



EXPLORING THE NEXUS OF PUBLIC DEBT, GOVERNMENT EXPENDITURE AND REVENUE: A LITERATURE REVIEW OF FISCAL DYNAMICS IN PAKISTAN

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Abstract:

The underlying literature-based analysis of the relationship between public debt and government expenditure and revenue, adheres to the empirical evidence around the world, and attributes it to the Pakistani fiscal environment. International literature has recognized divergent fiscal behavior amongst countries: the developed countries tend to be characterized by a tax-spend behavior where fiscal behavior is highly institutionalized and the cycles have emerged, developing countries have displayed a spend-tax or fiscal synchronization where revenue systems are weak together with high reliance on tax-borrowing. Multiple studies of Africa, Asia, and East-European countries disclose various directions of causality between fiscal variables, giving little attention to the role of the individual approaches to the triadic relationship in the direction of public debt. Using Pakistan as a case study, the analysis reveals that fiscal imbalance is persistent due to repetitive expenditure as well as ineffective tax collection and a higher level of debt. Much evidence supports that Pakistan exhibited fiscal behavior consistent with both spend-tax and fiscal synchronization hypotheses with debt being utilized more and more as a funding tool and less as a countercyclical cushion. The paper points out structural inefficiencies and weaknesses of institutions that impede the fiscal sustainability by putting the fiscal dynamics of Pakistan in the context of the global discussion. The analysis in the case of Pakistan shows deep-rooted fiscal imbalances that have been caused by long-standing expenditures, poor tax collection and even increased debt servicing, which are reflective of other developing countries in this respect. Pakistan's fiscal cycle indicates the spend-tax inclinations as well as a low level of fiscal coordination which leads to a reactive policy structure. Thus, the paper suggests that a rules-based fiscal framework should be adopted, tax base should be broadened using politically viable reforms, constraining spending that is not productive, and gearing borrowing more closely towards revenue performance. The conclusion points out that if there are no structural changes, the fiscal risks of Pakistan will not diminish. The long-term fiscal sustainability needs to be achieved via the coordination of the policy, enhancing the capacity building, and transitioning to the direction of growth-based public investment rather than short-term borrowing.

Key Words: Fiscal Policy, Public Debt, Government Expenditure, Revenue, Fiscal imbalance, Pakistan Economy

1. Introduction

1.1 Background of Fiscal Imbalances in Pakistan

Pakistan has been grappling with fiscal imbalances for decades, which have significantly hindered its economic growth and development. Pakistan's fiscal situation has been driven by



the complex and deteriorating nexus of public debt, government expenditure and revenue mobilization and with the country's government debt levels already unsustainable, limited revenue generation mechanisms and demands for more government spending leaves the country in a cycle of debt financed deficits, where borrowing becomes the default response to persistent fiscal shortfalls. This imbalance restricts fiscal space and severely limits the ability to invest in critical sectors such as health, education and infrastructure. The total public debt of Pakistan had risen to Rs 74,936 billion in April 2025 from Rs 73,688 billion in the preceding month of March 2025. Meanwhile, government spending increased to 1,152,273 million in Q1 2025 from 952,807 million in Q4 2024, while revenue increased to 13,269 billion in 2024 from 9,633.5 billion in 2023, and yet with all this revenue growth, it's still not enough to pay for the country's accelerating fiscal obligations (Trading Economics, 2025). These alarming figures illustrate the severity of Pakistan's fiscal stress and call for an urgent need to examine the causal mechanisms behind this persistent imbalance.

Given these alarming figures, the core issue lies in understanding the causal relationship between three critical fiscal indicators public debt, government expenditure and revenue generation. The increasing public debt which reached 74 billion PKR in 2025, eventually stems from rising government expenditures in key sectors like defense, energy, health and education. For example, the Ministry of Defense's budget rose from 8,626.2 USD million in 2023 to 10,166 USD million in 2024 (Trading Economics, 2025) while the Ministry of Energy's budget grew from 351,207,897 PKR in 2021 to 2022 to a forecasted 578,520,453 PKR in 2024-25. Similarly, the Ministry of National Health Services saw its budget increase from 24,832,525 PKR in 2019 to 20 to a projected 32,139,000 PKR by 2024 to 25 and the Ministry of Federal Education's budget rose from 112,578,570 PKR in 2019 to 20 to 142,205,300 PKR in 2024-25 (Finance Division, 2025). Despite these necessary increases, they place significant strain on the fiscal budget, reducing funds available for other sectors.

Despite the rise in government revenues, the growth in spending across these essential sectors far outpaces the increase in revenue. This imbalance between expenditures and insufficient revenue generation is a major factor behind Pakistan's increasing reliance on borrowing because the need to borrow more in order to cover the deficit eventually leads to drastic rise in public debt which further compounds the fiscal crisis, thus Pakistan continues to face challenges in balancing its fiscal books. Therefore, understanding the causal relationship between these variables is crucial for addressing these fiscal imbalances because if mismanaged, can threaten the fiscal sustainability but if managed effectively can contribute towards achieving fiscal sustainability.

1.2 Purpose of the Literature Review

The primary purpose of this literature review is to critically examine the complex interrelationship between public debt, government expenditure, and revenue focusing on Pakistan's fiscal framework. It aims to provide a structured synthesis of previous research by analyzing how these three variables have been studied individually and collectively in different contexts. By doing so, the review establishes a foundation for understanding Pakistan's fiscal challenges such as persistent deficits, heavy reliance on borrowing, and weak revenue generation mechanisms and evaluates how these challenges compare with trends in other developing and developed economies. This comprehensive approach helps in identifying the historical patterns, policy implications, and gaps in the existing body of knowledge that need to be addressed through future research.

Objectives



- To summarize existing studies and consolidate key findings related to fiscal dynamics in Pakistan and comparable economies.
- To identify gaps in the current literature and propose directions for future research that can inform policy reforms and fiscal sustainability strategies.

2. Theoretical Framework:

Based on the numerous theoretical attitudes, and empirical studies, four types of causality between government revenues and government expenditure can be distinguished and the causal links between these two variables are divided into following categories:

The first category of the causality is tax and spend or revenue-spend hypothesis indicates that increase in state revenues will change government expenditure. The hypothesis proposed by Friedman (1978) is based on the idea that an increase in government revenues results in an increase in government expenditures. This positive causality indicates that a rise in tax revenues causes budget deficit. The second category of causality is tax and spend or spend-revenue hypothesis which suggests that changes in spending cause change in income. This hypothesis was formulated by Peacock and Wiseman (1979), who stated that the problems that arise during a crisis lead to what may be termed as displacement effect, i.e., the current increase in government spending will eventually leads to an increase in government revenue and in this case, government expenditures lead to increases in taxes. The third type of causal connections is called fiscal synchronization that consists of the two-way connection between government revenue and government expenditure, as found and explained by Meltzer and Richard (1981). Therefore, revenues and expenditure decisions are endogenous to each other. The fourth type of causal relationship, institutional separation, is described by Baghestani and McNown (1994). This theory states that the decisions of government expenditure and decisions regarding government revenues are independent of each other.

However, these theories typically focus on unidirectional or partial causal relationships, failing to capture the cyclical and interconnected nature of the interactions between public debt, expenditure, and revenue. In contrast, Keynesian theory provides a more comprehensive framework, highlighting the dynamic two-way relationships and feedback loops between government spending and tax policies.

Theoretical Framework Applied

The theoretical framework employed in this study is Keynesian Public Finance Theory, developed by the economist John Maynard Keynes. Keynesian theory fundamentally emphasizes the role of government fiscal policy in stabilizing the economy through active management of demand, particularly in periods of economic downturns (Jahan et al., 2014).

Keynesian Principles: Recession, Stability, and Depression

The Keynesian theory enables us to relate certain economic states e.g., recession, stability, and depression and the dynamics of fiscal policy to the relationships between public expenditure, debt, and revenue.

Recession: During the times of economic, Keynesian theory encourages government spending to stimulate aggregate demand because such fiscal action will prevent additional economic decline by increasing the demand for goods and services, and to stimulate the economy toward path of recovery (Jahan et al, 2014). In this study, public debt is a tool to fund these essential expenses in times of recession without cutting of essential services.

Depression: In the course of a major economic depression, government intervention is crucial to restore back the economy, through deficit financing and public borrowing in order to finance



public works, social programmes, and infrastructure which can cause boost economic expansion and activity (Jahan et al., 2014). In the case of Pakistan, the current research identifies the role of public debt as a temporary measure for financing the required expenditure during depressions to stabilize the economy in short term and further recovery in a long-run.

Stability: In times of economic stability, theory insists that government finances should be managed properly to ensure fiscal stability. Although it cuts the deficit in good stable times, government then will be able to maintain flexible fiscal policy to cope with future shocks. The theory infers that governments should manage their public debt very carefully to adjust its taxes in order to bring about stability and avoid inflation (Ostry et al, 2010). The current research uses this principle to examine the phenomena of how Pakistan's government can balance the expenditure and revenue generation in order to maintain aligning fiscal sustainability in the long term.

In short, the Keynesian theory provides an appropriate framework to understand the dynamics between budgetary balance, public debt and fiscal expenditure and revenue in different economic situations, in a way that meets the purpose of this study. Through the analysis of these fiscal dynamics in the case of Pakistan, the study also shows how the Keynesian policies of fiscal interventions in order to recover from recessions and depressions can help economies to recover and to maintain the long-term sustainability of the fiscal position.

Fiscal Dynamics: Global Perspectives

3.1 Global Studies on Public Debt, Expenditure, and Revenue

Global studies on fiscal dynamics reveal three primary theories explain the causal relationships among fiscal variables (Tax-Spend Hypothesis (Friedman, 1978), Spend-Tax Hypothesis (Peacock & Wiseman, 1979), Fiscal Synchronization Hypothesis (Meltzer & Richard, 1981) and Institutional Separation Hypothesis (Baghestani & McNown, 1994). These theories offer foundational insight, yet most fail to incorporate public debt, a critical variable in developing economies like Pakistan.

Numerous studies report unidirectional causality from revenue to expenditure. This one-way causality between Revenue and Expenditure was illustrated by Sulejmani and Ibraimi (2018) in Macedonia and Albania based on Granger causality tests. Likewise, similar results were obtained in research carried out in Algeria (Sahed & Kahoui, 2020), Malaysia (Hanana et al., 2021), and China (Karlsson, 2019). Contrastingly, studies from Serbia (Luković & Grbić, 2014) and Nigeria (Rasheed, 2017) support the spend-tax approach, suggesting that expenditure drive borrowing and taxation, particularly under fiscal stress.

Numerous studies report compliance of Fiscal Synchronization, indicating that there is bidirectional causality between Revenue and spending. This bidirectional causality is widely observed in Ghana (Takumah, 2014) and in India by (Akram & Rath, 2019). It reflects more complex fiscal realities where simultaneous adjustments are needed for sustainability.

While many studies omit debt, a few incorporate it into causal models. For instance, Odo et al. (2019) found that expenditure in Nigeria drives debt accumulation. Kiminyei (2019) showed an interdependent relationship in Kenya, while Al Hayek (2024) revealed that debt moderates the effect of revenue on capital expenditure in Jordan. These studies underscore that debt is not a passive outcome but an active factor influencing and being influenced by fiscal policy choices.

Comparison of developed and developing countries



Developed Countries especially in OECD and EU are characterised by tax-spend pattern whereby the governments raise revenue first and then disperse spending OECD, 2013). Experiments by Magazzino (2014) and Bolat (2016) demonstrate that the one-directional causation even exists in such countries as Germany, Italy or the Netherlands as well as supporting the tax-spend hypothesis. Similarly, in ASEAN states like Indonesia, Malaysia and Singapore, the growth of revenue is what comes before the spending on the society by the government (Magazzino, 2014). This framework helps in ensuring active fiscal planning as it proposes that the government balances anticipated expenditures with predicted revenues so as to reduce fiscal imbalances.

On the other hand, developing economies are usually characterized by a spend-tax or fiscally synchronization pattern, which is more related to poor taxation systems, low administrative capacity, and external borrowing (Kiminyei, 2018). Such evidence in Nigeria and Kenya shows that governments often raise expenditure early and then either raise taxes or borrow to meet deficits (Kiminyei, 2018). In Namibia, Iyambo and Kaulihowa (2020) discovered that the effect of government expenditure on the public debt went in one way consistent with the spend-revenue hypothesis. Similarly, fiscal synchronization as evidenced in studies in Ghana and South Africa posits that revenue and expenditure decisions are made concurrently because of limited metrical space and reliance on external influences i.e. commodity prices (Baharumshah et al., 2016; Takumah, 2014).

The fiscal processes in Pakistan are similar to other developing economies: the nation suffers low tax collection, large expenditure demands, and significant dependence on credit financing to fill fiscal gaps as outlined by Soomro (2022) and Wahid (2023). The study by Soomro (2022) reveals that there is some degree of fiscal synchronization in Pakistan in which the revenue and expenditure decisions relate to each other and therefore, there is the requirement that fiscal adjustments should be made in tandem.

Debt servicing takes more than 50 percent of the national budget of Pakistan which has been severely limiting the fiscal room available to the government to utilize towards developmental spending (Wahid, 2023). This is a reflection of the patterns in other emerging economies that have structural fiscal imbalances, weak tax bases and excessive debt levels.

This difference in fiscal dynamics between developed and developing economies provides an indication of the importance of institutional strength and administrative capacity and macroeconomic stability in determining the nature of fiscal behavior. Developed nations are more fiscally conservative as they plan revenues over the long periods and developing economies are susceptible to fiscal imbalances as they respond actively to revenue measure and as necessitated by borrowing requirements. Realization of such differences can be highly informative to Pakistan in regard to the urgency of carrying out tax reforms and better fiscal discipline and strategic debt management to foster fiscal sustainability.

4. Fiscal Dynamics in Pakistan

4.1 Public Debt in Pakistan:

Pakistan's public debt has steadily increased over the past two decades, driven by fiscal deficits, poor revenue mobilization, and expansive public sector spending. Numerous studies including those by Debt Management Office (2024) and Economic Adviser's Wing (2024) highlight how Pakistan's reliance on both domestic and external borrowing has intensified, especially in times of macroeconomic shocks such as the COVID-19 pandemic. Rising debt-to-GDP ratios, crossing 70% as of FY2024, raise concerns over fiscal sustainability. The composition of debt 65.2% domestic and 34.8% external exposes the country to exchange rate



and interest rate risks. Wahid (2023) reports that more than 50% of the national budget is now allocated to debt servicing, significantly shrinking fiscal space and limiting development spending. The implications for fiscal policy are severe, as rising debt restricts the government's flexibility to respond to shocks and deliver essential public services. Similar concerns have been voiced in empirical research in other developing countries, such as Nigeria (Odo et al., 2016) and South Africa (Thusini et al., 2023), which note that prevailing issues of public debt are most likely due to cyclical expenditure and failure to raise revenue, which erodes fiscal discipline and long-term development.

4.2 – Government Expenditure in Pakistan:

The expenditure pattern in Pakistan is highly biased towards recurrent expenditure in the form of salaries, interest charges and subsidies leaving little leeway to either development or capital investments. Data in the Fiscal Operations Reports (2023 to 2024) reveals that recurrent expenditure accounts to more than 75 percent of the total spending by the government, a fact that restricts much fiscal space. The Fixed asset investing that is needed in developing infrastructure and long-term growth is not invested enough. Works such as Ahmad and Ali (2019) and IMF (2021) stress that due to this imbalance, the possibilities of the government to invest in areas that enhance productivity are lower. Moreover, a study by Thusini et al. (2023) relating to the context of Pakistan (i.e. South Africa) demonstrates that, in the former, annual expenditures on recurrent consumption are positively correlated with an increase in public debt whereas capital investment expenditure dampens the accumulation of debt. The Pakistani literature provides an indication that the country needs to re-prioritize its fiscal allocations to avoid long-term stagnation of the economy, with mounting fiscal vulnerabilities.

4.3 – Revenue Generation in Pakistan:

Weak revenue generation in Pakistan is attributed to a small tax base, large number of exemptions and inefficiencies in institutions. The tax to GDP ratios have stagnated and remain at between 10 to 11 percent, which is significantly below the average in the emerging markets. Indeed, studies by Soomro (2022) and Ahmad and Ali (2019) validate the findings that the institutional separation hypothesis contributes to this inefficiency by not aligning the revenue and expenditure decisions well. The inequality is further compounded by the fact that indirect taxes (e.g., GST, custom duties) are heavily used as opposed to direct taxes. Challenges include tax evasion, weak enforcement and political resistance to broadening the tax base. Empirical evidence from Kenya by (Kiminyei, 2019) and in Sri Lanka by (Vickneswaran & Kokilan, 2023). They suggest that stronger tax enforcement, removal of exemptions and digitalization of tax administration are critical. In Pakistan's case, tax policy reform must go hand-in-hand with structural institutional changes to ensure sustainable revenue growth.

4.4 Interactions Between Public Debt, Expenditure, and Revenue:

The dynamic interaction between public debt, expenditure and revenue forms the core of Pakistan's fiscal challenge. Soomro (2022) found evidence of fiscal synchronization in Pakistan, indicating that revenue and expenditure decisions are made simultaneously. However, this persistent deficit indicates that expenditure often outpaces revenue growth, resulting in borrowing to finance the gap. This debt accumulation further increases debt servicing obligations thus creating a vicious cycle. In Pakistan, fiscal policy has been more reactive than proactive government expenditure decisions frequently precede revenue measures, consistent with the spend-tax hypothesis. Understanding these interdependencies is vital in order to ensure fiscal sustainability and for that Pakistan must reform its revenue system, control recurrent expenditure and to ensure that debt is used for productive



investments. Without aligning these three pillars, efforts to enhance fiscal space will remain inadequate

5. Research Gap:

Based on the review of existing literature, several gaps have been identified areas that remain unexplored or insufficiently addressed. These research gaps are as follows...

Methodological Gap:

Existing research mostly uses annual data to explore fiscal dynamics, which may overlook short-term shocks and dynamic interactions between variables. This study uses quarterly time-series data from 2001 to 2024, allowing for a granular understanding of fiscal dynamics and the impact of short-term fiscal shocks.

Evidence gap:

Most of the existing studies primarily use bivariate approaches focusing either on revenue-expenditure or expenditure-debt relationships, however this study applies a comprehensive multivariate time-series analysis that simultaneously captures the dynamic interplay among all three variables.

Empirical gap:

In existing empirical studies, there is a clear lack of country-specific evidence for Pakistan. Very few studies have comprehensively explored how public debt, government spending, and tax revenue interact within Pakistan's unique institutional, economic, and political context. The few studies that do exist for Pakistan focus mostly on bilateral relationships or general fiscal trends, leaving an insufficient evidence base to inform policy-making in the country.

Theoretical Gap:

Much of the literature still operates within narrow theoretical lenses focusing predominantly on either the Tax-Spend, Spend-Tax, or Fiscal Synchronization hypotheses. However, these theories do not fully explain how public debt modifies or mediates the relationship between revenue and expenditure. However, this study applies Keynesian theoretical framework that captures how debt dynamics can influence fiscal behavior, particularly in developing economies like Pakistan that face persistent fiscal deficits, limited tax base, and reliance on external borrowing.

Policy Recommendations:

Policy Area 1: Control Expenditure Growth

Problem: Expenditure leads to higher debt; spending often exceeds revenue growth.

Feasible Recommendation: Introduce a **Soft Expenditure Growth Rule:**

- Limit *non-priority discretionary spending* growth to **maximum 5% per year** in real terms.
- Protect spending on: social safety nets (BISP), flood reconstruction, and essential infrastructure.
- Freeze *non-development operational budgets* for ministries for 2 years.

Policy Area 2: Gradual Tax Base Expansion (Low Hanging Fruits First)

Problem: Revenue drives expenditure, but the tax base is narrow and politically sensitive.

Feasible Recommendation: Start with sectors that are politically easier to tax:

- Real estate (valuation tables reform)
- Retail and wholesale trade (POS integration)
- Professional services (lawyers, consultants, freelancers)

Policy Area 3: Debt Management Discipline

Problem: Borrowing keeps increasing without directly linking to revenue strength.



Feasible Recommendation: Impose a **Debt Ceiling Rule** for new external borrowing tied to revenue performance.

- MoF drafts Fiscal Responsibility & Debt Limitation Act (Amendment)
- IMF supports capacity-building for Debt Management Office
- Quarterly debt sustainability reports published

Policy Area 4: Revenue-Linked Borrowing Triggers (IMF Conditionality Reform)

Problem: Tax revenue increases are followed by debt increases instead of stabilization.

Feasible Recommendation: IMF to apply "Revenue-Linked Disbursement Triggers"

- IMF and Pakistan negotiate revenue-linked triggers
- Publish quarterly tax-to-GDP progress reports

Policy Area 5: Create Automatic Stabilizers & Emergency Funds

Problem: Pakistan returns to IMF repeatedly due to absence of fiscal buffers.

Feasible Recommendation: Establish a **Contingency Reserve Fund (CRF)** for natural disasters and macro shocks.

- CRF legal framework drafted
- Initial capitalization using proceeds from privatization and petroleum levies
- IMF supports design and monitoring

6 Conclusion

The fiscal trend in Pakistan during the last 20 years is marked by a constant widening gap between the accumulation of a public debt and public spending and tax collecting. This paper sought to analyze the interaction between these three important fiscal insights based on a synthesis of theoretical analyses, empirical literatures, and practical contextual information relating to the situation in Pakistan. The analysis finds that the fiscal issues that the country is facing are not isolated or accidental in that the country faces systemic weaknesses characterized by structural inefficiencies and institutional weaknesses as well as policy misalignments.

The literature has consistently pointed out the fact that Pakistan has characteristics of both the spend-tax hypothesis and fiscal synchrony hypothesis. Government spending often goes ahead of government income adjustments, as the fiscal policy-making model is reactive instead of focusing on long-term sustainability. At the same time, there are examples of coordinated decision-making processes, and the expenditure and use of income can (and usually do) coincide even though there is no coordinated decision-making. These fiscal trends have been compounded by the increase in both the gross and net state debts most of which is utilized to fund recurrent spending as opposed to constructive investing. This effect is the narrowing fiscal space where debt servicing currently takes up more than half of the federal budget leaving little to be spent on development and social welfare.

The other major shortcoming of the Pakistani is in managing their revenue generation system. The tax rate relative to the GDP surprisingly remains at 10-11 % which is far lower than in the context of the emerging economies. The literature points out low tax base, vast exemption and poor tax collection as some of the major reasons of this revenue negligence. Contrary to the developed economies where revenue is a driving force of fiscal planning, the Pakistani fiscal cycle is dominated by spending requirements and borrowing, which has led to the identify spend-borrow-cycle in many developing economies.

Moreover, the Keynesian fiscal framework adopted in this study provides a valuable lens through which to assess Pakistan's fiscal behavior across different macroeconomic conditions recession, depression and stability while deficit financing may be justifiable during downturns



to stimulate demand, Pakistan's failure to consolidate fiscal accounts during periods of economic recovery has led to unsustainable debt growth. Instead of using public debt as a countercyclical tool and the state has become increasingly reliant on it as a permanent financing mechanism.

Globally, countries that have successfully stabilized their fiscal positions have done so through institutional reforms, the implementation of fiscal rules, improved tax administration and a reorientation of public expenditure toward capital formation and productivity. Pakistan is in need of adopting such strategies as well. The literature of such countries as Kenya, Nigeria, and Sri Lanka indicates the significance of digitalization of tax, legal constraints on the level of debt, and selective fiscal investments. The lessons applicable in Pakistan are quite high since still in this country, the fiscal governance is quite fragmented and politically challenged.

To sum up, it can be stated that the fiscal imbalances experienced in Pakistan are a combination of factors which can be explained by increasing public debt, an imbalance between the resources spent on the recurrent and development expenditure, and improper revenue sources. The solution to these problems needs to be technical as well as comprehensive, rules based fiscal framework would be found in institutional reform and driven by strategic coherence in policy. Unless Pakistan balances its expenditures on fiscal outlays, revenues and debts, it is likely to remain exposed to economic weakness, stagnation in its growth and financial crisis to turn to external support. Long-term measures of fiscal policy should therefore be used which form an inclusive strategy of fiscal policy that encompasses a forward thinking approach regarding fiscal policy.

6.3 Final Remarks:

The evidence underscores the urgency for Pakistan to adopt an integrated fiscal management framework. Solving fiscal imbalances does not amount to increase in taxes or reduction in expenditure but the structural reforms which means putting revenue generation on expending expenditure and managing debts prudently. This involves reallocation of the budget away to spending on consumption activities to spending which is productive and which brings economical results in the long run. Institutional changes are essential towards strengthening the independence and ability of tax authorities, incorporation of rules based fiscal governance and enhancement of the transparency in the management of the financial resources held by the government. The second priority should be reform and construction of fiscal buffers e.g., contingency reserves that protect against economic shocks by the government. Any fiscal regulations such as debt ceilings or limits to borrowing based on revenue ought to be legally enshrined and under independent supervision. Therefore, in the future, political will, capacity and governmental leadership would determine the available fiscal space in Pakistan to make possible inclusive and sustainable economic growth through strategic use of the fiscal policy. Accordingly, this study brings about a fiscal reform agenda framework that can aid in stabilization of economy even in stabilizing the economy even to reestablish sustainability of the economy also the confidence of the public finance and lays down the basis of eventual prosperity.

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