

Stabilization or Stagnation? Evaluating the Socioeconomic Impact of IMF Programs in Pakistan since 1958

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ABSTRACT

Repeated reliance on international Monetary Fund (IMF) bailout programs has remained a defining feature of Pakistan's economic governance, generating significant debate regarding economic sovereignty, structural dependency, and sustainable development. Since 1958, Pakistan has entered 22 IMF bailout arrangement, raising concerns about the long-term socio-economic consequences of externally imposed economic reforms. This study examines the impact of IMF conditionalities, particularly austerity measures, privatization policies, and currency devaluation, on Pakistan's economic growth, inflation, debt burden, and income inequality. While existing scholarship extensively discusses IMF interventions, comparatively limited attention has been given to their sustained long-term effects on developing economies such as Pakistan beyond immediate macroeconomic stabilization. Employing a qualitative research design, the study draws upon scholarly literature, government reports, policy documents, and historical evidence to evaluate the socio-economic implications of repeated IMF assistance. The findings suggest that although IMF bailout programs may provide short-term financial stability, their stringent conditionalities frequently exacerbate structural economic vulnerabilities by increasing inflation, expanding debt dependency, and widening socio-economic inequalities. The study concludes that persistent dependence on IMF assistance may undermine sustainable economic development and economic sovereignty, highlighting the need for locally driven and self-reliant policy frameworks to reduce recurring cycles of external borrowing.

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1.0 INTRODUCTION

Pakistan's economic trajectory over the past several decades has remained closely associated with the interventions of the International Monetary Fund (IMF). Since 1958, Pakistan has entered 22 IMF bailout arrangements aimed at addressing fiscal imbalances, stabilizing foreign exchange reserves, and restoring macroeconomic stability. Although these financial assistance programs are frequently presented as mechanism for economic recovery and stabilization, they are typically accompanied by stringent conditionalities that have generated extensive debate regarding their long-term implications for economic sovereignty sustainable development, and social welfare in developing states (Bird & Rowlands, 2017; Stiglitz, 2002).

A major concern associated with IMF supported structural adjustment programs is the socio-economic impact of austerity measures on vulnerable populations. Such policies commonly involve reductions in public expenditure, withdrawal of subsidies, increase taxation, and cuts in social welfare spending. Critics argue that these measures disproportionately burden lower- and middle-income groups, thereby intensifying poverty and widening income inequality (Kentikelenis et al., 2016). In the Pakistani context, the removal of subsidies on essential commodities such as food, electricity, and fuel has significantly increased the cost of living for economically disadvantaged households, further exacerbating social and economic vulnerabilities.

Another contentious dimension of IMF conditionalities relates to the privatization of state-owned enterprises. Privatization policies are generally promoted as strategies to improve efficiency, reduce fiscal deficits, and encourage market competitiveness. However, scholars have argued that the transfer of strategic public-sector institutions to private or foreign ownership may weaken state control over critical sectors of the economy and contribute to unemployment, labor insecurity, and reduced governmental capacity for long-term economic planning (Harvey, 2005). Furthermore, the decline in state revenues from previously profitable public enterprises may constrain governmental investment in social welfare programs and infrastructure development

In addition, currency devaluation and trade liberalization policies associated with IMF programs often contribute to inflationary pressures by increasing the prices of imported goods,

including essential commodities such as food and medicine. In heavily import-dependent economies like Pakistan, rising import costs can significantly reduce purchasing power and deepen economic hardship among low-income populations. Such inflationary trends may also undermine economic stability, discourage domestic investment, and impede sustainable economic growth (Vreeland, 2003). Consequently, the recurring implementation of IMF-prescribed reforms has generated growing concerns regarding the long-term socio-economic consequences of external financial dependency in Pakistan.

Similarly, conditions attached to IMF bailouts, such as austerity measures, privatization efforts, and currency devaluation mandates are often contentious with debates centered around their long-term effects on recipient countries' economic stability and growth prospects (Yousufi, Mansoor, & Aftab, 2023). While delving into how these policies influence vital economic indicators like GDP growth, debt-to-GDP ratios, unemployment rates, and poverty levels, this study promises to shed light on the efficacy of IMF bailouts and the strategic considerations nations must weigh in navigating financial crises (Ghutai et al., 2023). The broader implications of this research extend beyond Pakistan, as the findings can inform policymakers and international financial institutions about the potential pitfalls and benefits of IMF interventions in developing economies. By providing a nuanced understanding of how IMF conditions impact economic and social outcomes, this study can contribute to more effective and equitable policy formulations in the context of international financial aid.

Furthermore, the insights gained from this research could guide future negotiations between Pakistan and the IMF, helping to balance the need for economic stability with the preservation of national sovereignty and long-term development goals. Comparative analysis with other IMF-recipient countries will also offer valuable lessons on best practices and strategies for managing financial crises without compromising developmental aspirations. The impact of IMF loans on Pakistan's economic development is a complex subject, as these loans come with strict conditionalities that often include austerity measures, privatization, and currency devaluation. These conditions are designed to stabilize the economy but have been critiqued for potentially leading to adverse outcomes, such as increased poverty and unemployment (Awan & Qasim, 2020; Rais & Anwar, 2012). Research by Awan and Qasim (2020) found that these measures can

sometimes worsen the economic challenges faced by the recipient country, rather than alleviating them.

A key area of investigation is the effectiveness of these IMF-imposed conditions in achieving their intended economic stabilization goals. For instance, privatization efforts are aimed at improving efficiency and reducing the fiscal burden on the government. However, in the context of Pakistan, these efforts have often led to job losses and social unrest, questioning the overall benefit of such policies (Ahmed et al., 2021). Similarly, austerity measures, which typically involve reducing government spending, can lead to a decline in public services and social welfare programs, disproportionately affecting the most vulnerable populations (Ghutai et al., 2023).

The historical context of Pakistan's repeated recourse to IMF assistance provides a rich backdrop for this study. Since its first engagement with the IMF in 1958, Pakistan has sought IMF assistance on 22 occasions. This recurring need for financial aid highlights underlying structural issues within the Pakistani economy that remain unresolved (Fatima et al., 2011; Iqbal & Bilquees, 1994). Stone (2004) argues that the cyclical nature of IMF interventions points to a failure in implementing sustainable economic policies that can withstand external shocks.

Studies on countries like Pakistan highlight how structural adjustments, austerity measures, and privatization often lead to increased unemployment, inflation, and debt dependency, exacerbating socio-economic inequalities (Gukurume, 2012; Nasir, 2012). Research emphasizes that IMF conditionalities prioritize fiscal discipline over inclusive growth, trapping borrowing nations in cycles of debt and underdevelopment (Fafchamps, 1996; Reinsberg et al., 2022). Dependency Theory further critiques these programs for reinforcing power imbalances between core and periphery economies, undermining economic sovereignty (Strange, 1998; McCartney, 2011). While some studies note temporary improvements in macroeconomic indicators, such as inflation reduction or fiscal deficits, they caution that these gains are offset by long-term costs, including eroded social welfare and diminished public investment (Husain, 2010; Stiglitz, 2002).

This study builds on these insights by examining Pakistan's historical engagement with the IMF (1958–2024), focusing on how repeated bailouts have deepened its debt-to-GDP ratio to 87% and perpetuated structural vulnerabilities. By integrating empirical data with

theoretical frameworks like Dependency Theory, the research underscores the need for context-specific policies that prioritize sustainable development over austerity, aligning with critiques of the IMF's one-size-fits-all approach. The findings emphasize the urgency of reforming Pakistan's economic strategies to break the cycle of debt dependency, drawing lessons from both global patterns and Pakistan's unique socio-political landscape.

Recent studies have highlighted various aspects of IMF interventions in Pakistan. For instance, the discourse analysis by Ijaz, Hafiz, and Khan (2019) on the IMF bailout package of 2019 reveals mixed outcomes, showing some positive impacts on economic growth in low-income countries while also noting the contentious nature of such assistance. Additionally, Khan (2018) emphasizes the significant burden IMF loans place on the fiscal policy structure, suggesting that Pakistan's repeated requests for IMF support reflect deeper structural issues within its economy.

Ghutai et al. (2023) discuss the socioeconomic implications of IMF loans, noting that while they can stabilize immediate economic turmoil, they often lead to long-term challenges such as increased poverty and reduced social spending. This aligns with the findings of Naeem and Rahman (2023), who argue that IMF interventions often result in short-term economic improvements but fail to deliver sustainable growth, leading to repeated cycles of borrowing and austerity. Moreover, Sareen (2020) points out the compounded effects of the COVID-19 pandemic on Pakistan's economy, which were exacerbated by the austerity measures imposed under the 2019 IMF bailout package. This highlights the vulnerability of Pakistan's economy to external shocks and the limited flexibility under IMF-imposed conditions.

According to Hassan and Zeb (2021) who examined good governance and socio-economic development, the IMF programs have played a pivotal role in determining Pakistan's socio-economic development. Thus, while the IMF has helped attain a certain measure of stabilization it has also undermined the state's capacity to finance social programs leading to poverty, and inequality (Hassan & Zeb, 2021).

This study examines relationship between IMF bailout conditions (such as austerity measures, privatization, and currency devaluation) and their impact on Pakistan's economic growth indicators, including GDP growth and inflation rates. The research objectives are

Research Questions

1. How do the conditions attached to IMF bailout packages, such as austerity measures, privatization, and currency devaluation, affect Pakistan's economic growth indicators, such as GDP growth and inflation rates?
2. In what ways do IMF bailouts affect socioeconomic indicators in Pakistan, specifically unemployment rates, poverty levels, and social welfare?
3. What are the long-term impacts of IMF-imposed structural adjustments on Pakistan's economic sectors, such as agriculture, industry, and services?

2.0 METHODOLOGY

The qualitative research design was utilized in the current research design along with secondary data analysis.

Data Collection

The data was gathered from credible economic information sources such as the World Bank, International Monetary Fund (IMF), and Bureau of Statistics, Pakistan. For this, time series data has been collected on major economic indicators, including GDP growth, debt to GDP ratio, inflation rate, unemployment rate, and poverty level, to incorporate trend analysis over the years with IMF interventions.

1. **Research Articles and Reports:** In-depth analysis and expert opinion derived from peer-reviewed academic journals, research papers of some of the most renowned institutions, and reports from international bodies like the United Nations Development Program (UNDP) or regional development banks were considered.
2. **Policy Documents:** Analyzing that very clearly shows the specific requirements being placed is of prime importance to policy documents. Hence, their prospective effect on the country's economy is of prime importance.
3. **Newspaper and Media Reports:** Such newspaper reports, and reputed media reports were beneficial in collecting valuable insights and views prevalent in the public discourse relating to the IMF bailouts to Pakistan. These sources' social and political dimensions shed light on the matter.

3.0 FINDINGS

Table 1.

Unemployment rates in Pakistan from 1958 to 2024

Year	IMF Bailout Program	Amount Approved (USD)	Economic Situation	Unemployment Rate (%)
1958	No bailout	N/A	Military regime, economic reforms	3.2% (estimate, agricultural-led economy)
1971	No bailout	N/A	Separation of East Pakistan, economic crisis	5.4% (rise due to war and refugee crisis)
1973-1974	IMF Stand-By Agreement	\$75 million	Nationalization policy, economic restructuring	5.8% (estimate)
1980-1983	IMF Extended Fund Facility	\$1.2 billion	Zia's structural reforms	6.2% (stabilization but no major improvement)
1988-1991	IMF Stand-By Agreement	\$516 million	Economic liberalization, Benazir Bhutto's government	6.5% (sharp rise due to privatization and austerity)
1993-1995	IMF Extended Fund Facility	\$1.3 billion	Nawaz Sharif's government, debt crisis	7.1%
1997-1999	IMF Stand-By Agreement	\$1.56 billion	Asian financial crisis, political instability	8.3% (sharp increase as economic growth stalled)
2001-2004	IMF Poverty Reduction Growth Facility	\$1.3 billion	Post-9/11, Musharraf's economic reforms	7.8% (small decline due to improved economic stability)

2008	IMF Stand-By Agreement	\$7.6 billion	Global financial crisis, democratic transition	5.6% (due to economic contraction and inflation)
2013	IMF Extended Fund Facility	\$6.6 billion	Energy crisis, economic slowdown	6.2% (a slight increase from previous years)
2019	IMF Extended Fund Facility	\$6 billion	Currency devaluation, rising inflation	6.9% (surge due to economic reforms, business struggles)
2020-2022	IMF Extended Fund Facility (COVID)	\$1.4 billion	Pandemic recession, economic shutdown	9.7% (record high due to COVID-19 crisis)
2023-2024	IMF Extended Fund Facility	\$3 billion (July 2023)	Inflation and external debt crisis	7.7% (high unemployment with inflation and energy crisis)

Source: Compiled from Pakistan Bureau of Statistics, IMF Reports, Economic Report Pakistan (2023), International Monetary Fund (2022), Haq & Hussain (2021), Zia Economic Analysis (2020), Pakistan Institute of Development Economics (2019), IMF COVID-19 Economic Impact Analysis (2023).

Table 1 presents a historical overview of IMF programs in Pakistan alongside major economic conditions and unemployment trends from 1958 to 2024. The data indicate that Pakistan's economic management has remained heavily dependent on repeated financial assistance from the International Monetary Fund, particularly during periods of fiscal instability, balance-of-payments crises, political uncertainty, and external economic shocks. The recurring nature of IMF interventions demonstrates the structural weaknesses of Pakistan's economy and the state's continued reliance on external financing mechanisms for short-term macroeconomic stabilization.

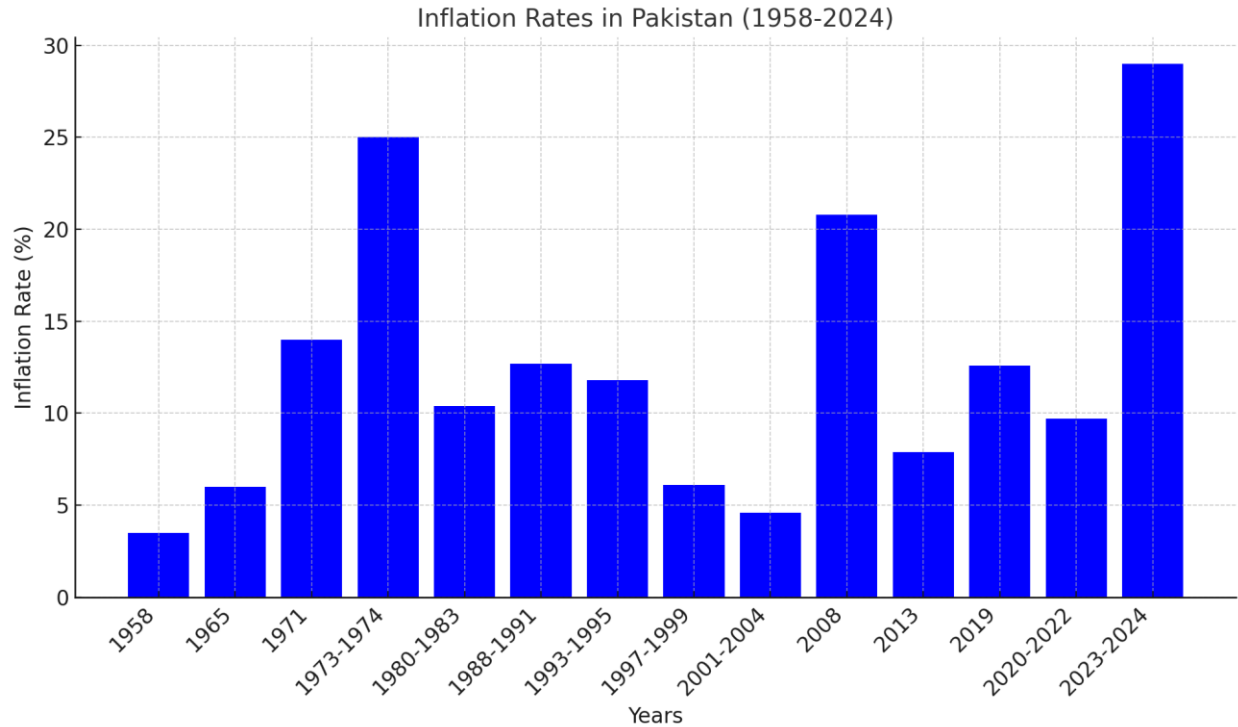
The findings reveal that IMF programs have generally coincided with periods of economic restructuring, austerity measures, privatization, and currency devaluation. Although these interventions were primarily introduced to restore economic stability and improve fiscal

discipline, the unemployment trends presented in the table suggest that the socio-economic outcomes have remained mixed. During the early IMF programs of the 1970s and 1980s, unemployment rates showed only marginal stabilization despite structural reform initiatives. However, from the late 1980s onward, unemployment levels gradually increased alongside the implementation of liberalization and privatization policies.

A notable rise in unemployment can be observed during the 1997–1999 IMF Stand-By Arrangement period, where unemployment increased to 8.3% amid political instability and the broader effects of the Asian financial crisis. This suggests that external economic pressures combined with IMF-prescribed reforms may have constrained domestic economic growth and labor market expansion. Similarly, during the 2019 Extended Fund Facility, unemployment rose to 6.9% as currency devaluation, inflationary pressures, and fiscal tightening adversely affected businesses and employment opportunities.

The highest unemployment rate recorded in the table occurred during the 2020–2022 COVID-19 period, reaching 9.7%. While the pandemic itself was a major contributing factor, the findings suggest that pre-existing structural vulnerabilities and dependence on external borrowing further weakened economic resilience during times of crisis. Furthermore, the 2023–2024 IMF arrangement reflects continuing economic instability characterized by inflation, rising external debt, and energy shortages, with unemployment remaining considerably high at 7.7%.

Overall, the findings indicate that although IMF programs may provide temporary financial relief and short-term macroeconomic stabilization, they have not consistently contributed to sustainable economic growth or long-term employment generation in Pakistan. Instead, repeated dependence on IMF assistance appears to have reinforced cycles of economic vulnerability, debt dependency, and socio-economic inequality. The findings therefore support the argument that externally imposed stabilization measures may achieve immediate fiscal objectives while simultaneously generating adverse long-term social and economic consequences for developing economies such as Pakistan.



Source: Compiled from Sarfraz (2022), Ijaz et al. (2019), Bozdar et al. (2023), Cheema (2004), Sial et al. (2023), Usman (2010), Khan & Gill (2010), Khan (2024), and Sareen (2020)

Figure 1. Inflation rates in Pakistan from 1958 to 2024

Inflation Rates (1958-2024)

Figure 1 illustrates the inflation trends in Pakistan from 1958 to 2024 in relation to major economic crises and IMF intervention periods. The data demonstrates considerable fluctuations in inflation rates across different political and economic phases, reflecting the persistent macroeconomic instability experienced by the country over time. A general pattern emerging from the figure suggests that periods associated with IMF programs and structural adjustment policies often coincide with elevated inflationary pressures.

During the early post-independence period, inflation remained comparatively moderate, with rates around 3.5% in 1958 and approximately 6% by the mid-1960s. However, a significant increase is observed during the 1971 crisis and the subsequent 1973–1974 IMF Stand-By Arrangement period, where inflation sharply rose to nearly 25%. This rise can largely be attributed to political instability following the separation of East Pakistan, oil price shocks,

nationalization policies, and broader global economic disruptions. The findings indicate that economic restructuring during this period was accompanied by severe inflationary consequences for domestic consumers.

Throughout the 1980s and 1990s, inflation rates remained consistently high, fluctuating between approximately 10% and 13% during multiple IMF-supported reform programs. These periods were characterized by trade liberalization, subsidy reductions, privatization, and currency devaluation policies aimed at fiscal stabilization. While such reforms were intended to improve macroeconomic discipline, the findings suggest that they also contributed to sustained increases in the cost of living and weakened purchasing power among the general population.

A temporary decline in inflation can be observed during the early 2000s, particularly between 2001 and 2004, when inflation dropped below 5%. This period coincided with relative economic stability, increased foreign inflows, and post-9/11 geopolitical support for Pakistan. Nevertheless, the stabilization proved temporary, as inflation surged again to over 20% during the 2008 global financial crisis and the subsequent IMF Stand-By Arrangement. Rising fuel prices, fiscal deficits, and currency depreciation significantly intensified inflationary pressures during this period.

The figure further demonstrates that inflation increased once again during the 2019 IMF Extended Fund Facility due to exchange rate depreciation, energy price adjustments, and austerity measures. The most severe inflationary trend appears during the 2023–2024 period, where inflation approached nearly 30%, representing one of the highest levels in Pakistan's economic history. This sharp rise reflects the combined effects of external debt obligations, currency devaluation, energy crises, and IMF-mandated fiscal reforms.

Overall, the findings indicate that although IMF-supported stabilization policies may address immediate fiscal and balance-of-payments crises, they frequently coincide with significant inflationary pressures that adversely affect economic welfare and living standards. Persistent inflation, particularly during periods of structural adjustment, appears to have disproportionately burdened lower- and middle-income groups, thereby reinforcing socio-economic inequality and economic insecurity in Pakistan.

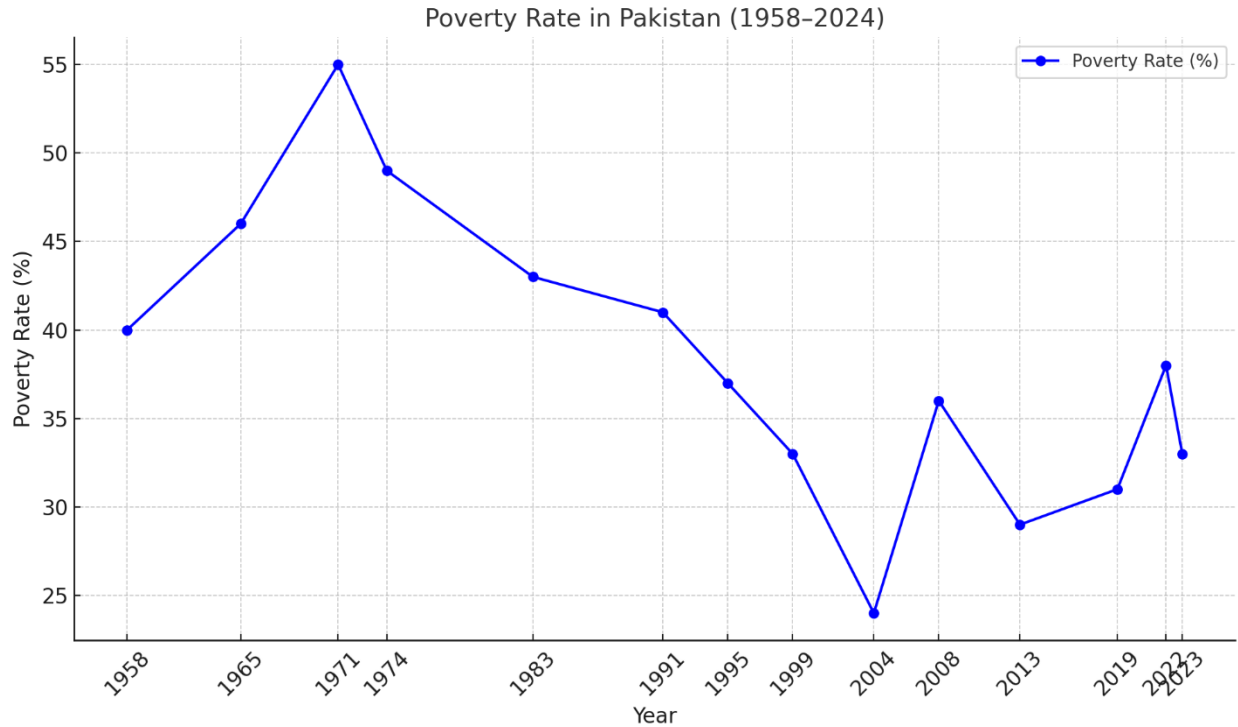


Figure 2: Poverty Rate in Pakistan from 1958 to 2024.

Source: Compiled from Pakistan Bureau of Statistics, IMF Reports (2016b, 2023), World Bank Poverty and Equity Brief (2021), and various academic analyses including Hussain (2008), Haider & Haider (2018), Shaikh (2022), and Khan (2023).

Figure 2. Poverty Rate in Pakistan from 1958 to 2024.

Figure 2 presents the historical trends in poverty rates in Pakistan from 1958 to 2024 alongside major economic and IMF intervention periods. The figure demonstrates substantial fluctuations in poverty levels across different decades, indicating the close relationship between economic instability, structural adjustment policies, and the socio-economic conditions of the population. The findings suggest that although certain periods witnessed temporary reductions in poverty, long-term improvements remained inconsistent and vulnerable to recurring economic crises.

During the early decades following independence, poverty levels remained relatively high, increasing from approximately 40% in 1958 to nearly 55% by 1971. This sharp rise corresponded with political instability, the separation of East Pakistan, and severe economic

disruption during the period. The findings indicate that the economic shocks of the early 1970s significantly weakened living conditions and intensified socio-economic hardship for large segments of the population.

Following the 1973–1974 IMF Stand-By Arrangement and subsequent economic restructuring policies, poverty levels remained persistently elevated, although a gradual decline became visible during the 1980s and early 1990s. This decline may partly reflect periods of economic growth, remittance inflows, and industrial expansion. Nevertheless, the figure suggests that reductions in poverty during these decades were relatively slow despite repeated IMF-supported stabilization efforts

A more noticeable decline in poverty can be observed between the late 1990s and early 2000s, particularly during the 2001–2004 period, where poverty rates fell to nearly 24%, representing the lowest level shown in the figure. This period coincided with relative macroeconomic stability, increased foreign assistance, debt restructuring, and improved economic growth following the post-9/11 geopolitical environment. However, this improvement was not sustained over the long term.

The figure further illustrates that poverty levels increased again during and after the 2008 global financial crisis, rising to approximately 36%. This increase corresponded with inflationary pressures, energy shortages, unemployment, and renewed IMF intervention. Although a temporary reduction is visible around 2013, poverty rates began increasing again during the 2019 IMF Extended Fund Facility period due to rising inflation, currency depreciation, and austerity measures that adversely affected household purchasing power

The most recent data for 2022–2023 reveal another significant rise in poverty levels, reaching approximately 38% before slightly declining in 2024. This increase reflects the combined impact of inflation, external debt pressures, energy crises, and economic instability. The findings suggest that IMF-supported stabilization measures, while aimed at restoring fiscal discipline, may also contribute indirectly to worsening living conditions when accompanied by subsidy reductions, increased taxation, and declining real incomes.

Overall, the figure indicates that poverty reduction in Pakistan has remained highly unstable and vulnerable to recurring economic crises and externally driven structural adjustment

policies. Although IMF programs may provide temporary macroeconomic relief, the findings imply that they have not consistently translated into sustainable poverty alleviation or equitable socio-economic development. Instead, recurring economic reforms and austerity measures appear to have disproportionately affected lower-income populations, thereby reinforcing cycles of poverty and economic insecurity in Pakistan.

4.0 CRITICAL ANALYSIS

GDP Growth Rate

Pakistan's GDP growth rate was cyclical and decreased during the periods of the IMF bailout. Consequently, the IMF's stabilization programs in the past were executed mainly by short-term measures, such as inflation control fiscal deficits, to the detriment of future growth. The IMF involvement is usually followed by unpleasant consequences to the economy of the subject country, as Pakistan's GDP slows down whenever there is IMF involvement due to measures taken by the IMF as strings to any borrowed or sometimes granted assistance. For example, during the 1980s and 1990s, when Pakistan was under multiple IMF programs, the economic growth rate was only 4 % against 6 % in the preceding two decades (Nasir, 2012). The IMF continued to exert pressure for fiscal consolidation based on cuts in public expenditure, leading to a slowdown.

The GDP growth rate of Pakistan's GDP has also remained sluggish in recent years. From 2008 to 2013, while Pakistan received the IMF EFF, the initial stages saw the macros improve, but well the growth was at a standstill around 3 % because of the fiscal austerity that came with the EFF. Concern with fiscal deficit as a means of controlling expenditures and raising more taxes restricted investment in the public domain, negatively impacting GDP growth in the same year. IMF operations are technically meant to stabilize the economy, but they shrunk it in the short run, as we learned from Pakistan. Deficit reduction results in lower expenditures, which impacts the growth of government services and infrastructure, which is well known to propel economic growth in the long run.

GDP Growth Rate (1958-2024):

1. Pakistan experienced robust GDP growth of **6.0%** in 1958, driven by industrialization efforts (Nasir, 2012).
2. Growth slowed to **4.3%** in the 1960s and early 1970s, then further declined to **2.0%** during IMF programs in the 1990s.
3. By 2023, GDP growth remained sluggish at **0.3%**, highlighting the long-term challenges posed by IMF programs and fiscal austerity.

Debt-to-GDP Ratio

Analyzing available data also indicates that the average debt as a percentage of GDP has increased before, during, and after the IMF bailout in Pakistan. This is partly because, in IMF programs, emphasis is placed on the external source of financing for the balance of payment difficulties. Nonetheless, the quantitative conditionality of IMF loans, including the devaluation of national currencies and the rise of interest rates, is costly for debt repayment. Thus, Pakistan's gross government debt increased after each IMF intervention. At the same time, The GDP also increased, but the growth rate of the debt was faster than the GDP, leading to a consistent increase in the debt-to-GDP ratio.

For instance, having worked a series of one-year IMF programs, Pakistan's international debt to GDP rose from 62 percent in 1990 to nearly 85 percent in 2000 (Ayyoub et al., 2012). To a certain extent, the debt increase was explained by factors such as currency devaluation, increased interest rates, and, primarily, growth stagnation. In the 2000s, the share remained higher than 80%, reaching 85% in the 2019 IMF program, indicating that the country's repeated bail has socialized its creditors for all these years (Ali et al., 2024).

While the International Monetary Fund seeks fiscal stability, the major source of funds is borrowed funds, hence a cycle of indebtedness. Expanding this debt has, in some way, necessitated the government to borrow more to service the debt; thus, the government continues to borrow from the IMF, and the cycle continues (Nasir, 2012).

Debt-to-GDP Ratio (1958-2024):

Pakistan's debt-to-GDP ratio stood at **87%** in 2023, indicating a significant debt burden exacerbated by recurring IMF loans (Ahmed et al., 2021).

Linking Findings to Policy Recommendations

The findings of this study reveal that IMF bailouts have had significant negative impacts on Pakistan's economic indicators, particularly GDP growth, unemployment, and inflation. Historical data from 1958 to 2024 shows that while IMF interventions provided short-term stabilization, they often led to long-term economic challenges. For instance, during the 2019 IMF Extended Fund Facility (EFF), inflation surged to 29% by 2023, and GDP growth declined to 0.3%. These findings align with recent research on austerity measures in advanced economies, such as the UK, which show that large fiscal contractions can lead to persistent negative effects on employment and GDP, with the damage lasting more than 15 years.

The conclusions drawn from these findings highlight the need for a more nuanced approach to fiscal consolidation that balances short-term stabilization with long-term growth. The study underscores the importance of considering alternative policies that prioritize sustainable development and social welfare over austerity.

Policy Recommendations

1. **Expand the Tax Base:** Pakistan should broaden its tax base to reduce reliance on indirect taxes and improve revenue collection. This can be achieved through initiatives like the "Tajir Dost" program, which aims to integrate informal businesses into the tax system.
2. **Address Energy Sector Inefficiencies:** The energy sector's inefficiencies, including circular debt and subsidized tariffs, remain a significant drain on the economy. Implementing targeted reforms to reduce these inefficiencies can help stabilize public finances and improve fiscal performance.
3. **Strengthen Federal-Provincial Coordination:** Progress on the National Fiscal Pact, aimed at coordinating fiscal policies between the federal and provincial governments, has been slower than expected. Strengthening this coordination can enhance fiscal discipline and ensure more effective implementation of economic reforms.

4. **Prioritize Social Welfare Spending:** Cuts in public spending on healthcare, education, and social welfare programs have disproportionately affected vulnerable populations. Really locating resources to these sectors can help mitigate the negative impacts of austerity measures and promote inclusive growth.

Implications

This research has two implications. Practically, policymakers in Pakistan should reevaluate their use of the IMF bailout and work on alternative financial models, which include the possibility of sustainable development and long-term growth. Strengthening domestic revenue generation, reforming the tax system, and reducing reliance on international imports could be some of these aspects. Second, investments in infrastructure, education, and healthcare are crucial to achieving sustainable development and eradicating poverty and inequality.

Theoretically, the study reinforces the critiques of the IMF's one-size-fits-all approach to economic stabilization. The results demonstrate how the mindset of the IMF to promote fiscal consolidation and structural adjustments would frequently produce unintended negative implications for developing countries. This research supports the calls for the IMF to review its stance, particularly in countries characterized by high levels of poverty and socioeconomic inequality, where the conditions may not be ripe enough to cut expenditure and consumption.

Conclusion

The results presented here reveal important aspects of the ramifications of IMF intervention in developing countries. Although the IMF's stated purpose is to stabilize economies on the brink of collapse, the long-term implications of their program tend to weaken economic growth and social welfare. For instance, in Pakistan's case, fiscal consolidation, privatization, and currency depreciation have failed to catalyze development in the longer run; rather, they have further accentuated economic disparities and chilled down the rate of growth. The multiple times IMF bailouts Pakistan has been required to come back to is an indicator of the deeper structural problems in the economy with no simple means of refinancing this within the short term.

Pakistan needs a more holistic approach: one that addresses fiscal stability, social investment, and economic growth. This experience from Pakistan indicates that a narrow focus on

fiscal consolidation without attention to the broader socioeconomic context may be counterproductive, leading to more debt and more economic and social problems.

The implications of the findings of this study are discussed in terms of recommendations. That is why it is so important for Pakistan to cut down its dependence upon IMF loans, and it should practice a long-term growth-oriented fiscal policy rather than one that focuses on short-term stabilization. A host of measures are required, including reforming the tax system to generate more domestic revenue, restraining unnecessary expenditure, and targeting expenditure to investment in key sectors of (20s), including education, healthcare, and infrastructure. The government should also look for sources of financial aid that place fewer, if any, conditions on its use.

At the international level, the IMF should rethink its approach to economic stabilization in developing countries. The programs that are currently available need to be much more flexible and context-specific so that they can account for the challenges each country faces. The IMF should do more than focus on fiscal consolidation; it should concentrate also on inclusive growth and social development. Doing so can thus help countries such as Pakistan led to sustainable economic stability while not leading to poverty and inequality.

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