

FINANCIAL CRISIS IN PAKISTAN

Garvit Dhariwal

LLB Student

Manipal University Jaipur

Pakistan is facing major financial crisis since years now. But the situations starts alarming in starting of the 2022 which slowly and gradually showing its serious consequences as major companies have halted there productions due to not having enough raw materials for the production. As the situations is getting still worsening the prices of the essential commodities like milk which has gone up 250 per litre and other eatable items like flour price have extensively have increased multi-folded way. The situation is such worse that people are fitting and hustling to get flour for there daily survival and all the media houses in Pakistan and across globe are showing up this situation worldwide. Finance ministry of Pakistan is continuously making different efforts and wants IMF to give loans of couple of millions so that the country could survive the drastic financial crises.

Finance ministry of Pakistan is on continues negotiation with the IMF team that came to negotiate in February 2022 and the team left without reaching to the final agreement. There are some of the most recent figures and statistics which are mentioned below-

- 1) Pakistan's external debt servicing rose up to 70% in the initial quarter of 2022-23
- 2) The country's foreign exchange reserves rose up by US \$276 to \$3.193 billion for the week of February 10.
- 3) Pakistan's total liquid foreign exchange reserves stood at \$8.700 Billions.
- 4) The Economic Growth of Pakistan is continuously slowing down and reached 1% to 1.25% this fiscal year and would reach to 6% a year ago.

Pakistan is continuously dealing with backbreaking Inflation, continuously depreciating currency foreign reserves are getting depleted uncontrollably. There are lots of highly intellectuals who are continuously discussing and debating about the disastrous situations of Pakistan. Another big reason of Pakistan's this situations is their Political instability which could be the major criteria for Pakistan this financial crisis. We can clearly say that because of massive corruption in there government systems and less transparency between the banks and the corporates which also include the government have decreased the financial capacities and capabilities of the country to invest in the development of the country and upliftment of here citizens.

Pakistan is adopting various financial formulas to control this drastic economic crises by Adopting the Cost cutting formula like-

- 1) The Prime Minister of the Pakistan as his counsel of minister to stop using Luxury cars and travel economy class to cut down the expenditure on them.
- 2) The Prime Minister also told the government officials and ministers to cut down there salaries as major chunk of the economies goes in the salaries of the different government officials working at different levels in the government.
- 3) The Armed Force have also agreed to cut down there miscellaneous expenditure.
- 4) Pakistan is also imposing Taxation on its citizens as well.

Pakistan is directly getting lots of financial and non financial support form China. In February 2023 Pakistan will also receive new loan of \$700 million loan form China to help them with there foreign reserves. China has already become Pakistan's largest loan lender with it's commercial banks holding about 30% of its external debt.

Iran is also promoting Trade relationships with Pakistan as they Iran have already established six major border markets to promote and facilitate trade easements with Pakistan. In last 8 months the volume of bilateral trade have immensely reached \$2 billion and they are targeting of \$5 billion soon. The Iranian counsel have multiple times said that the trade relationship between Pakistan and Iran would have reached many heights but somehow we haven't been gone to that height which we would have gone.

The country's economy has been struggling due to various factors such as political instability, corruption, and external factors like the COVID-19 pandemic. The government has been implementing various measures to address the crisis, but the situation remains challenging.

One of the main causes of the crisis is the country's growing debt burden. Pakistan's debt has been increasing rapidly, and the country is struggling to repay its loans. The debt-to-GDP ratio has exceeded 87%, and the government has been borrowing heavily to pay off its debts. The COVID-19 pandemic has further exacerbated the situation, with the government having to borrow more to support the healthcare system and provide relief to the people.

The country's current account deficit is another significant issue. Pakistan's imports have been growing faster than its exports, leading to a widening trade deficit. The current account deficit reached a record \$20 billion in 2018, and despite some improvements in recent years, it remains a concern. The government has been trying to Increase exports and reduce imports, but progress has been slow.

The country's currency has also been under pressure, with the Pakistani rupee depreciating against major currencies. This has made imports more expensive and added to inflation, which has been rising rapidly in recent years. The government has been trying to stabilise the currency through various measures, but the situation remains challenging.

The COVID-19 pandemic has also had a severe impact on the country's economy. The pandemic led to a slowdown in economic activity, with many businesses shutting down, leading to job losses. The government had to borrow heavily to support the healthcare system and provide relief to the people, adding to the country's debt burden.

To address the crisis, the government has implemented various measures, including austerity measures, tax reforms, and economic stimulus packages. The government has also secured loans from international financial institutions such as the International Monetary Fund (IMF) and the World Bank to support the economy. However, the measures have not been sufficient to address the underlying issues, and the country's economy remains under pressure.

In conclusion, Pakistan is facing a severe financial crisis, with growing debt, a widening current account deficit, and a depreciating currency. The COVID-19 pandemic has further exacerbated the situation, and the government's efforts to address the crisis have not been sufficient. The country needs a comprehensive plan to address the underlying issues and stabilise its economy.

