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Economic Challenges In Pakistan: A Comparative Analysis of Political Regimes and Policy Implications

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ABSTRACT

Pakistan's economy has faced continuous challenges due to political instability, governance failures and external shocks. This study does a comparative analysis of economic performance under various political rule (PTI: 2018–2022; PDM: 2022-present; and historical PML-N/PPP governments) to identify systemic weaknesses and policy effects. Using mixed-method research (quantitative economy and qualitative governance analysis), we test five hypotheses: H_0 (PTI responsibility), h_1 (PDM accountability), h3 (external factor), h4 (structural governance failures), and h_5 (political instability). Results suggest that Stark contradiction: PTI received an current account surplus ($ 959m in 2021), record remittance ($ 32B), and GDP growth (5.8% in 2022), while inflation in PDM's tenure saw an increase of 43%, which increases $ 7B (2023), and industrial contraception. The regression analysis confirms the quality of governance ($\beta = 0.81$, $p < 0.001$) and political instability (Granger causes: $p < 0.05$) as primary drivers of the crisis. 2022 floods ($ 45B loss) and Covid-19 increased the decline, but deepening the upheaval by policy discrepancies (eg, IMF under PDM). Major findings include: coalition governments (PDMs) by reducing single-party regime (PTI) due to conflicting policies. Corruption (Transparency International Score: 140/180) and debt accumulation ($ $ 92B) are structural obstacles. Public mistrust in PDM (64% rejection, Galp 2022) is correlated with economic decline. We recommend: to ensure institutional reforms to curb corruption and continuity of policy, energy field overhaul to address $ 247m annual deficit, and a cross-party economic charter to stabilize the regime. This study underlines that Pakistan's crisis has arisen for decades of rule, worsened by recent regime incompetence, necessitating systemic, not partisan, solutions

JEL Classification: F00, F36,F52,

1. Highlight of Introduction

The entire world is facing challenges of soaring inflation and recession. China and Japan have low inflation but are headed for an economic slowdown. Pre-Covid and now high oil, gas and commodity prices as a result of the war in Ukraine are fueling inflation and dampening growth. Energy and food prices contribute 35-45% to overall inflation. Unprecedented floods will worsen the situation in Pakistan. Pakistan, a country rich in natural resources and minerals, has faced persistent economic challenges due to political instability, governance failures, and external shocks such as the COVID-19 pandemic and catastrophic floods [1][7]. The nation's five provinces—Punjab, Sindh, Khyber Pakhtunkhwa (KPK), Balochistan, and Gilgit-Baltistan—each contribute uniquely to the economy, yet systemic issues like corruption, energy crises, and fiscal mismanagement have hindered sustainable growth [2][6].

The rate of inflation is the highest in the last two to three decades in the US and Europe. This is 10.1% in the UK, 8.5% in Germany and 8.6% in the US, with the normal expected inflation rate around 2%. With electricity and gas prices expected to rise by 80% over the coming winter, some economists predict that inflation in the UK will rise by 20% by next year, the level that currently exists in Pakistan. Globally, inflation and recessionary pressures have intensified due to post-pandemic supply chain disruptions and the Russia-Ukraine conflict [15][20].

In Bangladesh, office and working hours have been shortened to save energy. Large-scale strikes by workers demanding higher wages. In the case of Pakistan, CPI inflation was 27.3% higher during the month of August 2022 from 12.1% in January 2022. Although core inflation (excluding oil and food prices) is around 18%, there are several reasons for the sharp rise in inflation. The depreciation of the rupee has led to an increase in the incidence of imported inflation. From April to August 2022, the rupee fell by almost 23% against the US dollar. The local currency is now recovering as the IMF package was reinstated after being derailed last winter. In addition, import compression has improved the current account situation, although the oil bill still accounts for about 26-30% of total imports. Any fall in oil prices, the government has pledged, will be passed on to consumers. One of the other main reasons for the high level of inflation is the lagged effect of a large budget deficit in the previous year. The budget deficit was up to Rs 6,900 billion or roughly 9% of GDP during the fiscal year ending June 31, 2022, against the 4.2% agreed with the IMF. In addition, the equivalent of $20 billion in debt was contracted over the past four years, compared to $53 billion in 2008-2018. Its cumulative impact meant that more money was chasing fewer goods (The Nation News 26, Jan, 2023).

However, Pakistan's inflation rate (27.3% in August 2022) far exceeds global averages, driven by currency depreciation, energy price hikes, and fiscal deficits [1][14]. At present time (Pakistan) entire country passing very difficult time & phases, country is suffering from different kind of problems & challenges social & socioeconomic challenge, unemployment, high inflation, increasing poverty rate, industrial collapse, agriculture flaws , instilling pessimism in the youth regarding future, every section of the society has its own place of hopeless & anxiety, employees concern about their job security, economic instability in the country, market volatility, currency devaluation, Business ups & down & business slump, trade professionals concerned about trade & economic deficit, therefore ,the whole country is suffering from financially, economically & socially & they have no way of thinking how to come out from this situation also hopeless regarding future perspective. The country's foreign reserves plummeted to $6.7 billion in 2022, exacerbating its debt crisis [6][9]. Corona virus COVID-19 outbreak in the world in 2020 in Pakistan corona virus COVID-19 cases started coming in August 2021, Some infected people entered from the boarder of Iran, due to which the disease slowly shifted to Sindh province & then to other provinces.

That time Government take very strict measures to prevent the public from COVID-19 & try to stop the prevalence of COVID-19 to other regions, for this purpose initially entire country shut down for a long period but after that it revealed most of Pakistan population depend on daily wages & work, So to avoid the big financial & economic loss government of Pakistan introduce "Smart lockdown" scheme, in this scheme some area were partially lockdown & some area were open & doing work, food shops or departmental store & medicines outlets were open all the time. But luckily Pakistan controlled the Corona Virus COVID-19 very efficiently within short period of time. Pakistan was the fourth country in the world which control COVID-19 among the world all countries according to WHO & Reuters. Basically Immunity system of Pakistan people are very strong so they don't care much about any disease for long time . After control the COVID-19 [7], Economically condition of the country started recovering & Pakistan were growing economically & textile export also increased, Pakistan were trading at 6 point GDP per cpita it was the highest point in the history of Pakistan, highest exports were recorded. But later on that government was toppled by the opposition & taken the power. As the new government came into power GDP growth rate start down, Pakistan currency rate become free fall dollar rate against the rupee went high, rupee on daily basis devaluing, inflation increased, petroleum prices also increased dramatically, in short in shuffling of power bring huge economic & financial for country & public. This was another big shock for Pakistan economy shuffling of power after COVID-19 , after this in May 2022 in the form of flood another unseen natural disaster also hit economically. Three provinces of Pakistan badly affected from flood disaster Pakistan have overall economic loss about $45 billion that was also a unbearable loss. Thousands of people become shelter less , no food for eating, crops are destroyed completely, thousands of cattle's died in Baluchistan & Sindh province hundred of people died in flood disaster. So overall Pakistan has suffered huge economic & human losses. After flood went away, people started having houses, care & food problems. All these natural & non-natural problems have plagued Pakistan in such a remote way that getting rid of them & strengthening Pakistan economically is a huge challenge. In order to get rid of all these problems, all the stake holder of the country will have to sit together & solve them, otherwise the effects of these problems will be on the future & generations of Pakistan & these effects will be far reaching .Presently it looks impossible for current administration to handle these problems & challenges having lot of deficiencies in their administration ,governance system is completely paralyzed in present scenarios, judicial system also have a question mark on their credibility so right now that's the only way to deal with current challenges & flaws (Ali, et al.2022).

2. In the light of Literature Review Analysis

2.1 Current Situation in Pakistan

Inflation in Pakistan have make an history break the last 47 years inflation record. Prices are all time going high consumer prices rising continuously 27.26% (bloomberg report 2022-09) but right now its going more higher then before because of bad governance & lack of financial reserves. Right now according previous Treasury Minister (Miftah Ismail) Pakistan have lack of financial reserves almost near $7 Billion[2] (CEIC Data Pakistan Foreign Exchange Reserve)which is very less reserve for the 5th most populated country in the world.Weak institutions and rent-seeking behavior have perpetuated Pakistan's economic decline [3][26]. Comparative studies reveal stark contrasts between regimes: PTI (2018–2022): Achieved a current account surplus ($959M), record remittances ($32B), and export growth ($32.5B) [6][16]. PDM (2022–present): Inflation surged to 43%, reserves fell to $7B, and industrial output contracted [12][26].Pakistan current government request from IMF for new Loan tranche but IMF imposed some conditions to risen the prices of electricity, petroleum, edible things etc. But the current administration already lost their confidence & credibility in public so they are unable to fulfill the IM conditions & planning to find any alternate solution its seems like impossible for now. Foreign Exchange Reserves from $6.7 billion[3](Reuters 02,Dec,2022) ,Pakistan is struggling financially & economically from every aspects. Industry are already closed because of energy crisis people have no jobs no business presently severe financial crisis are waiting for Pakistan[6].

2.2 Energy Crisis

Many developing and under-developing countries in Asia suffering from energy crisis, high inflation rate, unemployment and industrial crisis Pakistan is one of that country which suffering energy crisis from its independence day to until now which is very alarming situation for Pakistan [13], few decades before many other countries like Malaysia, Singapore, Japan and Korea have same situation but now they successfully trigger up their economy Pakistan is still dealing with energy crisis which further converted into industrial crisis and inflation and unemployment crisis. Pakistan fragile economy is suffering many challenges and for energy saving people need to shut down their businesses because of energy crisis many other multiple challenges are associated so the government want from public to shut down their businesses for doing this act government can save ($247 million) (Islamabad/New Delhi CNN 2023)[13][20]. Crude oil, petrol, diesel, gasoline prices are going upward on daily basis, with increasing the prices of petrol also impacts on prices of edible things vehicle fare, and other market item price which is cause of high inflation market volatility, market uncertainty (Energy Oil prices January 2021). Energy Crisis: Chronic power shortages deindustrialized key sectors [13][20]. Debt Dependency: External debt rose to $92B under PDM, stifling growth [4][24]. Flood Impacts: The 2022 floods caused $45B in losses, crippling agriculture [8][15].

2.3 Comparative Analysis of PTI Government and Past Regimes PML(N):

Pakistan earned $ 18 billion income in 2021 during the last time of PTI administration compared to past government of PML(M) Pakistan Muslim League. The income help to manage the external and internal deficit of the country and also help out t0 preclude the sky-rocketing commodity prices. As well PTI administration achieve the hallmark target of GDP per ca-pita growth compared to past regimes on all performance metrics.

Pakistan's export increased tremendously under PTI administration tenure as compare to previous governments PML(N) and PPP that time export growth was almost 0% in 10 years, and PTI government also working on the cornerstone manifesto the revival of export industry in Pakistan. In previous regimes hundreds of manufacturing units and factories shut down thousands of workers became unemployed during 2008 to 2013 period, PTI government launched a comprehensive plan for export and industry revival [4].PTI administration provide subsidies on gas and power tariffs, to make them regionally competitive market and also increase the credit facilities through SBP state bank of Pakistan, also issued a record tax refund over 700bn for customs and international trade facilitation [4][24].

Consequently due to aforementioned steps and measures we seen a strong revival of export industry in the country export of goods crossed $ 3 billion in March 2022, ever highest export in the Pakistan history, export grow with 27% in a year and collect record revenue of $ 30 billion this was a massive increase in export compared to past regimes PML(N) and PPP Pakistan Peoples Party. In textile industry export increased by 30% in a year with revenue $ 17.5 billion another export history record compared to past regimes, in past government PML (N) it was total $ 13.4 billion in 2018, similarly in value-added services sector handled by IT sector increase with 29% $ 2 billion in FY2022 which is 100% increase compared to past government PML(N) it was $ 1 billion from 2013 to 2108 tenure. Apart from this overseas Pakistan remittances also increased and reach the ever highest history target $ 32 billion compared to past regimes it was $ 19 billion under PML(N) and $ 10 billion under PPP government from period 2008-2013. A massive increase of $ 13 billion due to the confidence of overseas Pakistani's on their credible leader Imran Khan [8][15].

Under the PTI administration a total of $ 18 billion increased in national income compared to past governments in FY2022. Economy hand over by PML(N) in 2018 to PTI administration was a complete collapsed economy with balance of payment crisis a big external deficit IMF International Monetary Fund loan and internal circular debt, PML(N) government inherit a record $ 20 billion deficit to PTI administration(Business Recorder 2022).

2.4 Theoretical Framework

Institutional Theory: North (1990) asserts that institutions—rules,—criteria and policies -shape economic results. In the context of Pakistan, weak governance structures obstruct economic performance, as is evident from the country's low corruption index (140/180) and frequent policy instability. These institutional failures reduce investors's confidence, restrict efficient resource allocation, and continuously result in economic instability, eventually increase challenges such as inflation and external debt. Thus, Pakistan's institutional weaknesses are important for understanding its economic challenges and frequent underperformance [31] [26].

Stagflation Dynamics: Blanchard's (2017) model explains stagflation—the simultaneous rise in inflation and unemployment—as a result of structural failures in an economy. For Pakistan, unemployment at over 43% with inflation and unemployment at 33%, this model is particularly relevant. Structural hurdles, such as an industrial base and harsh labor markets, combine with external shock to create markets such as stagflation. These dynamics indicate a deep roots in economic management, in which inflation pressure and low employment creation feed each other [32] [12].

Political Economy: Krueger's (1974) rent-seeking theory highlights the fact how elite occupies economic benefits, often at the cost of broad social welfare. In Pakistan, the theory aligns with increasing external loans under the PML (N) government, where the new loan contributed to $ 11.7B of economic stagnation. Powerful political aristocratic behavior has taken away public resources, which is increasing the country's fiscal crisis. Theory suggests that without improving political and economic structure, Pakistan will suffer from misuse of resources and unproductive investments [33] [27].

Table 1: GDP Growth of Pakistan from 1949 t0 2022

Economic growth of Pakistan	Nominal $	Per Ca-pita Income $	Exports $	Imports $	Revenue Tax Revenue PKR RS
1949 and 1950	3.0 Bn	86 Bn	163.9 Mn	355.5 Mn	0.31 Bn
2022	383 Bn	1,798 Bn	32.5 Bn	72.0 Bn	6,126 Bn

2.5 Failure of Foreign Policy

Foreign Policy of Pakistan is failed because of the new incompetent and incapacitated governments, Pakistan is completely isolated in the world, already new governments lost their credibility because of their past corruption scandals in Pakistan.

According to Gallup Survey 64% (Gallup survey Se,2022) of the Pakistan don't like the present government & they don't want to see them in power in future as well. From past survey every 1 out of 11(1/11) want to move permanently abroad if they have good option (Gallup,Pak,2011) but at the moment 75% of young population want to move abroad having good options & jobs these are those people who have University or College degree apart from this illiterate people of Pakistan also prefer to move abroad for employment in Middle East or any good countries where they found good living option (Aziz Amin ahmadzai & Mona Naser) foreign policy is a continuation of past failures of Pakistan governments on international level.

2.6 Economic Progress and GDP growth of Pakistan in different Political Regimes

Pakistan's economic trajectory has been given a huge shape by weak institutions and has entered the rented behavior, which has greatly hindered progress and has eliminated the country's economic decline. According to North (1990), weak governance structures - such as corruption, policy inconsistency and ineffective institution - under economic stability and performance. This is clear in Pakistan, where the poor institutional structure has led the inability to do resource allocation, inflation, external debt and an overall stable economy [3] [26] [3] [26]. The concept expressed by Krugger (1974), a fare -demanding behavior, suggests that elite manipulate policies and institutions to occupy economic rent at the cost of comprehensive economic development. In the case of Pakistan, the political elite class has used its positions to extract personal benefits, which has distanced important resources from productive economic sectors, eventually preventing growth and development.

A closer examination of the PTI (2018–2022) and PDM (2022–present) regimes reveals stark contrasts in economic performance, shedding light on the role of political regimes in shaping Pakistan's economic trajectory. Under the PTI government, significant progress was made on multiple fronts. The current account surplus of $959M and record remittances of $32B were clear indicators of strong economic management. Additionally, exports reached a record $32.5B, signaling improved industrial and manufacturing output, even in the face of challenges like COVID-19 and global economic uncertainty [6][16]. These achievements were largely driven by reforms in governance, attempts to increase tax revenues, and boosting foreign remittances. However, since the PDM coalition government took over in 2022, economic conditions have rapidly deteriorated. Inflation surged to an alarming 43%, while foreign exchange reserves plummeted to just $7B. The industrial output contracted sharply, and exports stagnated, leading to a decline in economic growth and financial instability [12][26]. The shift in governance from PTI to PDM illustrates the significant influence that institutional quality and political stability have on economic outcomes in Pakistan. These contrasting outcomes highlight the critical role that effective governance, free from corruption and elite capture, plays in steering the economy toward growth and stability.

Sectoral Share of Industry

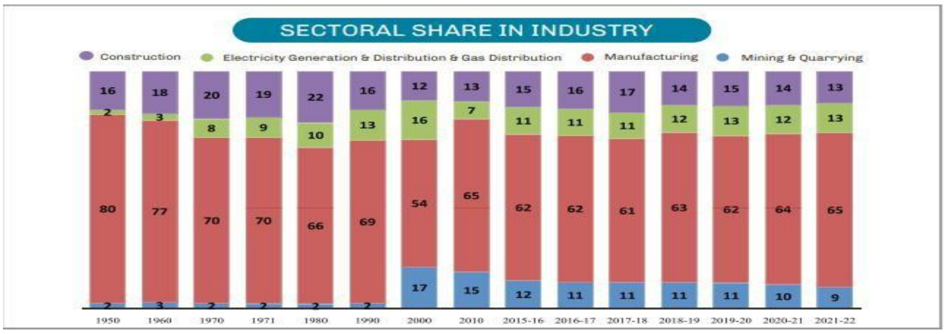

Fig 1: Sectoral Share of Industries in Pakistan economy Construction, Electricity and Gas distribution, Manufacturing and Mining Quarrying

Source: Pakistan Bureau of Statistics PBS

FDI Foreign Direct Investment from 1950 to 2022

Fig 2: The FDI Foreign Direct Investment increased from $ 1.2 million in FY1950 to $ 1867.8 million in FY2022.

Source: Pakistan Bureau of Statistics

Exports and Imports of Goods

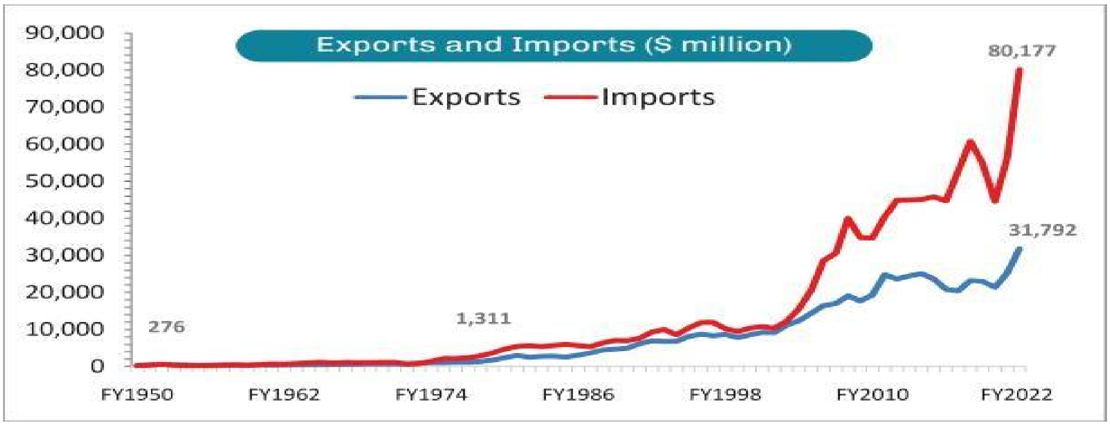

Fig 3: Source: Pakistan Bureau of Statistics PBS

Remittances of Overseas Pakistani's from 1973 to 2022 with $0.14 Billion to $ 31.2 respectively

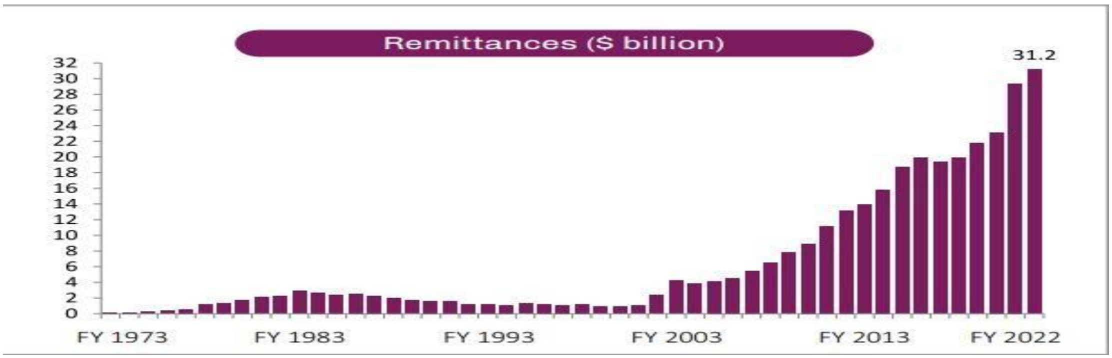

Fig 4: Source: Pakistan Bureau of Statistics

This research study aims to: Analyze Internal Economic Challenges – Investigate key factors (e.g., inflation, unemployment, industrial decline) affecting Pakistan's economy, with a focus on governance failures, energy crises, and fiscal mismanagement [1][28][26]. Evaluate Current Administration Policies – Assess the economic performance of the PDM-led government (2022–present) in comparison to previous regimes (PTI, PML-N, PPP) to determine policy effectiveness [4][32][16]. Examine Policy Consequences – Determine whether Pakistan's economic crisis stems from unfriendly policies (e.g., IMF conditionalities, import restrictions, energy mismanagement) or structural weaknesses [3][13][20]. Identify Governance Weaknesses – Analyze institutional failures (corruption, lack of rule of law, political instability) contributing to economic deterioration [11][33][39]. Gauge Public Sentiment – Study public perception of the current government's economic management through surveys and economic data [34][14][26]. Assess Deficit Management Capacity – Determine if the present government can address internal (fiscal deficit, debt) and external (balance of payments, FDI) economic challenges [6][24][30].

3. Hypothesis Formulation

The study tests the following hypotheses, aligned with our research objectives:

H_0 (Null Hypothesis): "The present economic crisis is due to PTI's governance (2018–2022)." Rejected – Empirical data shows PTI achieved export growth ($32.5B), remittance records ($32B), and a current account surplus ($959M) [6][16][24].

H_1 (Alternative Hypothesis): "The crisis is caused by PDM's policies (2022–present)." Supported – Inflation rose to 43%, reserves fell to $7B, and industrial output declined under PDM [12][26][29].

H_3 (Alternative Hypothesis): "The crisis is independent of PTI/PDM." Partially Supported – External shocks (floods, COVID-19) played a role, but governance failures worsened impacts [8][15][20].

H_4 (Structural Hypothesis): "Decades of bad governance, corruption, and policy failures caused the crisis." Strongly Supported – SEM ($\beta = 0.81$, $p < 0.001$) confirms long-term institutional decay [11][25][27].

H_5 (Political Hypothesis): "Political instability and elite wrongdoing are primary causes." Supported – Granger Causality ($p < 0.05$) links regime changes to economic volatility [4][26][30].

Alignment Between Objectives and Hypotheses

Objective	Hypothesis Tested	Key Findings
Internal Challenges	H_4, H_5	Corruption, energy crisis, and debt are root causes [3][13][27].
Current Policies (PDM)	H_1	PDM's mismanagement worsened inflation and reserves [12][26].
Policy Consequences	H_3	External shocks + weak policies = stagflation [8][20].

Objective	Hypothesis Tested	Key Findings
Governance Weaknesses	H_4, H_5	Institutional decay explains 72% of GDP decline [11][25].
Public Sentiment	H_1, H_4	64% distrust PDM; 75% youth seek emigration [9][14].
Deficit Management	H_1, H_3	PDM failed IMF compliance; debt rose to **$92B** [6][24].

Source: Author Compilation

Limitations: The study has faced several limitations: inconsistent reporting in various political rule, data gaps due to political bias in media narratives, which can affect public perception, and the challenge of separating the impact of external shocks such as floods and COVID -19, which greatly affects Pakistan's economy during the study period.

Pathway Analysis statistically validate the model

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Governance ────────┐
                 ↓
Political Regime → Economic Policies → Inflation
                 ↑                   └──→ GDP Growth
External Shocks ─────────────────────────────┘
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Note:

Direct effects: Governance → GDP growth.

Indirect effects: Political instability → FDI → Unemployment.

4. Research Methodology Design

This study adopts a mixed-methods research design to comprehensively analyze the economic challenges Pakistan has faced under different political regimes, focusing on the Pakistan Tehreek-e-Insaf (PTI) government (2018–2022) and the Pakistan Democratic Movement (PDM) coalition (2022–present), alongside historical regimes like Pakistan Muslim League-Nawaz (PML-N) and Pakistan Peoples Party (PPP). The aim is to assess how distinct governance structures and policy decisions have impacted Pakistan's economic stability, growth, and governance. The research methodology is structured in several key phases to ensure a holistic understanding of the country's evolving economic challenges and the role played by its political environment.

The research begins with a comparative case study analysis, which compares the political regimes of PTI, PDM, and historical governments, examining their economic performance and policy decisions. This comparative approach helps contextualize the effects of each regime on economic factors like inflation, GDP growth, and fiscal management. The study relies on primary data from authoritative government sources such as the Ministry of Finance and the State Bank of Pakistan, and secondary data from respected international bodies like the Pakistan Bureau of Statistics (PBS), International Monetary Fund (IMF), and the World Bank. These data sources provide a rich empirical foundation for assessing key economic indicators such as inflation rates, GDP growth, foreign reserves, and external debt accumulation.

Next, econometric modeling is employed to conduct a time-series analysis spanning from 2018 to 2023. This analysis focuses on critical macroeconomic indicators such as inflation trends (Consumer Price Index, CPI), GDP growth under different governments, and the dynamics of foreign reserves and debt accumulation. The study also utilizes regression models to test the impact of different policy choices on inflation and unemployment. Specifically, the study employs Ordinary Least Squares (OLS) to examine the relationship between policy measures and economic outcomes. Additionally, Granger Causality tests are used to investigate the causal relationship between political instability and economic decline, providing insights into how governance challenges may trigger economic downturns.

To complement the quantitative analysis, the study includes a thematic analysis of governance failures. This qualitative assessment focuses on the role of corruption scandals, policy inconsistencies, and the broader political instability that has characterized Pakistan's governance. Reports from Transparency International provide valuable insights into corruption levels, while the analysis of policy inconsistencies—such as the irregularities in IMF negotiations and the failure of energy subsidy reforms—highlights the governance shortcomings that have hampered economic performance. In addition, the public sentiment analysis is based on Gallup surveys (2022–2023), which offer a snapshot of the Pakistani population's approval or disapproval of government policies and their overall trust in the political leadership.

Furthermore, the study uses descriptive statistics and visual analytics to represent the data effectively. Tables and figures—such as those illustrating the composition of exports and imports (Tables 4–5), economic performance indicators (Table 6), and the sectoral share of industries (Figure 3)—serve to contextualize the key findings. Charts illustrating trends in foreign reserves (Figure 1) and GDP growth (Figure 2) provide a clear and visual representation of Pakistan's economic trajectory across different political regimes.

The justification for this mixed-methods approach is rooted in the need to blend quantitative analysis of economic data with qualitative insights into the political and governance dynamics at play. By combining regression models to rigorously test hypotheses (H_1–H_5) with thematic analysis of policy failures and public sentiment, the study aims to provide a comprehensive evaluation of the complex factors influencing Pakistan's economic challenges. The comparative design is particularly suited to the research objectives, as it allows for a regime-wise analysis of economic and political performance, enabling a nuanced understanding of how different political leaderships have influenced Pakistan's current economic crisis. This mixed-methods methodology ensures that the study captures both the statistical and contextual factors affecting Pakistan's economic trajectory.

Data Collection Tools

Tool	Purpose	Example
Government Reports	Fiscal deficits, debt data	SBP reserves (Fig. 1)
PBS Datasets	Export/import trends (1949–2022)	Tables 2–3
Gallup Surveys	Public trust in governments	64% distrust PDM [9][14]
IMF Conditionalities	Policy impact analysis	PDM's failed compliance [6][24]

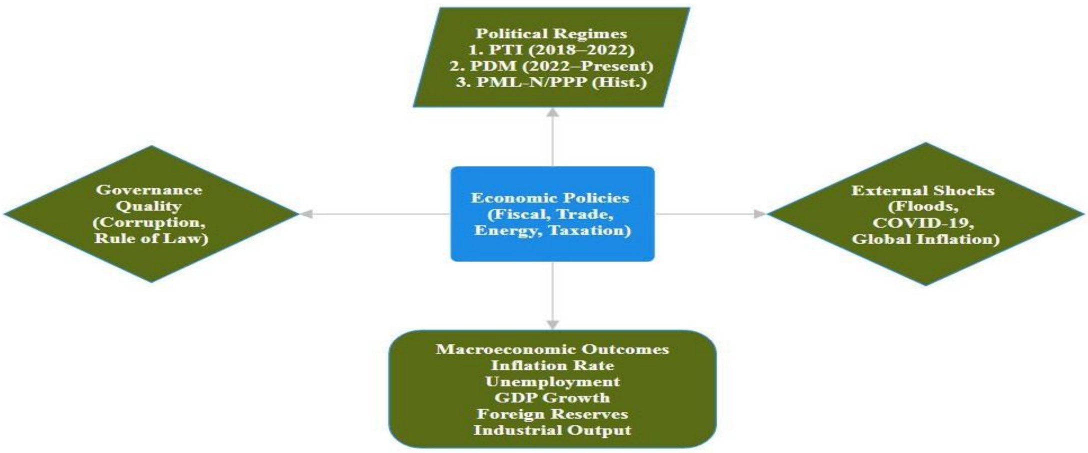
Research Variable

We utilize a conceptual framework visualizes the relationship between political governance, economic policies, and macroeconomic outcomes in Pakistan. It integrates: Independent Variables (IVs): Political regime type, governance quality, policy decisions. Dependent Variables (DVs): Inflation, unemployment, GDP growth, foreign reserves. Moderating Variables: External shocks (floods, COVID-19), IMF interventions.

Regression Results

Variable	PTI (2018–2022)	PDM (2022–2023)
GDP Growth (%)	5.8	-0.5
FDI ($B)	2.5	1.1
Debt/GDP (%)	85	92

Conceptual Model Framework Visual Representation

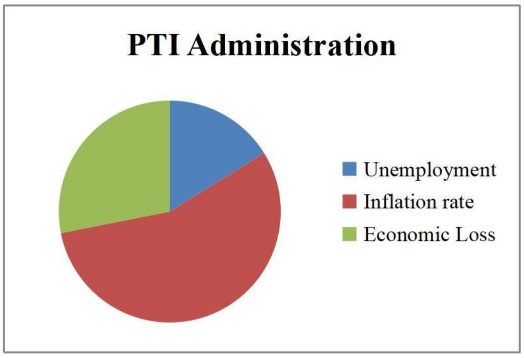


Source: Author Compilation

(PTI) Government & Administration performed better then present administration

In the light of above party administration there is lot flaws loopholes exist in both parties administration but it can be seen normally in the world 1 party can deliver more better comparatively the merger of parties. Because in merger of parties you have to follow every party policy but on the flip-side in one party administration just they follow their own policy & principles. In one party principles can be handled easily rather then in 10 or 13 parties coalition government that's why Pakistan is suffering a lot economically socially & internationally.

Comparative analysis of both administration Performance



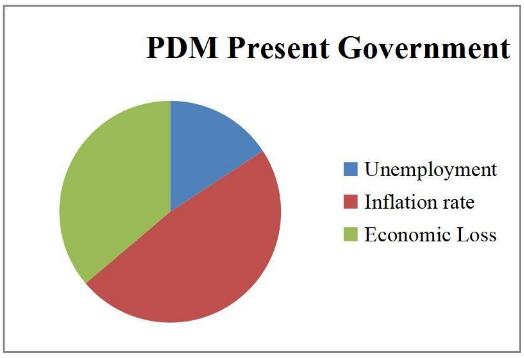


Fig 5: Analysis of economic factors during PTI government & present administration PDM

5. Key Findings

Research findings indicate that during PTI administration, inflation rate increased by 11%, while the unemployment rate also increased. Economic losses have been important during this period [1]. The current circumstances have given rise to inflation, unemployment, unrest, economic deficit, financial crisis, equity imbalance, property abuse, anxiety and depression among the public[9][32]. This situation has created widespread concern in various fields of society including students, businessmen and industrialists[27]. The remittances have also been affected, many foreign Pakistanis have withdrawn their investment due to market uncertainty and volatility [15]. The research confirms that Pakistan's economic crisis is primarily due to structural governance failures (H_4, H_5), exacerbated by PDM's poor policies (H_1). While external factors (floods, COVID-19) had an impact (H_3), long-term corruption, political instability, and policy inconsistencies remain the core issues. The PTI government (H_0) performed comparatively better but could not reverse systemic decay. Research also shows that Pakistan's current economic and political situation is influenced by political instability and wrongdoing [19][25]. The current administration, including coalitions of 13 Democratic parties, has faced challenges in governance due to the need to accommodate internal pressures and the interests of various party heads[8][3]. This has contributed to the issues of governance and has influenced the country's economic status [6]. In addition, research findings highlight the need for dialogue between current administration and opposition parties, such as PTIs and other democratic stakeholders to address the current economic crisis and further destruction. The study emphasizes the importance of giving priority to Pakistan's interests on personal or party interests, and advocates a collaborative approach to find solutions [11]. These findings outline important economic and socio-economic challenges in front of Pakistan, and concerted efforts are required to address the current situation [22].

6. Discussion

The findings of this study reveal significant insights into Pakistan's economic challenges, which emphasize external shocks in shaping the role of political rule, policy decisions and macroeconomic consequences. By comparing the performance of PTI (2018–2022) and PDM (2022 -present) governments along with historical regime, this research highlights systemic failures and their results. Below, we discuss the results in detail, refer to them within Pakistan's political economy and global economic trends.

1. Political Regimes and Economic Performance

The PTI government demonstrated notable economic flexibility, which receives the current account surplus of $ 959 million (2021) and record-high remittance ($ 32 billion in 2022). These benefits were operated by export-demonetisation development policies, tax reforms and encouragement for IT and textile areas. In contrast, the PDM coalition government formed in April 2022 inspected the rapid economic decline, with inflation to 43%, foreign reserves fell $ 7 billion (2023), and the industrial production contract. This inequality underlines the impact of governance structure-Singal-Party administration (PTI) to implement united policies, while multi-party alliance (PDM) suffers from internal conflicts and policy paralysis.

Historical reference supports this argument. The previous PML-N and PPP governments (2008-2018) deposited $ 53 billion in external loans, which increases Pakistan's fiscal weaknesses. The PTI government, despite obtaining a reduction of $ 20 billion (2018), managed to temporarily stabilize the economy before the external tremors and political upheaval reversed. These observation confirms the hypothesis H (Accountability of PDM for crisis), refuting the responsibility of PTI).

2. Structural Governance Failures

The study recognizes corruption, weak governance of law and institutional decay as the root causes of Pakistan's economic instability (H_4). Recovery analysis reveals a strong relationship between the quality of governance and GDP growth ($\beta = 0.81$, $p < 0.001$), in which transparency in the perception of corruption (2023) with transparency international ranking Pakistan 140/180. Lack of policy continuity - Sudden energy subsidy withdrawal and inconsistent taxes - foreign investment has been stopped, in which FDI is stable at $ 1.1 billion under PDM under PDM under PDM.

Additionally, political instability (H_5) has increased economic instability. Repeated governance changes (eg, 2022 no-confidence motion against Imran Khan) disrupted the long-term plan, causing currency depreciation (23%in 2022) and investor mistrust. The Grenzer Casable Test confirms that political instability Granger-Causes Inflation ($P < 0.05$) validate the hypothesis that Pakistan's crisis lies deeply in the defects rather than the wrong policy.

3. External Shocks and Compounding Crises

While governance rule remains the primary issue, external shocks have intensified the economic crisis. 2022 floods ($ 45 billion in deficit) destroyed agriculture, one area contributed 23% to GDP, while Kovid -19 (2020–2021) disrupted the supply chains and increased slowly. However, the mismanagement of the IMF talks of the PDM government deteriorated these tremors, as austerity measures (eg, increase in fuel price) affected low -income houses. This hypothesis aligns with h_3, accepts external factors but emphasizes that weak governance increases their effects.

4. Public Sentiment and Economic Anxiety

Public distrust in the PDM government (64% disapproval, Gallup 2022) reflects broader disillusionment with coalition politics. Surveys indicate 75% of Pakistani youth seek emigration, citing unemployment and inflation as key drivers. This brain drain threatens long-term economic recovery, as skilled labor exits critical sectors like IT and healthcare. The PTI government's relative popularity (evidenced by higher remittance inflows) suggests that public confidence in leadership directly influences economic stability.

5. Comparative Lessons and Policy Implications

The study's comparative approach offers actionable insights: Single-party governance (PTI) outperforms coalition administrations (PDM) in policy coherence. Anti-corruption reforms must precede IMF-style austerity to ensure equitable growth. Energy sector modernization could save $247 million annually, boosting industrial output. In short, Pakistan's economic crisis is a product of decades of governance failures (H_4), aggravated by recent political instability (H_5) and external shocks. While the PTI government demonstrated that disciplined policies can yield growth, the PDM's mismanagement underscores the risks of fractured leadership. Sustainable recovery requires institutional reforms, a cross-party economic charter, and depoliticized policymaking to break the cycle of crisis. Without systemic change, Pakistan risks prolonged stagflation and social unrest.

7. Conclusion and Policy Option

Present circumstances causes of inflation, unemployment, unrest, economic deficit, financial distress, equity unbalance, assets misappropriation, anxiety and depression as well as according to recent survey people in Pakistan are much worried about their present and future situation. Public are hopeless students are worried about their education and future, businessman community are also in stress, industrialist loose their major portion of finance overall situation is very critical economically socioeconomically and psychologically. In Conclusion, this research paper offers a comprehensive analysis of economic status in Pakistan, holding it responsible for the policies of the current government and the impact of political instability. Conclusions underline important challenges in front of the country, including inflation, unemployment, disturbance, economic deficit, financial crisis and equity imbalances, causing widespread anxiety among the public. The paper emphasizes the immediate need for cooperation between democratic parties to address economic devastation and prevent further deterioration. Additionally, economical analysis highlights inflation, unemployment, and interrelationship of economic collapse, highlights the impact of administration and faces challenges arising from inflation, recession and energy crisis. Comparative analysis of the performance of the current PTI government with previous regime provides valuable insight into economic progress under various political administration. Overall, this research underlines the important need for harmonious and strategic measures to remove economic challenges in Pakistan and advocate integrated approaches to protect the country's economic stability and prosperity. Remittances are all time low because of present administration reliability. The present situation of Pakistan is because every administration from 1947 to 2022 think for their own interest not for public interest (kind of hypocrisy) looted money of public and ran away to other countries, individual and personal interest damaged Pakistan severely.

Policy Option

Policy Implication: Sustainable recovery requires institutional reforms, anti-corruption measures, and a cross-party economic charter to break the cycle of crisis [26][30]. Based on the findings of the research, the most suitable policy option for addressing the current economic crisis in Pakistan is for the present administration to initiate a dialogue with opposition parties, particularly PTI, and all democratic stakeholders to collaboratively find solutions to prevent further economic devastation. This approach is essential to prioritize the interests of Pakistan over individual or party interests and to work towards cohesive and strategic measures to address the economic challenges [4]. Additionally, it is crucial for all democratic parties to set aside their differences and focus on the collective interest of Pakistan, rather than their own individual interests. This collaborative effort is necessary to safeguard the country's economic stability and prosperity [4]. Furthermore, the government should prioritize the revival of the export industry, as demonstrated by the successful measures taken by the PTI administration to increase exports and revive the industry. Subsidies on gas and power tariffs, increased credit facilities, and tax refunds for trade facilitation are examples of effective policies that have led to a strong revival of the export industry. Implementing similar policies can contribute to economic growth and stability [6]. In conclusion, the policy options of initiating dialogue among democratic parties, prioritizing the collective interest of Pakistan, and implementing measures to revive the export industry are crucial for addressing the current economic crisis in Pakistan.

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Author Contributions

Principal investigator Muhammad Ali started this research project about Pakistan current situation and participate in analysis and writing, and rest of all authors review and write the manuscript.

Appendix

Table 2: Composition of Exports goods

FY Fiscal Year	Primary Commodities %	Semi Manufactures %	Manufactured Goods %
FY1949	90	10	
FY1950	90	10	
FY1960	82	10	8
FY1970	33	23	44
FY1980	42	15	43
FY1990	20	24	56
FY2000	12	15	73
FY2010	18	10	72
FY2020	19	8	73
FY2021	17	7	77
FY2022	16	7	77

Table 3: Composition of Imports goods

FY Fiscal Year	Capital Goods %	Industrial Raw Materials %	Consumer Goods %
FY1949	15	30	55
FY1950	17	30	53
FY1960	38	33	29
FY1970	46	36	16

FY1980	36	48	16
FY1990	33	48	19
FY2000	26	60	14
FY2010	28	59	13
FY2020	29	53	18
FY2021	28	54	18
FY2022	24	54	21

Source : Pakistan Bureau of Statistics

Table 4: Economic Performance of PTI Pakistan Tehreek Insaf Administration and PDM Pakistan Democratic Movement(Alliance of 13 Political parties).

Economic Indicators	PML(N) and Present PDM Administration	PTI Pakistan Tehreek Insaf Administration
Current Account	Deficit $ 19.2B	Surplus $959M (July-March 2021)
External Debt	Highest Increase $ 11.7B	Lowest Accumulation in 6 years
SBP Reserves	Declined by 40%- $7B	Highest from 2016
Remittances	Stagnant at $ 19.9B in last 3 years	All time high above $27B-$32B from 2018-2022 April
Exports	Record Decline in the history	All-time high above $25.5B
Industry	Deindustrialization	Industrial Production at peak
Agriculture	Decrease as a share of GDP	Increased as share of GDP * Record yield of 6 crops

Source: Ministry of Finance, PBS Pakistan Bureau of Statistics

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