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Economic Crisis in Pakistan and Its Impact on the Country

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Abstract

The prolonged economic crisis in Pakistan consists of four major features: high inflation and mounting external debt and political instability, and structural weaknesses. The study investigates what triggers the economic crisis as well as evaluates its social and economic consequences, together with solutions for long-term economic recovery. The research presents the fundamental elements contributing to the crisis, which consist of budget deficits alongside external disturbances, as well as governance breakdowns and insufficient economic sector variety. This study utilizes comparative assessments of Pakistan's economic position against nations struggling with the same issues to understand effective recovery approaches while reviewing implementation obstacles of new reform strategies. Additionally, the work develops a strategic policy framework that recommends fiscal consolidation, together with institutional structural development and energy system modernization, coupled with economic sector expansion. Research analyzes methods to protect Pakistan from future disasters by developing readiness programs while enhancing financial operations and improving human capital development. The thesis demonstrates that quick stabilization strategies must be carried out, yet sustainable development depends on executing reform plans that tackle economic deficiencies and create diversification across the economy. The study implies Pakistan can regain its economy through a suitable combination of policy strategies to develop a robust economy that generates sustainable growth over time. This research adds to Pakistan's economic development discussions by recommending guidelines to both the policymakers and researchers of the nation.

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Chapter 1: Introduction

1.1 Background and Context

Pakistan has gone through recurring economic crises since its creation, and with each recurring cycle, a deeper problem of Pakistan's economic structure, political governance, and social fabric has revealed itself. Unlike 2008, the 2023 crisis is not another downturn in the business cycle, but a convergence of systemic failures made worse by global events, political instability, and environmental disasters. Long-standing issues such as mismanagement of fiscal resources, political instability, and external economic shocks have combined over the years with the effects of unforeseen global events and external crises to aggravate what had already been a deteriorating economic situation in Pakistan.

2022 was also a very important year for Pakistan, where the country went through an acute economic and political crisis. At the start of the year, Pakistan was on the verge of sovereign default amidst choking foreign exchange reserves and a widening fiscal deficit. Inflation boomed, to the point that the rate it hammered food and essential goods was alarming. Floods in the monsoon season displaced millions more, wrecking further havoc on the nation's fragile economy, already floundering amid the global economic downturn. Pakistan's economy has no resilience when it faces such calamities, as seen earlier (Saif Ur Rahman & Qasim Jan, 2023). The floods alone devastated more than 33 million people and set back development goals by years.

Economic struggles were not the only things to continue to dominate the country's narrative; political instability was, as it has been for the past few years. In 2022, a no-confidence vote prompting the dismissal of former Prime Minister Imran Khan ushered in a political upheaval as a reflection of the culpability of Pakistan's democratic institutions. Coinciding with the deepening economic troubles of the country, so too did this political turmoil show that the political and the economic were entwined and depended equally upon each other to flourish. Gripped with concerns related to Pakistan's national security, the year ended with the return of the Taliban to power in Afghanistan's neighboring state, adding to existing regional frictions, and creating a more complicated geopolitical picture (Agarwal, 2023).

The root of Pakistan's economic crisis is its very high debt burden. Since 1958, over 23 bailouts from the International Monetary Fund (IMF) have been relied on by the country to pay its debts. The dependence on external financing and, consequently, structural inefficiencies in the country's fiscal management have given birth to a vicious circle of indebtedness. Specifically, Pakistan's debt has skyrocketed between the years 2018 to 2022, owed to access to loans from China under the China-Pakistan Economic Corridor (CPEC). Initially, this was a hoped-for way of driving growth, but it has now become an intolerably onerous burden on Pakistan's fiscal capacity, as it has little foreign exchange reserves to service its loans (Sial, Jafri, & Khan, 2023).

In any case, the global economic environment has been less than favorable for Pakistan. The global fallout of the COVID-19 pandemic continues to reverberate effects on global supply chains and commodity prices, complicating Pakistan's economic recovery. The war in Ukraine further compounded the energy crisis around the globe, and fuel prices were pushed beyond the reach of many around the world, including Pakistan, and the rates of inflation soared. Notwithstanding the external shocks, which, exacerbated by several other factors such as the fluctuation in oil price and the disruption in global trade, have further distorted the economic outlook of Pakistan, the already vulnerable financial position of Pakistan has been adversely affected (Agarwal, 2023).

Today, Pakistan's financial system is underdeveloped, the inflation rate is at an exceptionally elevated level, which in turn limits savings and economic growth. Inflation studies reveal that it directly cuts through savings and, across the board, diminishes the pace of investment in vital sectors. In addition, the rising interest rates to respond to inflationary pressures discourage investment and hamper the development of small and medium enterprises, which are integral to economic recovery. In addition, inflation has left a significant impact on financial development in Pakistan, where no financial markets can absorb the excess capital that would otherwise lead to growth (Ijaz, Awan, and Shah, 2023).

To summarize, Pakistan's economic crisis is multifaceted as it is a combination of its historical political instability, financial mismanagement, reliance on foreign loans, and exposure to external shocks, including the COVID-19 pandemic and the global energy crisis. To meet these challenges, Pakistan needs to implement broad-based economic reforms, including financial sector development, increasing domestic savings, improving governance, and diversifying its foreign relations. Pakistan can hope to fall back on the best policy intervention and strategic partnership

to be able to overcome the impact of the economic crisis and set the foundation for future and sustainable development.

1.2 Statement of the Problem

The decades of political conflict in Pakistan have led to substantial problems that encompass public difficulties and economic challenges, combined with environmental issues. The nation experiences continuous economic emergencies due to political leadership failures, corruption, and unexpected economic events, which obstruct development and increase poverty. The survival efforts appear as periodic events that stem from critical global system defects between political governance and economic management.

Pakistan faces various forms of economic crisis which derive from domestic and foreign components. The Pakistan economy faces exceptional struggles due to various fundamental systemic problems which enable constant market volatility. Geopolitical developments in the area and climate change activities have escalated the existing challenges facing Pakistan. Pakistan requires a complete reform initiative to resolve these issues by implementing deep political and economic operational changes which can secure sustainable growth and lasting investments and protect agriculture from climate effects.

1.3 Research Hypotheses

Hypothesis 1: Impact of Political Instability on Economic Performance

H₀₁: Political instability has no significant effects on Pakistan's economic indicators such as foreign investment, unemployment rates, and inflation levels.

H₁₁: Political instability has negative effects on Pakistan's economic performance through its impact on inflation rates, unemployment levels, and foreign investment patterns.

Hypothesis 2: The Impact of External Debt on Pakistan's Economic Status

H₀₂: The reliance on external debt and foreign loans does not have a substantial impact on Pakistan's economic development or vulnerabilities.

H₁₂: External debt and foreign loans dramatically intensify Pakistan's economic susceptibility while blocking its path to sustainable development.

Hypothesis 3: The efficiency of economic and political changes

H₀₃: The implementation of political and economic reforms does not significantly achieve either economic stabilization or lower the risk of new financial crises facing Pakistan.

H₁₃: Political and economic reforms significantly stabilize Pakistan's economic systems and lower the risks of future national economic crises.

1.4 Research Objectives

1. **Analyze the causes of Pakistan's ongoing economic crisis**, focusing on the interplay between political instability, governance issues, and external economic shocks.
2. **Examine the impact of political instability** on key economic indicators such as inflation, unemployment, foreign investment, and fiscal deficits in Pakistan.
3. **Assess the role of external debt and foreign loans** in exacerbating Pakistan's economic challenges, particularly regarding the country's dependence on international financial institutions.
4. **Propose policy recommendations** for stabilizing Pakistan's economy, emphasizing the need for political reforms, economic diversification, and strategies to reduce the country's debt burden.

1.5 Scope and Limitations

The instructional approach provides a thorough investigation into Pakistan's economic crisis by examining its political, economic, and social effects. The research examines multiple dimensions of the crisis by studying how unstable politics and government failures, together with foreign economic conditions, have exacerbated Pakistan's economic suffering. The work spans 2020–2023, a turbulent period that saw considerable political disruption, the global pandemic of COVID-19, and the catastrophic 2022 floods. The purpose of this research is to analyze these events and

assess their effects on some of the most important economic issues like inflation, unemployment, Foreign exchange reserve, and Economic growth. Moreover, the study discusses some of the geopolitical influences like Pakistan's relations with other countries in the neighborhood, as well as Pakistan's dependency on foreign loans, most significantly the IMF, and China (Agarwal, 2023; Khan et al., 2023).

The major limitations of the current study are due to the availability of data and the dynamic environment of the Pakistani economy. The political landscape is very dynamic, and economic indicators are revised, such as GDP growth, inflation rates, and unemployment figures. Because of that, the publication of the data might be made at a time when some data has become outdated, thus making a projection for the long term less accurate. In addition, though this research gives a thorough assessment of internal demands of Pakistan, it does not thoroughly elaborate on the whole nearby countries, for example, how Pakistan plays out as a security asset in South Asian security conditions, which in any case impacts its economic perspectives (Zamaraeva, 2023).

Finally, this study presents a wide-ranging analysis of the economic crisis in Pakistan, however, there are some limitations related to the scope, availability of the data, and exclusion of some of the factors, which could result in a more comprehensive understanding of the crisis. Still, the findings of this research will help enrich policy discourse on economic stability, governance, and policy reforms in Pakistan and suggest ways to ameliorate the consequences of the crisis and reinvigorate long-term economic recovery.

1.6 Significance of the Study

The economic crisis in Pakistan is the single biggest challenge the country has had to face in recent years and has far-reaching implications for the country's political stability, social wellbeing, and long-term development prospects. Accordingly, this study is of immense importance due to many reasons, concerning the interrelationship of political instability, economic policy, and progress of Pakistan. The study examines debt accumulation, inflation, political dysfunction, and environmental shocks as multi-faceted dimensions of the crisis and provides insights critical for policymakers and international observers alike to identify how future crises can be mitigated and sustainable development achieved.

Lastly, the study serves as a complete paradigm for economic crisis in Pakistan, into which factors are incorporated in detail to overcome the crisis in Pakistan and to get some actionable insights from these factors. This research provides a foundation for future work on economic resilience and policy reform in Pakistan and for the broader lines of development economics and international political economy.

Chapter 2: Literature review

2.1 Conceptualizing Economic Crisis

Economic crises are times of great disturbance to the functions of national or global economies, usually involving a sharp reduction in economic activity, large unemployment, high inflation, and the failure of financial institutions. Theories about economic crises are different and varied, with the main ones being the classical, Keynes, Marxist and post Keynesian, each with varied reasons for how and why the crisis occurred and what are the consequences.

According to the classical theory, markets are self-correcting, and crises are caused mostly by external shocks or policy errors. Classical economists such as Adam Smith believed that the forces of the market would return economies to equilibrium. However, such a view has become strongly criticized in the long recession, particularly those engendered by the inefficiencies of financial markets and speculative bubbles. However, Keynesian theory attributes economic growth to aggregate demand. Keynes (1936) contends that economic crises are caused by insufficient investment and consumer spending, so a decrease in aggregate demand leads to unemployment, underutilized productive capacity, underproduction, and recession. Through fiscal and monetary policies, the government is to intervene to stabilize the economy.

From a Marxist perspective, economic crises are explained structurally, as being inherent to capitalist systems due to inherent contradictions between the forces of production and the relations of production. For Marx (1867), capitalism gives rise to crises from the very beginning: i.e., by the concentration of capital, overproduction, and exploitation of the working class. According to Marxist economics, every economic downturn is a moment when the contradictions of capitalism reveal themselves to the extent that they can no longer be camouflaged; it is a moment where capitalism's unsustainable nature comes to be known.

Analyzing economic crises in Pakistan is a combination of different theoretical frameworks where scholars focus on external shocks and lack of domestic management such as geopolitical conflict, climate change, and global market disruption. One example of this is that Pakistan's high dependence on the external debt and foreign aid makes it very sensitive towards external crisis like COVID 19 pandemic – adding to its vulnerability (Agarwal, 2023).

2.2 Structuralist Approaches

The structuralist approach to economic crises underscores the presence of inherent inequalities in economic structures, and its arguments underscore that the economic crises are mere symptoms of larger structural weaknesses. There is a heavy dependence on the observations of economists such as Raúl Prebisch and Andre Gunder Frank, who contend that the international economic exchange augments the disparities between the developed and the developing nations. Structuralist theorists argue that Pakistan, as an underdeveloped country, has systemic problems that arise from its dependence on exports of raw materials and agricultural products, and the developed nations control the international financial system and high-value manufacturing (Prebisch, 1950).

Structuralist approaches to Pakistan's case relate that the economy is reliant on a few well-known sectors, the agriculture and textiles sectors, which can be affected by domestic and international economic shocks. The country depends on imports for energy and high-tech manufacturing, and therefore, it cannot innovate and diversify its economy (Janjua, Answer, & Saber, 2023). Also, the concentration of political and economic power among a small elite worsens the level of wealth inequality and stifles a wide socioeconomic rationale for broad-based economic reforms, which, in turn, perpetuate a cycle of underdevelopment and economic crises (Sial, Jafri, & Khaliq, 2023).

Foreign capital and debt also illustrate how developing economies are conditioned to follow the economic destinies of developing countries, says the structuralist view. The long history of dependence on foreign loans and foreign direct investment (FDI) in Pakistan, though meant to support development, has instead contributed to a paradox in which development has been burdened with increased debt, with the result that Pakistan has not been able to break free from long term financial dependence (Mirza et al., 2023). Structuralist theories, in which external debt is, before all, a major concern for economic stability, are either threatening austerity measures, which aggravate economic suffering and entropy, or are also increasing inequality.

2.3 Financialization and Globalization

Understanding of economic crises in developing economies like Pakistan from contemporary theories of financialization and globalization. Financialization means that financial motives,

financial institutions and financial markets are increasingly taking over the economy. It points out that in the current era, economies are more dependent on financial investments and speculation than on the actual production of goods and services. This shift has been the most acute in Pakistan, where the expansion of the financial sector has helped to build up debt and shake the foundations of the economy (Hanif, 2023).

The negative effects of financialization for developing economies are the privatization of public resources, the increase of income inequality, and the displacement of productive investments for long-term human development by short-term speculative investments. However, we can see this in Pakistan too, where external debt is rising because of foreign investment in infrastructure and energy projects under the China-Pakistan Economic Corridor initiative (CPEC) (Zamaraeva, 2023). CPEC is intended to deliver long-term benefits, but its accelerated pace will heighten Pakistan's debt burden, leaving it more susceptible to external shocks, for instance, movements in global commodity prices or financial market instability.

While globalization has accelerated Pakistan's connection to the world economy, it has also made Pakistan more susceptible to the risks from international trade, foreign capital flow, and global financial crises. As Pakistan exports increasingly, its economy is exposed to more of the rise and fall of international markets: the 2008 fiscal crisis, the 2015 oil price fall, or the trade tensions between the U.S. and China. Developing nations have been disadvantaged in the global financial architecture, which favors the interests of developed countries, constraining their policy space and economic sovereignty (Sial, Jafri, & Khaliq, 2023). Economic crises in one part of the world now have cascading effects on other developing economies, like Pakistan, where the country is increasingly finding it harder to determine its economic future.

2.4 Political Economy

Political economy of economic crises focuses on the nexus of economic processes with politics, politics as structuration, as well as political ideologies and power relations. Even the most severe economic crises are held up in economic theory as the result of market failures, economic mismanagement, or other things not influenced by the political environment. Political instability

and poor governance have been important contributing factors in the deepening of economic crises in Pakistan.

Pakistan's complex political history (rulership under military rule, weak democratic institutions, political elites ruling the roost) shapes the political economy of its economic crisis. In a politically unstable situation, each new government has pursued its own, usually different economic agenda, often reverting to its predecessor's policies. The result is that the country's capacity to fashion a coherent and long-term strategy that will sustainably underpin economic strategies is undermined, and the implementation of necessary reforms becomes problematic (Mirza, Hussain, & Kumar, 2023). Moreover, the absence of political cohesion in Pakistan has resulted in an atmosphere of uncertainty in which economic policies are unpredictable and to be changed abruptly, thereby causing uncertainty in the financial as well as business sectors.

On the contrary, Pakistan's strategic partnership with China under the CPEC initiative brings a new dimension to its political economy. CPEC heralds a promise of massive infrastructure development and growth in economic growth, but it has also raised concerns over the mounting debt burden on Pakistan and its geopolitical alignment with China. However, this shift towards China as an economic partner indicates a global trend that developing countries look for alternatives to Western financial institutions and aid (Bhatti & Shahrukh, 2023). But this geopolitical realignment also poses new risks for Pakistan, mostly in case the political system in China or its relations with the U.S. changes during a surprise.

It is thus essential to understand the political economy of economic crisis in Pakistan, to trace its origins and suggest useful solutions. It is an unstable political economy, high external debt on the one hand and dependence on external financial institutions on the other have made the economy so one needs comprehensive reforms and important policy changes.

2.5 Evolution of Economic Policies

This dissertation has analyzed the evolution of development policies, strategies, and the role of external factors that shape Pakistan's economic development since its independence from the British empire in 1947. When the country was new, agrarian development was the focus; the

country passed land reforms, and there was huge investment in irrigation infrastructure. Industrialization strategies for diversification of the economy and reduction of dependence on agriculture were formulated in the 1950s. Pakistan's early day moves in economic moves were adoption of a mixed economy model characterized by a considerable role for state-owned enterprises (Khan & Hussain, 2023).

At first, in the 1960s, Pakistan implemented an import substitution model of industrialization through encouraging local industries via reducing imports. Economic progress during this period was buoyant, but it also sowed the seeds for economic inequalities, as urban areas received more than rural areas. Foreign aid and loans helped to fuel rapid growth of industrial projects, empowering the government's concentration on large scale industrial projects. However, these strategies were not sustainable, and thus they resulted in the financial instability of the following decades (Hussain et al., 2023).

Doves, hawks and fluctuating policies between the military and democratic rules in an ebb and flow fashion characterized the 1990s and early 2000s. A considerable part of likely growth was used to pursue economic liberalization (trade liberalization, privatization, etc.), which resulted in increasing dependence on both external aid and loans, whipping the country on dependency on external shocks. During this period, the economic strategy was not sustainable overall as political instability resulted in inconsistent policy application and bad governance (Sial, Jafri and Khaliq, 2023).

Globalization in the 2000s shifted Pakistan's economy through the global integration of financial markets and trade. Following the Pakistan People's Party (PPP) in 2008 and the Pakistan Muslim League (Nawaz) in 2013, the government instead pursued a series of reforms designed to attract foreign direct investment (FDI), especially through the large-scale China-Pakistan Economic Corridor (CPEC) project. However, economic growth was uneven, and the economy was still significantly impacted by political instability and external factors, including rising oil prices and the global fiscal crisis (Zamaraeva, 2023).

2.6 Impact of Historical Events

Major events have occurred repeatedly in Pakistan's economic history that have left their handprint on the country's economic trajectory. Prominent among these events are the partition of British India in 1947, the wars with India in 1948, 1965, and 1971, and the advent of military rule and political instability. The post-1947 partition saw large displacement, economic dislocation, and loss of economic resources, which severely constrained Pakistan's early economic development.

The country's economy had been further strained by the Indo-Pakistani wars of 1965 and 1971. Military expenditures in the 1965 war were heavy, causing the resources to move away from development and resulting in the economy being unstable. After suffering both economic and political setbacks that persisted in the wake of a 1971 war during which Pakistan's eastern wing (now Bangladesh) seceded. Prefaced by poverty, underdevelopment, and regional disparities, on top of which came the crushing effects of the 1971 crisis, the situation further worsened in East Pakistan. The western region became landlocked, cutting it off from the economic assets of the hinterland: economic, social, and cultural; valuable economic assets such as agricultural land and industries; some of the best educational institutions; and high potential private investments were all lost as a result of the loss of the eastern region (Sial, Jafri, & Khaliq, 2023).

The 2005 earthquake which hit large parts of Pakistan causing massive infrastructural damage, was another key event in Pakistan's economic history. The earthquake had a severe economic impact and consequently increased the public spending on the disaster relief and reconstruction. International aid provided temporary relief, but the long-term economic recovery was slow, which only served to exacerbate the country's fiscal problems. The natural disaster showed Pakistan's susceptibility to disasters and underscored the requirement for economic plans that build resilience (Mirza, Hussain, & Kumar, 2023).

Chapter 3: Methodology

This part describes the research methodology for understanding both the economic crisis in Pakistan, together with its broad set of effects on the nation. The description covers how the research design operates through its data collection methods and how researchers analyze the data they use to achieve their study objectives. The selected research approach enabled an objective assessment of fundamental factors, together with the operative forces and wide-reaching effects that support Pakistan's ongoing economic crisis.

3.1 Research Design

The research implements a qualitative investigation design that follows both descriptive and analytical frameworks. The intricate nature of Pakistan's economic crisis requires qualitative methods for thorough investigation of political, economic as well and social factors and their mutual relationships. This design is appropriate for analyzing the underlying structures, historical trajectories, and policy failures that quantitative models might oversimplify. The research also includes elements of case study methodology, using Pakistan as a single, in-depth case to investigate the broader phenomenon of economic crises in developing countries.

3.2 Data Collection Methods

The data for this study were collected through secondary sources. Due to the scope and nature of the thesis, the research primarily relies on a desk-based review of existing literature, including academic journal articles, government publications, international organization reports (e.g., IMF, World Bank, UNDP), and policy briefs. News media, opinion pieces, and publications by think tanks were used selectively, particularly for contextualizing political developments and real-time economic indicators.

Key sources include:

- International Monetary Fund (IMF) reports on Pakistan's economic performance and bailout programs.

- World Bank economic outlook documents and poverty assessment reports.
- State Bank of Pakistan (SBP) statistical bulletins.
- United Nations Development Programme (UNDP) and Asian Development Bank (ADB) assessments.
- Scholarly articles published in peer-reviewed journals provide theoretical and empirical insights.
- Government of Pakistan publications, such as budget statements and economic surveys.

These sources offer both macroeconomic data (e.g., inflation rates, debt levels, GDP growth) and qualitative assessments of institutional and governance challenges. This triangulation of data ensures a robust understanding of the crisis from multiple perspectives.

3.3 Analytical Framework

The data collected were analyzed using a thematic analysis method. This approach allowed for the identification of key themes such as structural weaknesses, fiscal imbalances, external debt dependency, governance challenges, and the socio-economic impacts of the crisis. The analysis involved coding the data into these thematic areas and interpreting patterns, causal links, and implications within and across the categories.

To contextualize the findings, the study employed relevant theoretical frameworks discussed in the literature review. These approaches to development, the political economy of economic crises, and globalization and financialization theories. These frameworks were used to interpret the evidence and assess how Pakistan's experience aligns with or diverges from broader patterns observed in other developing economies.

3.4 Period of Study and Case Focus

The temporal focus of the study is the period from 2020 to 2023. This timeframe was chosen because it encapsulates key moments in the current crisis: the lingering effects of the COVID-19 pandemic, the political instability associated with changes in government leadership, and the

catastrophic floods of 2022, which devastated infrastructure, agriculture, and livelihoods. The study focuses exclusively on Pakistan but draws comparative references to other crisis-hit economies such as Greece and Argentina to highlight similarities and differences in causes, responses, and outcomes.

3.5 Limitations of the Methodology

While the qualitative and secondary data-based approach provides a broad and deep understanding of the issues, it is not without limitations. First, the reliance on secondary data means the research is subject to the accuracy and timeliness of existing sources. Some data, particularly that from government sources, may be outdated, incomplete, or influenced by political agendas. Moreover, due to the dynamic nature of Pakistan's economy, economic indicators and forecasts can change rapidly, reducing the predictability of long-term conclusions.

Second, the lack of primary data, such as interviews or surveys limits the study's ability to capture public sentiment, business confidence, or household-level impacts of the crisis. Incorporating such data would have enriched the findings but was constrained by time and resource limitations. Future research could build on this study by incorporating fieldwork or primary research methods.

The research team tried to connect with many credible sources yet some important current geopolitical changes together with real-time policy shifts remained beyond the thesis reach. Such time-sensitive developments like currency fluctuations and global oil price changes and diplomatic agreements tend to move too quickly for inclusion.

3.6 Ethical Considerations

The entire research base consists of publicly available data along with ethically obtained secondary data only. The research uses proper citations for every source to preserve academic honesty. The research encompassed no examination of human participants which exempted it from needing ethical review board oversight. Ethical protocols were applied when working with data through comprehensive assessment of information sources as well as the identification of potential biases.

The selected research methodology allows for an extensive evaluation that places the Pakistani economic crisis within its proper contextual framework. The study establishes a detailed comprehension of both crisis origins and effects while focusing on viable solutions for recovery through the integration of theoretical bases and trusted data resources.

Chapter 4: Result

4.1 Structural Weaknesses in the Economy

Having structural weaknesses, Pakistan's economy has been under what has long been construed as a development burden, stunting its growth prospects. Pakistan also faces another structural challenge of a large informal economy, which reduces the tax base and effectiveness of government policies. An estimated 35% of Pakistan's GDP comes from the informal sector, where an outsized number of workers do not work under formal labor rules and tax systems.

Table 1: Key Economic Indicators Reflecting Structural Weaknesses in Pakistan (Ali et al., 2024)

Indicator	Value (2023)
Inflation Rate (%)	29.18
Unemployment Rate (%)	5.70
FDI Inflows (% of GDP)	0.40
External Debt (% of GDP)	90.00

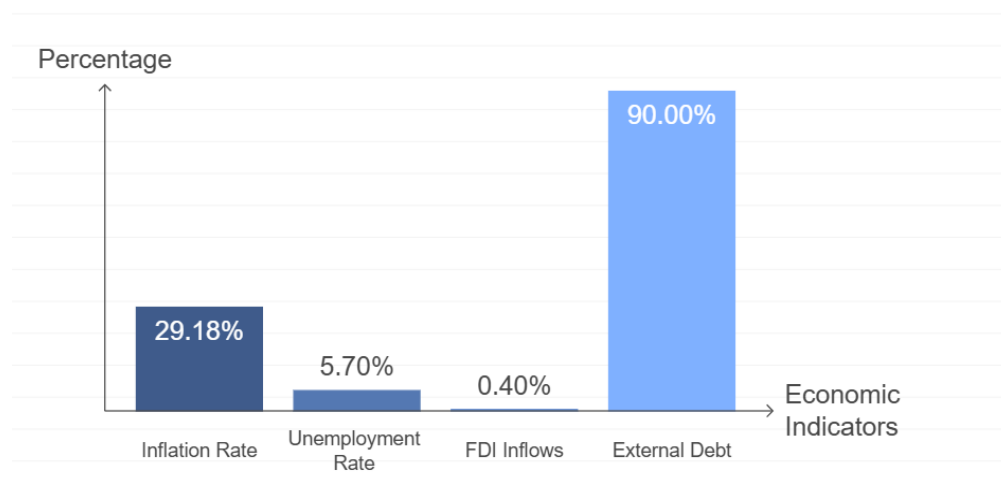


Figure 1: Key Economic Indicators Reflecting Structural Weaknesses in Pakistan (Ali et al., 2024)

Key indicators summarizing the structural challenges in the economy are listed in this table. Deep structural inefficiencies are expressed in high inflation and unemployment, and low foreign direct investment (FDI).

4.2 Fiscal Imbalances and Budgetary Constraints

For decades, Pakistan has had persistent fiscal imbalances that have only added to the country's economic crisis. Chronic budget deficits stem from the fact that the government cannot generate enough money. Pakistan's tax-to-GDP ratio is one of the lowest in the world, at around 10% (Srinivas, 2020), yet well below the South Asian average. Compounding this lack of revenue is high public sector expenditure, especially on debt servicing and defense.

Table 2: Fiscal Indicators for Pakistan (Matloob, 2023)

Indicator	Value (2023)
Tax-to-GDP Ratio (%)	10
Fiscal Deficit (% of GDP)	N/A
Public Debt (% of GDP)	90

The Public debt has increased to an unsustainable ratio to GDP due to the government's dependence on external borrowing to cover its fiscal deficit. Pakistan had an external debt of 90% of GDP, and continued fiscal pressures limit its ability to invest in infrastructure, education, or healthcare, as of 2023. Furthermore, most government revenue goes towards debt servicing; therefore, with limited money earmarked for investment. According to Hasan (1999), for example, interest payments alone accounted for over 45 percent of government revenues in 2023, also narrowing the fiscal space.

4.3 External Debt Burden and Debt Sustainability

Pakistan's economic crisis has raised external debt to center stage, threatening fiscal stability and growth prospects. After a large current account deficit, Pakistan has relied on external borrowing to meet its financing requirements. External debt was as high as 90 percent of GDP in 2023, a hefty number that signals real problems for debt sustainability in the country.

Table 3: External Debt as a Percentage of GDP (Ale et al., 2023)

Indicator	Value (2023)
External Debt (% of GDP)	90.00
Debt Servicing (% of Revenue)	45.00

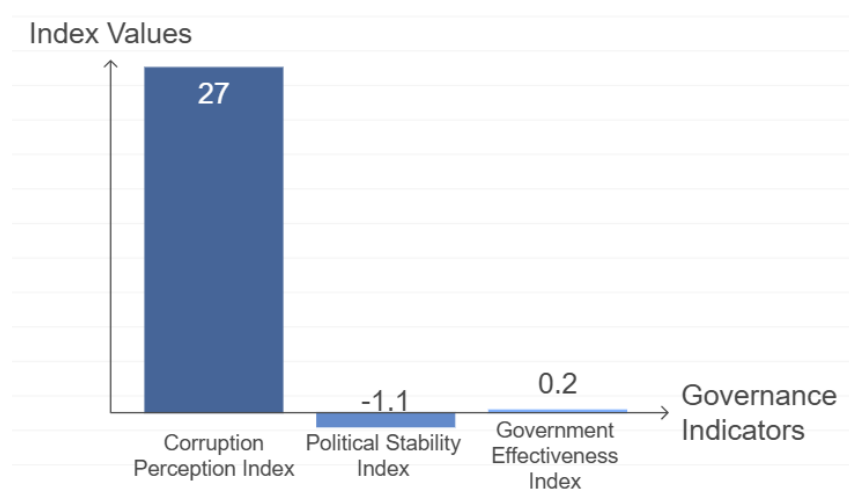
Apart from domestic borrowing, Pakistan has also been prone to the risks originating from the global economic volatility through external borrowing. Global interest rates, forex changes, and the increase in commodity costs can make it difficult for Pakistan to adequately repay its external debt. Zaman (2001).

4.4 Governance Issues and Political Instability

Pakistan's economic crisis has been centrally due to political instability and poor governance. Owing to institutional weaknesses, with frequent changes of government and widespread corruption, the country has failed to consistently implement effective economic policies, which have resulted in minimal growth. These have led to a lack of long-term planning and continuity in policy with which drives economic development.

Table 4: Governance and Political Indicators for Pakistan (Mai et al., 2023)

Indicator	Value (2023)
Corruption Perception Index (CPI)	27/100
Political Stability (Index)	-1.1 (low)
Government Effectiveness (Index)	0.2 (low)

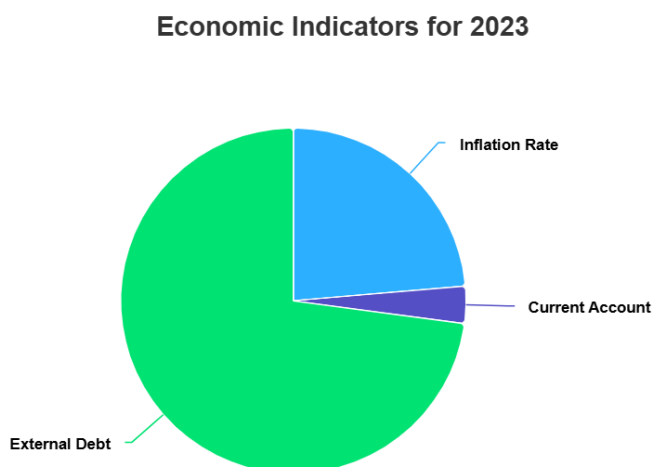
**Figure 2: Governance and Political Indicators for Pakistan (Mai et al., 2023)**

4.5 Global Economic Dynamics and External Shocks

Pakistan is vulnerable to the dynamics of global economics and external shocks. Crises have had a heavy impact on the country's performance in terms of the economy, and this has been closely tied to fluctuations in global commodity prices, changes in trade dynamics, and geopolitical tension. For instance, the recent 2022 global rise in oil prices and the occurrence of the war in Ukraine escalated parliamentary pressure on Pakistan's balance of payments and rates of inflation.

Table 5: Impact of External Shocks on Key Economic Indicators (Rashid et al., 2023)

Indicator	Value (2023)
Inflation Rate (%)	29.18
Current Account Deficit (% of GDP)	4.3
External Debt (% of GDP)	90.00

**Figure 3: Impact of External Shocks on Key Economic Indicators (Rashid et al., 2023)**

A bout of rising global commodity prices, the fallout from Covid-19, and the protests in the region have only made the Pakistani economic outlook gloomier. The nation faces risks since it depends on international market price changes for essential commodities, including oil and gas (Srinivas, 2020). The disruptions to global supply chains and the related price surges have further accelerated inflation, thus driving the cost of living to unfavorable levels.

4.6 Socio-Economic Impacts: Poverty, Inequality, and Social Disparities

On the one hand, there has been the deepening of poverty levels, increase of inequality and widening of the social disparities, all of which has aggravated the socio-economic fabric of the

country. The compounded effect of inflation, unemployment and the 2022 floods are also expected to push the country into higher poverty rates by 2.5 per cent to 4 per cent, according to World Bank (2024). In 2024, inflation soared to 38%, wiping out most of the population's purchasing power, sending millions more into poverty (UNDP, 2024).

Table 1: Key Socio-Economic Indicators (Atif et al., 2024)

Indicator	Value (2024)
Poverty Rate (%)	38% (projected)
Multidimensional Poverty (rural)	55%
Inflation Rate (%)	38%
Unemployment Rate (%)	10% (projected)
Income Inequality (Gini Index)	0.36

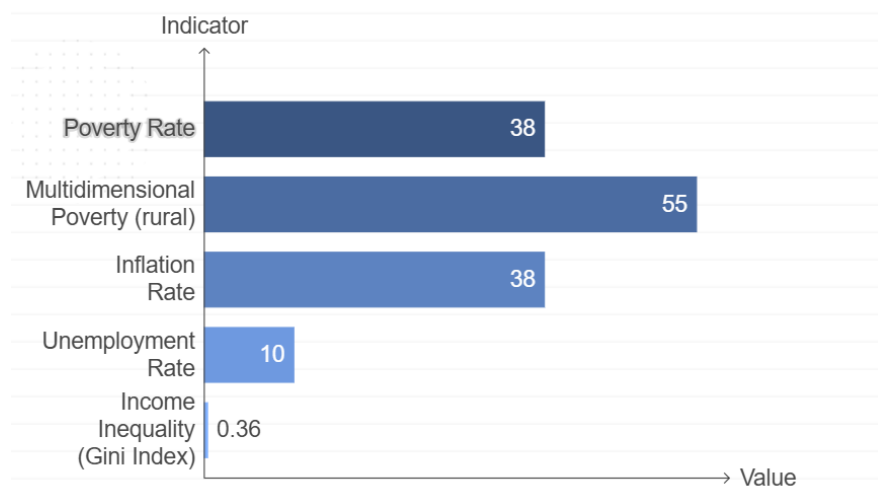


Figure 4: Key Socio-Economic Indicators (Atif et al., 2024)

Indicators in this case depict the segregation of inequalities in Pakistan due to the economic crisis. Unprecedented rises in unemployment, especially among youth and women, and persistent inflation have resulted in growing differences in income distribution. In addition, the crisis is pushing people to various 'survival' jobs, including child labor, as families find it difficult to meet the costs of living.

4.7 Sectoral Impacts: Agriculture, Industry, and Services

The economic crisis has had a profound impact on Pakistan's key sectors: agriculture, industry, and services. Agriculture faces extensive problems due to climate fluctuations, productivity levels and inadequate infrastructure that affects the majority of the population who work in agricultural sector. Extensive areas of agricultural territory experienced flooding during 2022 along with ongoing difficulties for recovery in 2024. The rising prices of seeds and fertilizers during the inflation period diminished the productivity of agricultural land operations.

The industrial sector has experienced major economic losses since it transitioned into operation. The high costs of fuel and electricity have caused manufacturing plants to either shut their production facilities entirely or operate at reduced capacity in 2024 as inflation continues to surge.

Table 2: Sectoral Contribution to GDP (Bai & Raza, 2024)

Sector	Contribution to GDP (%)
Agriculture	19%
Industry	24%
Services	57%
Unemployment (Youth)	10%

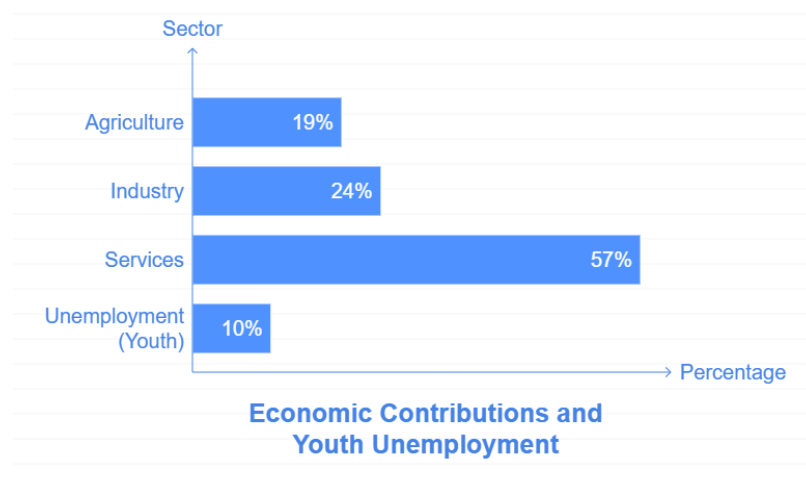


Figure 5: Sectoral Contribution to GDP (Bai & Raza, 2024)

The service sector accounts for the largest part of GDP production, but economic downturn slows its growth momentum. The agriculture sector, manufacturing, and rural sustainability face decreasing success, which leads to greater poverty rates and increased unemployment levels.

4.8 Institutional Impacts: Governance, Public Sector, and Institutions

The present economic crisis in Pakistan exposes extensive institutional shortcomings and governance defects across the nation. Poverty-stricken economic response and political turmoil exist in Pakistan due to rampant corruption and administrative shortcomings. The government institutions of Pakistan have proven to be excessively slow in implementing essential reforms as fiscal pressures mount. The economic situation worsened further when democracy faced delays in elections and disputes among political elites.

The IMF-implemented bailout strategies produce temporary enhancements, public spending reductions and subsidy cuts under austerity programs. Workers in the public sector have faced salary reductions and diminished benefits due to the general population now directs its anger exclusively at them. Also, the erosion of the rule of law, the growth of corruption, and its devastating impact on investor confidence, as well as a consequent fall in foreign direct investment (FDI), are all manifestations of the same syndrome.

Table 3: Governance Indicators (Shah et al., 2023)

Indicator	Value (2024)
Corruption Perception Index (CPI)	27/100
Government Effectiveness Index	0.2 (low)
Political Stability Index	-1.1 (low)
Rule of Law Index	0.15

This limits the recovery from institutional weaknesses and political instability as these governance indicators show. But together, the lack of an effective governance that has hindered the execution of long run economic policies and the persisting corruption has deepened the public's lack of trust in government.

4.9 Regional and Global Implications: Geopolitical Dynamics and International Relations

The Pakistani economic crisis is at a regional and global scale. Relations with neighboring countries, Afghanistan and India, have been strained by the country's economic troubles. With terrorist activity climbing in provinces like Balochistan and Khyber Pakhtunkhwa, prolonged political instability plays with security in the region. Such areas, which are hard pressed economically, suffer from the extra complication of security concerns, which retard development further.

However, increased reliance on international financial institutions such as the IMF has meant that, globally, Pakistan's debt dependence has deepened, making the country more susceptible to pressures from the global economic system. The global economic slowdown and the rising oil prices have also worked against Pakistan, limiting its ability to attract foreign investment and stabilize its currency.

Table 4: External Debt and Foreign Reserves (Fatemah & ul, 2024)

Indicator	Value (2024)
External Debt (% of GDP)	90.00
Foreign Exchange Reserves (\$ Billion)	8.02
Debt Servicing (\$ Billion)	24.00

Pakistan's economic vulnerability is increasingly expressed through rising external debt and shrinking foreign exchange reserves. Urgent reform and stabilization are needed to prevent a debt default and to reduce the broader geopolitical repercussions of the economic crisis. Furthermore, Pakistan's precarious position with the US and China has also affected its economic policies and access to international financial resources.

4.10 Short-Term Stabilization Measures: Monetary and Fiscal Policies

Pakistan's economic crisis, characterized by high fiscal deficit, inflation and mounting debt, requires stabilization at the earliest. These macroeconomic imbalances are in the first place managed by means of monetary and fiscal policies in the short term (Srinivas,2020).

Table 1: Key Short-Term Policy Measures (Mazhar & Malik, 2024)

Indicator	Measure	Impact
Inflation Rate (%)	Tightening monetary policy, increasing interest rates	Control inflation, stabilize currency
Fiscal Deficit (% of GDP)	Reduction in public spending, increased taxes	Reduce deficit, improve fiscal balance
External Debt (% of GDP)	Devaluation of the Rupee, reduction of non-productive expenditures	Lower debt servicing costs
Foreign Exchange Reserves (\$ Billion)	IMF loan disbursements, tighter fiscal controls	Increase reserves, stabilize balance of payments

These steps are designed to bring the economy on a path to fiscal responsibility and stabilization to reduce Pakistan's vulnerability to external shocks.

4.11 Medium to Long-Term Structural Reforms: Institutional Reengineering and Governance Reforms

Institutional reforms of a deep nature are necessary for sustainable economic growth in Pakistan. They must reform governance issues, improve institutional efficiency, and reduce corruption. Sherani (2008) illustrates that the medium to long term structural and governance reforms need to be prioritized in Pakistan's economic policy framework. Such a strategy needs to be part of a broader institutional reengineering, which includes modernizing public institutions, reinforcing accountability, and turning state owned enterprises (SOEs) into effective organizations. Corruption

in judicial and law enforcement processes are equally important to address since they hamper economic management due to inabilities in these sectors.

Table 2: Key Structural Reform Areas (Chohan, 2024)

Reform Area	Proposed Measures	Expected Outcome
Public Administration	Decentralization of powers, autonomy for public agencies	Improved governance, reduced corruption
Tax Reforms	Broadening the tax base, improved tax collection systems	Enhanced revenue generation
State-Owned Enterprises (SOEs)	Privatization or restructuring, performance-based management	Increased efficiency and reduced fiscal burden
Corruption and Accountability	Strengthened anti-corruption institutions, improved legal framework	Enhanced public trust, reduced financial leakages

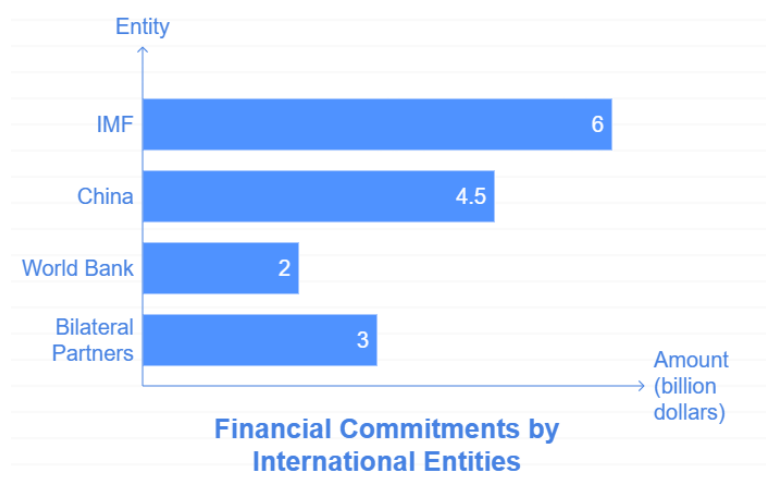
These structural reforms are vital to building up a resilient economic system for supporting development and long-term growth.

4.12 International Assistance and Collaboration: Bilateral and Multilateral Partnerships

With fiscal pressures growing and external debt rising, Pakistan has grown increasingly dependent on international assistance, principal from bilateral and multilateral sources. Pakistan's financial aid packages have significantly contributed by the IMF along with the World Bank and China. Take, for instance, the \$6 billion \$IMF Extended Fund Facility (EFF) designed to stabilize the economy and close the fiscal deficit — an important lifeline for the country. Pakistan receives this financial support on the condition that it adheres to fiscal and structural reforms (Sial, Jafri, & Khaliq, 2023).

Table 3: International Assistance Sources (Zaidi et al., 2024)

Source	Amount	Purpose
IMF	\$6 billion (EFF program)	Stabilization, fiscal reforms
China	\$4.5 billion (CPEC funding)	Infrastructure development, energy projects
World Bank	\$2 billion	Poverty alleviation, education, and health sectors
Bilateral Partners (U.S., Saudi Arabia)	\$3 billion (loan and aid packages)	Debt servicing, humanitarian aid, and infrastructure

**Figure 6: International Assistance Sources (Zaidi et al., 2024)**

4.13 Role of Public and Private Sectors: Public-Private Partnerships and Economic Diversification

The private sector should contribute to achieving sustainable economic growth. In the energy, transport, and healthcare sectors, infrastructure needs cannot be addressed without the support of

private-public partnerships (PPPs). Much earlier, Ahmad (1998) found that PPPs can allow private sector capital and expertise to be mobilized such that the fiscal burden on the government is reduced while delivery service is improved.

Moreover, Pakistan should move its economy out of traditional sectors (agriculture, textiles) and into new sectors (technology, services, manufacturing). This diversification strategy will enable Pakistan to reduce its exposure to the sectors that are vulnerable, and the country much less dependent on the external economic shocks. In addition, there is a need to incentivize the private sector to invest in high ticket items such as information technology, renewable energy and innovation driven industries.

Table 4: Public-Private Partnership Projects (Samad & Faraz, 2024)

Sector	Project	Private Sector Role
Energy	Renewable energy projects (wind, solar)	Investment in infrastructure and technology
Infrastructure	Highway construction, CPEC projects	Financing, operation, and management
Healthcare	Public health systems	Provision of services, private management
Education	University partnerships, research	Collaboration in educational services and R&D

These partnerships can help Pakistan diversify its economy away from traditional industries to build a more resilient and technology driven economy reducing its vulnerabilities from over dependence on traditional industrial sectors.

Chapter 5: Conclusions and Suggestions

This chapter provides a comprehensive summary of the key findings derived from the analysis of Pakistan's economic crisis and offers well-grounded policy recommendations for stabilizing and revitalizing the country's economy. The researcher derives conclusions from an accepted assessment of Pakistan's functional problems and financial difficulties together with institutional issues alongside its susceptibility to domestic shocks and external disruptions. The research findings appear in a thematic structure which maintains the essential points of research objectives.

5.1 Summary of Key Findings

This thesis demonstrates that Pakistan faces an economic crisis that extends through multiple dimensions since it combines fundamental structural flaws with fresh international and domestic disturbances.

1. **Structural Weaknesses:** The economic structure of Pakistan faces three main obstacles, including an insufficient industrial sector together with an excessive dependency on agricultural production and basic export products, and a large, unregulated economy. The structural issues constrain productivity levels as well as revenue generation and shock absorption capability. The informal economy generates about 35% of GDP but produces weak tax revenues and creates obstacles for fiscal planning.
2. **Fiscal Imbalances:** A persistent budget deficit and unsustainable debt levels, 90% of GDP as of 2023, have severely constrained fiscal space. The high debt servicing costs claim half of government revenues thus preventing increased funding for health, education and infrastructure programs.
3. **External Debt and Balance of Payments Crisis:** A cycle of borrowing beyond reform persists because Pakistan continues to receive IMF bailouts and other foreign assistance. The severe combination of significant external debt coupled with minimal international currency reserves has made Pakistan vulnerable to currency rate fluctuations and financial payments instability.

4. **Inflation and Socio-Economic Impact:** Consumer purchasing power suffered devastation while millions became poor due to the highest recorded 38% inflation in 2024. Social effects emerged from the economic situation, leading to increased unemployment levels, increased inequality, and detrimental decreases in basic living standards that particularly harmed marginalized populations.
5. **Governance and Institutional Weaknesses:** The instability of political leadership, ineffective institutions, and unstable policies halted the ongoing efforts of reform from achieving their objectives. Public confidence in the nation declined as the government struggled to maintain low corruption and efficient management throughout bureaucracy despite its inability to provide accessible information to both domestic and international investors.
6. **Impact of Global and Environmental Shocks:** Pakistan demonstrated an inadequate ability to react to the impacts generated by global and environmental events including COVID-19 and the 2022 floods. Extreme climate changes repeatedly endanger farms while attacking infrastructure systems which disrupts the ability for people to maintain their living standards.

5.2 Policy Recommendations

The building of long-term resilience alongside economic recovery from its present troubles needs Pakistan to build a comprehensive reform structure. The policy recommendations work to sustain fiscal health as well as transformational structures and efficient institutions, and socially equitable development.

1. Fiscal Consolidation and Revenue Mobilization

- The formal economy should integrate the informal sector into its framework through reforms that will enlarge the taxation base.
- The government should enhance tax administration by implementing digital tax systems and tighten loopholes to improve tax administration.

- Public spending should be rationalized through eliminating non-exclusive spending while allocating funds to developmental initiatives.
- The government should seek to lower its dependence on international debt through stronger internal resource collection while using more precise budgetary practices.

2. Debt Management and Financial Sustainability

- Re-negotiate external debt terms with lenders to extend maturities and reduce interest obligations.
- Establish a transparent debt registry and monitoring framework to improve accountability.
- Develop a national debt management strategy focused on reducing external dependency and promoting domestic borrowing in local currency.

3. Structural Economic Reforms

- Diversify the export base by promoting high-value manufacturing sectors such as electronics, pharmaceuticals, and agro-processing.
- Invest in research and development and provide incentives for technology-driven entrepreneurship.
- Strengthen supply chains, especially in agriculture and industry, to improve productivity and reduce import dependency.
- Encourage small and medium enterprises (SMEs) through easier access to credit, simplified regulatory frameworks, and targeted subsidies.

4. Energy Sector Reform and Sustainability

- Transition to renewable energy sources such as solar, wind, and hydro to reduce reliance on imported fossil fuels.
- Improve efficiency in power generation and distribution by reducing line losses and modernizing infrastructure.
- Promote energy conservation practices and implement targeted energy subsidies for vulnerable households.

5. Institutional Strengthening and Governance Reform

- Depoliticize and professionalize civil services and regulatory institutions.
- Improve transparency through digital governance, open data portals, and anti-corruption mechanisms.
- Establish performance-based accountability systems across government agencies.
- Strengthen the independence of the judiciary and ensure the timely resolution of commercial disputes to boost investor confidence.

6. Social Protection and Human Capital Development

- Expand targeted cash transfer programs and food security initiatives to support the most vulnerable populations.
- Increase public investment in education and vocational training to build a skilled workforce.
- Improve access to healthcare by expanding coverage, especially in rural and underserved areas.
- Promote gender equity by enhancing women's access to education, employment, and financial services.

7. Climate Adaptation and Disaster Preparedness

- Develop climate-resilient infrastructure and invest in early warning systems.
- Promote sustainable agricultural practices and water resource management.
- Enhance national and provincial disaster response capacities.
- Integrate climate risk assessments into national planning and budgeting frameworks.

8. Goeconomic Strategy and International Partnerships

- Strengthen regional trade partnerships to reduce over-dependence on traditional markets.
- Leverage the China-Pakistan Economic Corridor (CPEC) for technology transfer and connectivity improvements.

- Engage proactively with international financial institutions, ensuring that assistance is tied to measurable reform outcomes.
- Promote economic diplomacy to attract foreign direct investment from diversified sources.

5.3 Hypothesis Testing and Its Conclusion

The research conclusions based on the findings presented in this thesis demonstrate the following insights about the formulated three hypotheses.

Hypothesis 1: Impact of Political Instability on Economic Performance:

- The findings verify both the null hypothesis rejection and the alternative hypothesis acceptance. That is, Persistent political instability leads to weak governance and inconsistent policy direction, which strongly affects Pakistan's economic performance through inflation rates and unemployment numbers, and reduced foreign investment levels.

Hypothesis 2: The Impact of External Debt on Pakistan's Economic Status

- Research findings demonstrate that Pakistan's heavy dependence on foreign debt includes multiple IMF rescue packages, yet fails to generate substantive structural improvements. The data backs the rejection of the null hypothesis (H_{02}) and validates the acceptance of the alternative hypothesis (H_{12}). That is, the nation's high debt costs constrain public funding and make the economy vulnerable to currency market fluctuations, which leads to economic instability.

Hypothesis 3: The efficiency of economic and political changes

- Empirical research of structural and institutional failures leads to the conclusion that major changes in trade diversification and fiscal policy governance, and institutional responsibility must be put into effect for sustained economic stability. The research leads to the acceptance of the alternative hypothesis (H_{13}) and rejects the null hypothesis (H_{03}). The reforms in both political and economic sectors have established steadier economic systems that minimize the risk of national economic crises in Pakistan.

5.4 Final Reflections

Pakistan's major economic crisis became a multi-decadal accumulation from fiscal mismanagement alongside structural inefficiencies alongside governance deficits alongside unaddressed vulnerabilities. The economy needs emergency stabilization plans to survive but these measures should be combined with lasting reforms that treat the crisis's fundamental causes.

The findings demonstrate the need to develop a harmonious policy structure based on inclusion and transparency, which places equal importance on growth alongside resilience and equity, together with sustainability. The decisions Pakistan makes currently will determine the complete trajectory of its economic growth. Strong leadership using well-informed policies and inclusive governance approaches will help Pakistan transform its economy into a robust system that represents diversity and equality.

Pakistan needs to implement reform measures supported by human capital investment and economic system development, which can endure future challenges and improve population living standards.

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Appendices

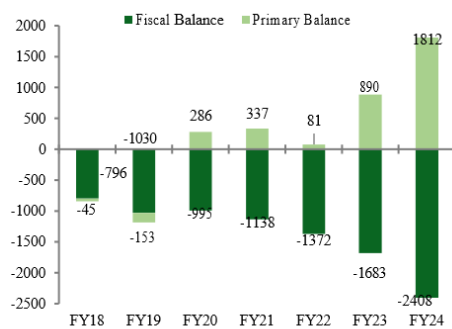
Appendix 1: State Bank of Pakistan: Regulation SME R-1: SME Specific Credit Policy

Regulation SME R-1: SME Specific Credit Policy

Banks & DFIs shall prepare a comprehensive SME Specific Credit Policy duly approved by their Board of Directors. The Credit Policy shall give special mention to Small Enterprises (SE) financing keeping in view their specific characteristics and business conditions. The Credit Policy shall, inter alia, cover following for SME financing:

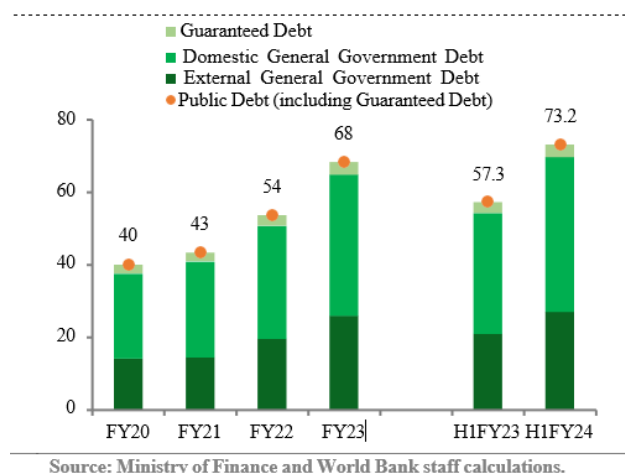
- i. Clearly laid down procedures on loan administration, disbursement, monitoring, and recovery mechanism.
- ii. Specification of main functions, major responsibilities of various staff positions, as well as their powers/ authority relating to approval/sanctioning of financing limits.
- iii. For loan size of upto Rs 2 million, it will be at the discretion of the banks & DFIs to obtain the insurance cover of the hypothecated stock/ other securities keeping in view the credit-worthiness, past experience and financial strength of the prospective borrower. However, if a bank/DFI decides to obtain an insurance cover, then it will not force to the respective borrower for arranging the same from an insurance company of the bank's/ DFI's choice.
- iv. Banks & DFIs are encouraged to adopt program based lending. The Chief Executive Officer of the bank/ DFI concerned will approve conventional/ Shariah-compliant program-based products on recommendation of the respective committee. Such programs may carry objective/ quantitative parameters for eligibility of borrowers, besides standardization and simplification of loan documents required from the borrowers under the subject Program.
- v. Banks & DFIs shall adopt standardized and simplified loan application forms circulated by PBA.
- vi. The policy shall cover different aspects related to financing against pledge of stock under electronic warehouse receipt (EWR) including list of eligible commodities, quality of collateral, valuation, price volatility, margin, limits, tenor of loans, diversification, insurance, substitution of collateral and managing collateral in the event of counter party default. etc.

Appendix 2: Consolidated Fiscal and Primary Balance (excluding grants) in H1 FY18–24 (PKR billion)



Source: Ministry of Finance and World Bank staff calculations.

Appendix 3: Public and Publicly Guaranteed Debt (*PKR trillion*)



Appendix 4: Pakistan Macroeconomic Outlook (FY24–26) (*Annual percent change unless indicated otherwise*)

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP Growth, at constant factor prices	5.8	6.2	-0.2	1.8	2.3	2.7
Agriculture	3.5	4.3	2.3	3.0	2.2	2.7
Industry	8.2	6.9	-3.8	1.8	2.2	2.4
Services	5.9	6.7	0.1	1.2	2.4	2.9
Real GDP Growth, at constant market prices	6.5	4.8	0.0	1.8	2.3	2.7
Private consumption	9.4	7.1	2.4	1.7	2.2	2.5
Government consumption	1.8	-1.3	-4.9	0.9	1.4	2.0
Gross fixed capital formation	3.7	3.3	-16.3	-0.5	1.2	2.0
Exports, goods, and services	6.5	5.9	2.4	2.1	3.2	3.7
Imports, goods, and services	14.5	11.0	-0.3	0.3	1.2	1.6
Inflation (CPI)	8.9	12.1	29.2	26.0	15.0	11.5
Current Account Balance (% of GDP)	-0.8	-4.7	-0.7	-0.7	-0.6	-0.6
Net FDI (% of GDP)	0.5	0.5	0.2	0.3	0.3	0.4
Fiscal Balance (excluding grants, % of GDP)	-6.1	-7.9	-7.8	-8.0	-7.4	-6.6
Debt (% of GDP)	77.6	80.7	81.4	73.1	72.3	72.5
Primary Balance (excluding grants, % of GDP)	-1.2	-3.1	-1.0	-0.1	-0.3	-0.3

Source: Pakistan Bureau of Statistics, State Bank of Pakistan, and World Bank staff estimates.

Note: FY21 corresponds to fiscal year 2020–21, which runs from July 1, 2020, to June 30, 2021. This macroeconomic outlook uses the re-based national accounts data in 2015–16 prices. It was prepared by World Bank staff and differs from that of the Government.

Appendix 5: Transactions between the Government and Federal Commercial SOEs (PKR billion)

	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Fiscal Outflows							
Subsidies	204	138	105	166	302	392	1,156
Grants	37	37	38.5	37	45	40	47
Equity Injection	1	2	27	-	-	5	2.2
Domestic Loans	168	205	204	103	133	165	98
Foreign Re-lent Loans	41	-9	39	306	239	195	Not available
Total Outflows	451	373	414	612	719	797	1,303
Total Outflows (% of GDP)	1.4	1	1.1	1.4	1.5	1.4	2.0
Fiscal Inflows							
Dividend Payments	63	70	57	60	41	44	44
Corporate Tax – Aggregate	77	108	127	154	135	157	376
Interest on Domestic Loans	Not available	Not available	Not available	Not available	23	16	Not available
Interest on Foreign Re-lent Loans	Not available	Not available	Not available	Not available	22	10	Not available
Total Inflows	140	178	184	214	221	227	421
Total Inflows (% of GDP)	0.4	0.5	0.5	0.5	0.5	0.4	0.6
Net Impact (% of GDP)	-0.9	-0.6	-0.6	-0.9	-1.0	-1.0	-1.4

Source: Ministry of Finance.

MATE Organizational and Operational Regulations
III. Requirements for Students
III.1. Study and Examination Regulations
Appendix 6.13: The MATE Uniform Thesis /thesis / final thesis / portfolio guidelines
Annex 7: Declaration of independent supervisor for Institute of Technology

DECLARATION OF INDEPENDENT SUPERVISOR

As independent supervisor of Suneel Kumar, Neptun code of student: XLJNA5

I declare, that the student regularly attended the pre-scheduled consultations.

Date: 2025/10/29


independent supervisor

1. Details of Artificial Intelligence Usage

Table 1: Assistant or Minor Usage (e.g., translation, language proofreading, summarizing, etc.)

(For these uses, attaching the specific prompts and responses is not required.)

Purpose of Use	Name and Version of the AI Tool(s)	Affected Section (if not applicable to the entire text)

Table 2: Significant Content Contribution (e.g., generating an entire figure or a longer text section)

(In these cases, attaching the key prompts used and the raw responses generated by the AI and attaching a screenshot or appendix to the text, is required.)

Purpose of Use	Prompt, Version, and Access Information of the AI Tool Used	Page Number of the Affected Chapter / Figure / Table	Page Number of the Appendix

MATE Organizational and Operational Regulations**III. Requirements for Students****III.1. Study and Examination Regulations****Appendix 6.13: The MATE Uniform Thesis /thesis / final thesis / portfolio guidelines****Annex 4.2: Declaration of public access and authenticity of the thesis/thesis/dissertation/portfolio****DECLARATION****the public access and authenticity of the thesis/dissertation/portfolio¹**

Student's name: Suneel Kumar
 Student's Neptun code: XLJNA5
 Title of thesis: Economic Crisis in Pakistan and Its Impact on the Country
 Year of publication: 2025
 Name of the consultant's institute: Institute of Agricultural and Food Economics
 Name of consultant's department: Business Administration and Management

I declare that the final thesis/thesis/dissertation/portfolio² submitted by me is an individual, original work of my own intellectual creation. I have clearly indicated the parts of my thesis or dissertation which I have taken from other authors' work and have included them in the bibliography. Furthermore, I declare that the artificial intelligence tools (e.g. text generation, linguistic correction, translation, data analysis) used during the preparation of the thesis did not substitute my own research and creative work; their use was indicated either in the list of sources or in the methodology section, and I acted in accordance with professional and ethical expectations.

If the above statement is untrue, I understand that I will be disqualified from the final examination by the final examination board and that I will have to take the final examination after writing a new thesis.

I do not allow editing of the submitted thesis, but I allow the viewing and printing, which is a PDF document.

I acknowledge that the use and exploitation of my thesis as an intellectual work is governed by the intellectual property management regulations of the Hungarian University of Agricultural and Life Sciences.

I acknowledge that the electronic version of my thesis will be uploaded to the library repository of the Hungarian University of Agricultural and Life Sciences. I acknowledge that the defended and

- not confidential thesis after the defence
- confidential thesis 5 years after the submission

will be available publicly and can be searched in the repository system of the University.

Date: 2025/10/29



Student's signature

¹ While keeping the appropriate thesis type, all other types are to be removed.

² While keeping the appropriate thesis type, all other types are to be removed.0

Declaration of Students and Doctoral Candidates on the Use of Artificial Intelligence (AI)"

1. general information:

Name of the student:	Suneel Kumar
Neptun ID:	XLJNA5
Level of program (mark with X):	<input checked="" type="checkbox"/> BSc/BA <input type="checkbox"/> MSc/MA <input type="checkbox"/> Doctoral School (PhD) <input type="checkbox"/> Other:
Name and code of the subject*:	BSc in Business Administration and Management
Title of the work:	Final Thesis

2. Declaration on the Use of AI

I, the undersigned, fully aware of my ethical responsibility, make the following declaration:

(Please choose one of the options below!)

A) I have not used any artificial intelligence system or service.

(If you selected this option, completing the subsequent tables is not required.)

B) I have used an artificial intelligence system or service.

(Please fill in the relevant tables!)

3. Details of Artificial Intelligence Usage

TABLE I: Assistant or Minor Usage (e.g., translation, language proofreading, brainstorming, etc.)

(For these uses, attaching the specific prompts and responses is not required.)

Purpose of Use	Name and Version of the AI Tool Used	Affected Section (if not applicable to the entire text)

TABLE II: Significant Content Contribution (e.g., generating an entire figure or a longer text section)

(In these cases, documenting the key prompts used and the raw responses provided by the AI, and attaching them as an appendix to the work, is required.)

Purpose of Use	Name, Version, and Access Information of the AI Tool Used	Exact Number of the Affected Chapter / Figure / Table	Entry Number of the Appendix

			Containing the Prompt Log

3/A. Additional Rules Prescribed by the Lecturer (if any)

If the instructor or supervisor of the course has established specific rules or expectations regarding the use of AI tools, please summarize them in the field below:

For example: prohibition of AI use for certain types of tasks; only specific tools are permitted; different citation requirements; documentation format, etc.

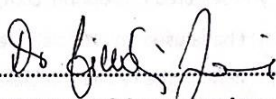
4. Declaration Applicable to All Students:

I declare that I have critically reviewed, edited, and incorporated any content potentially generated by AI in all cases. I take full responsibility for every element of the submitted work, including its originality and scientific validity. I acknowledge that the Hungarian University of Agriculture and Life Sciences may check the submitted work with an artificial intelligence detector and may initiate proceedings if my declaration is found to be false or incomplete.

Place and Date: Godollo, 2025/10/29



Signature of the Student



Signature of the Advisor/Supervisor

DECLARATION

Suneel Kumar, Neptun code: XLJNAS
as a consultant, I declare that I have reviewed the final thesis and that I have informed the student of the requirements, legal and ethical rules for the correct handling of literary sources.

I recommend the final thesis to be defended in the final examination.

The thesis contains a state or official secret: No

Date: 2025/10/29

S. Fieldjail
insider consultant

Section of the AI	Affected Section (if not applicable to the entire text)

Purpose of the	Name, Position, and Address (including e-mail)	Last Name of the Advisor (if applicable)	Entry Number of the Appendix