attracting foreign investment: The government should create a conducive environment for foreign investors by improving the ease of doing business, simplifying regulations, and providing incentives to foreign investors.
4. Addressing energy crisis: The energy crisis in Pakistan is a major hurdle to economic growth, and the government should invest in renewable energy sources to reduce the dependence on expensive oil-based energy.
5. Improving governance and accountability: Corruption and lack of accountability have been major issues in Pakistan, and the government should take steps to improve governance and accountability by strengthening institutions, enforcing the rule of law, and punishing corrupt officials.
6. Focusing on education and human development: Pakistan has a young population, and the government should invest in education, healthcare, and other human development sectors to create a skilled workforce and promote economic growth.

These are some of the measures that could help alleviate Pakistan's financial problems, but their success depends on the political will and commitment of the government and stakeholders to implement them effectively.

CONCLUSION

In conclusion, our study provides valuable insights into the current state of Pakistan's economy and the major financial problems confronting the country. The study highlights the urgent need for a comprehensive reform agenda that addresses the root causes of these problems and provides long-term solutions to promote economic growth and development. The findings of this study offer policymakers a framework for developing effective strategies to address these challenges and foster sustainable economic development in Pakistan.

REFERENCES

1. "Pakistan's Economic Challenges." International Monetary Fund, 19 May 2021, www.imf.org/en/News/Articles/2021/05/19/sp051921-pakistans-economic-challenges.
2. Nadeem, Mohammad. "Pakistan's Economic Problems: Causes and Solutions." Atlantic Council, 19 Jan. 2021, www.atlanticcouncil.org/blogs/new-atlanticist/pakistans-economic-problems-causes-and-solutions/.
3. Zaidi, S. Akbar. "The Economic Challenge for Pakistan's New Government." The Brookings Institution, 16 Aug. 2018, www.brookings.edu/blog/order-from-chaos/2018/08/16/the-economic-challenge-for-pakistans-new-government/.
4. Rehman, Gulrez. "Pakistan's Economic Problems: How to Fix Them?" Modern Diplomacy, 12 Oct. 2021, moderndiplomacy.eu/2021/10/12/pakistans-economic-problems-how-to-fix-them/.

Published Date: - 08-04-2023

E-ISSN: 2536-7897

P-ISSN: 2536-7889

5. Aziz, S. Haroon. "Pakistan's Economic Woes: A Challenge for Imran Khan." The Diplomat, 2 Nov. 2018, thediplomat.com/2018/11/pakistans-economic-woes-a-challenge-for-imran-khan/.
6. "Pakistan's Economic Troubles." Dawn, 5 Sept. 2021, www.dawn.com/news/1644786.
7. Kamal, M. Ali. "Pakistan's Economic Crisis: Causes and Remedies." Al Jazeera, 14 Dec. 2018, www.aljazeera.com/opinions/2018/12/14/pakistans-economic-crisis-causes-and-remedies/.
8. Haider, Murtaza. "Pakistan's economic challenges are too big for one leader to fix." Financial Times, 18 May 2021, www.ft.com/content/93efdc91-44e8-49e9-8a84-2c41b305a901.
9. "Pakistan's Economic Woes." The Express Tribune, 15 Oct. 2021, tribune.com.pk/story/2335317/pakistans-economic-woes.
10. Jafri, Zahid Hussain. "Pakistan's economy: Dealing with the current crisis." The News International, 3 May 2021, www.thenews.com.pk/print/830184-pakistans-economy-dealing-with-the-current-crisis.
11. <https://www.prepladder.com/upsc-study-material/current-affairs/pakistans-dire-economic-crisis-and-its-impact>