Indian Economy · GS - III

“Repeated dependence on IMF assistance reflects deeper structural challenges in an economy rather than merely a shortage of foreign exchange.”
Discuss with reference to Pakistan's recurring economic crises.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 19/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

IMF, balance-of-payments crisis, foreign exchange reserves, fiscal deficit, external debt, import dependence, low tax revenue, structural reforms, economic stability.

Model Answer

Introduction

The International Monetary Fund (IMF) provides financial assistance to countries facing balance-of-payments difficulties. Pakistan's $7 billion IMF programme highlights the challenges faced by economies that repeatedly depend on external financial support.

Main Body

Reasons for recurring economic crises:

1. Fiscal imbalances: Persistent government expenditure exceeding revenue increases borrowing and debt-servicing pressures.
2. Low tax collection: A narrow tax base limits the government's ability to finance public expenditure.

3. External sector weaknesses: Import dependence and insufficient export earnings create pressure on foreign exchange reserves.
4. Structural problems: Low productivity, weak industrial competitiveness and policy uncertainty can restrict sustainable economic growth.
5. Debt burden: Repayment obligations reduce fiscal space for infrastructure, education and healthcare.

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Way Forward

Pakistan needs to broaden its tax base, improve export competitiveness, attract productive investment, strengthen energy-sector efficiency and maintain fiscal discipline. IMF assistance can provide temporary financial stability, but lasting recovery requires sustained reforms and effective implementation.

Conclusion

IMF bailouts can help countries manage immediate financial pressures, but they cannot independently resolve structural economic weaknesses. Sustainable recovery requires domestic reforms, stronger institutions and a productive, export-oriented economy.

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