

Unraveling the Economic Quagmire: A Comprehensive Analysis of Rule of Law Violations in Pakistan

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Abstract



The rule of law is a fundamental pillar that significantly influences the functioning of a nation's economy and societal institutions. This research aims to comprehensively examine the intricate relationships between the rule of law, public welfare, economic dynamics, justice systems, and societal values, specifically within the context of Pakistan. **Methods:** Employing a meticulously structured research approach and conceptual model, the study delves into historical factors contributing to the erosion of the rule of law in Pakistan. It identifies elements that hinder the pursuit of justice, ultimately propelling the nation toward devastation marked by widespread poverty, hunger, and despair. The findings underscore the impact of individual and collective societal attitudes, administrative shortcomings, and detrimental social norms on the rule of law. Additionally, the study highlights the obstructive role played by monopolistic business practices and a corrupt ruling elite in impeding the establishment and maintenance of the rule of law. **Results:** The economic repercussions of these violations manifest in financial hardships, surging unemployment rates, escalating inflation, depleted foreign reserves, a burdensome circular debt, and a precarious external debt situation. **Conclusion:** This research underscores the imperative need to address violations of the rule of law promptly. Doing so is crucial not only to alleviate the economic crisis but also to restore the well-being of the Pakistani population. The study advocates for comprehensive reforms targeting societal attitudes, administrative efficiency, and business practices to foster a conducive environment for the rule of law, thereby paving the way for economic recovery and societal flourishing.

Keywords: Rule of Law, Violation of Law, Economic Consequences, Poverty Circle, Pakistan Economic Condition

Introduction

Since the inception of Pakistan on August 14, 1947, until the present day, the nation has grappled with a lack of political and economic stability. The primary culprit behind this enduring instability is the absence of the rule of law, where an individual or a single institution often wields disproportionate authority over the entire country. Consequently, Pakistan has continually faced economic crises, largely attributed to the dominance of specific entities, a situation that persists today amidst severe economic, political, and energy challenges (Ali et al., 2022).

In the contemporary scenario, the performance of the rule of law system is notably deficient, eroding public confidence in the judicial system. Criticism abounds regarding the justice system's transparency, with a discernible double standard wherein the law for the impoverished differs from that for the affluent. This disparity has led to a pervasive corruption within the entire administrative system, undermining the efficacy of state institutions and contributing to economic destruction, soaring inflation, and escalating unemployment rates. A sense of disillusionment prevails among the country's youth regarding their future prospects in terms of jobs and education (Ridzuan, A.R. et al. (2024).

The recent global challenges posed by the COVID-19 pandemic further underscored the governance challenges in Pakistan. Discrepancies emerged among stakeholders and political actors

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regarding strategies to combat the pandemic. While some advocated for complete shutdowns, others favored partial lockdowns, revealing a lack of effective communication and coordination. Politicians seized the opportunity for political mileage, prioritizing personal reputations over the welfare of the country, thereby exacerbating the challenges faced during this critical period (Ali et al., 2022).

Beyond the pandemic, Pakistan encountered another formidable natural disaster, with Balochistan, Sindh, and Khyber Pakhtunkhwa provinces suffering losses exceeding US \$47 million due to flooding. The devastation included the destruction of shelters and agricultural lands, leading to widespread suffering, disease, and loss of life. Regrettably, political figures sought political gain rather than prioritizing the welfare of the affected populace during relief efforts (Ali et al., 2022).

The escalating demand for the rule of law mirrors the current political instability, fueling public discontent over the unequal treatment of the rich and poor. Although the majority of Pakistan's population resides in rural areas, the rule of law appears to favor urban regions. This disparity in treatment intensifies the challenges faced by both urban and rural poor populations, necessitating urgent and comprehensive implementation of the rule of law for economic sustainability (Ali et al., 2022).

The economic and psychological toll of the rule of law violation is evident, with rising rates of psychological disorders, anxiety, depression, and an increase in obesity due to a sedentary lifestyle. Economic crises have left the population grappling with mental health challenges, further underscoring the need for effective governance and rule of law to address these multifaceted issues (Ali et al., 2022).

As a predominantly Islamic democratic country, Pakistan draws on the principles of the Holy Quran and the 1973 constitution for the foundation of its rule of law. Aligning with Islamic principles can offer a path toward economic stability through an interest-free economy that promotes wealth distribution, social harmony, and societal well-being. The adoption of an Islamic economic system is viewed favorably, with several developed countries exploring similar frameworks (Ali et al., 2022).

Corruption emerges as a significant obstacle to effective rule of law implementation, draining the nation economically. Over the past seven decades, various ruling parties, military, and political leaders have contributed to the economic challenges faced by Pakistan, bringing the country perilously close to economic bankruptcy. Current state bank reserves stand at a meager US \$4 billion, accentuating the urgency of addressing corruption and upholding the rule of law (Pakistan Defense Minister).

The rule of law violation is not only an economic issue but also extends to impact other critical areas such as children's development, education, and psychological well-being. The future of the nation is inherently tied to the growth and effectiveness of its children, making their development integral to the economic prosperity of the country (ALI M, Ateik Ah, JMIR 2023).

Literature Review

The rule of law is a foundational principle that underpins democratic governance and economic stability. In the context of Pakistan, the interplay between the rule of law and economic conditions has been a subject of extensive scholarly inquiry. This literature review aims to synthesize existing research on the implications of the rule of law for economic performance, particularly focusing on inflation, unemployment, and foreign direct investment (FDI) in Pakistan.

The concept of the rule of law encompasses the idea that laws should govern a nation, as opposed to arbitrary decisions by individual government officials. It is widely recognized that a robust rule of law is essential for fostering economic development. According to Ali et al. (2022), the absence of the rule of law in Pakistan has been a significant barrier to achieving political and economic stability since the country's inception in 1947.

The authors argue that the concentration of power in the hands of a few has led to systemic corruption and inefficiencies, which in turn have stifled economic growth and exacerbated poverty levels. Research by Ridzuan et al. (2024) highlights the detrimental effects of a weak judicial system on public confidence and economic performance. The authors note that the lack of transparency and accountability within the justice system has created a double standard, where the affluent can evade legal repercussions while the impoverished face harsh penalties. This disparity not only undermines the rule of law but also contributes to economic instability, as it discourages investment and innovation.

The economic implications of violations of the rule of law are profound. A study by Khan (2021) emphasizes that breaches of legal norms lead to inflationary pressures and increased unemployment rates. The author argues that when the rule of law is compromised, it creates an environment of uncertainty that deters both domestic and foreign investors. This uncertainty manifests in fluctuating inflation rates, which adversely affect the purchasing power of the populace and contribute to a cycle of economic decline. Furthermore, the research indicates that the erosion of the rule of law correlates with rising unemployment levels. As businesses face legal ambiguities and potential corruption, they are less likely to expand or hire new employees. This stagnation in job creation exacerbates social inequalities and fuels discontent among the youth, who are increasingly disillusioned about their future prospects (Ridzuan et al., 2024).

Investment Foreign direct investment (FDI) is a critical component of economic growth, particularly in developing countries like Pakistan. However, the relationship between the rule of law and FDI is complex. A study by Ahmed and Khan (2020) found that countries with strong legal frameworks and enforcement mechanisms tend to attract higher levels of FDI. In contrast, Pakistan's weak rule of law has been a significant deterrent for foreign investors. The authors argue that the perception of legal instability and the risk of expropriation discourage potential investors from committing capital to the country.

Moreover, the lack of a transparent legal system hampers the ability of foreign investors to navigate the regulatory landscape effectively. As noted by Ali et al. (2022), the absence of clear legal protections for investments leads to a climate of fear and uncertainty, which ultimately stifles economic growth. The authors advocate for comprehensive reforms aimed at strengthening the rule of law to create a more conducive environment for FDI.

Understanding the historical context of governance in Pakistan is crucial for analyzing the current state of the rule of law. The research design of the present study incorporates a historical evaluation of Pakistan's governance over the past 70 years, highlighting the interplay between the rule of law and economic conditions. This historical perspective reveals patterns of governance that have consistently undermined the rule of law, including military interventions and political instability. The segmentation of leadership tenures, as discussed by Ali et al. (2022), provides insights into how different political and military regimes have influenced the rule of law and economic outcomes.

The periods of military rule have often been characterized by a disregard for legal norms, leading to widespread corruption and economic mismanagement. This historical analysis underscores the need for a comprehensive understanding of how governance practices have evolved and their impact on the rule of law. Social Factors and Public Perception The social implications of the rule of law extend beyond economic metrics. A study by Khan (2021) emphasizes the importance of public perception in shaping the effectiveness of the rule of law. The author argues that when citizens perceive the legal system as biased or corrupt, their willingness to engage with formal institutions diminishes. This disengagement further erodes the rule of law and perpetuates a cycle of instability.

Moreover, the research highlights the role of education in promoting a culture of respect for the law. As noted by Ali et al. (2022), enhancing access to education, particularly in rural areas, is essential for fostering a more informed citizenry that can advocate for legal reforms and accountability. This emphasis on education aligns with the broader goal of creating a unified front against the divisive forces of provincialism and linguistic disparities that have historically plagued Pakistan.

In conclusion, the literature on the rule of law and its economic implications in Pakistan underscores the critical need for reforms aimed at strengthening legal institutions. The interplay between the rule of law, economic performance, and social factors is complex and multifaceted. As this review highlights, violations of the rule of law have far-reaching consequences, including inflation, unemployment, and diminished foreign direct investment. Addressing these challenges requires a comprehensive approach that encompasses legal reforms, educational initiatives, and efforts to enhance public trust in the judicial system. By fostering a robust rule of law, Pakistan can pave the way for sustainable economic growth and social stability.

Hypothesis Formulation

- H0 Political Parties are the main hurdles in the implementation of the Rule of Law
- H1 Security Establishment is the cause of the implementation of the Rule of Law
- H2 Corrupt Businessmen are the main hurdles in the way of the Rule of Law

H3 These three factors are responsible for the way of the Rule of Law implementation and the Economic bankruptcy of Pakistan

Research Methods

Research Model

The conceptual model applied for the present research to evaluate the link between the Rule of Law and the economic situation in the country we used three variables for evaluation economic-evaluation, unemployment, and inflation heatmap which is directly linked with the country's stable or unstable position, stable position to present the rule of law is working whereas the unstable position of the country at present there is the poor situation of the rule of law.

By equation, we can represent the rule of law as:

Rule of Law = Economic Evaluation of the country + Inflation Heatmap + Unemployment Rate + FDI Foreign Direct Investment

It can be further represented equatorially as :

$$ROL = EE + IH + UR + FDI$$

In the case of Rule of Law implementation, we can represent the equation as:

$$ROL = EE + IH + UR + FDI = \text{Balance Situation} + \text{Rule of law working}$$

$$ROL = EE + IH + UR + FDI = BS + ROLW$$

We can represent the equation here as

Balance Situation in Country + Rule of Law can be represented as Σ

Mathematically it can be represented as

$$ROL = EE + IH + UR + FDI = \Sigma$$

In case of a poor situation of Rule of Law, we can represent the equation as

$$ROL = EE + IH + UR + FDI \neq \Sigma$$

Further Mathematically we can represent the situation as

$$ROL = \alpha + \beta + g + FDI = \Sigma$$

Whereas “ α ” is EE Economic Evaluation and “ β ” represents IH Inflation Heatmap and “g” represents UR Unemployment Rate and Foreign Direct Investment represents “FDI”

The equation can be written as:

$$\text{In the case of Rule of law implementation } ROL = \alpha + \beta + g + FDI = \Sigma$$

Or as

$$\text{In case of poor situation of Rule of law } ROL \neq \alpha + \beta + g + FDI \neq \Sigma$$

Research Sample

In the current research study “violation of the rule of and its economic consequences” Pakistan is selected for the research sample, this country is selected because it's facing multiple challenges related to rule of law-economic challenges, and the country's internal political issues among different democratic parties, discrimination of rich, and poor, exploitation of rights, poor governance system, the corrupt ruling elite, the monopoly of the ruling elite, a monopoly of businessmen, corrupt politician influence on top business in Pakistan such as “Sugar Mills” industry, Cement industry, construction and railway projects and many others.

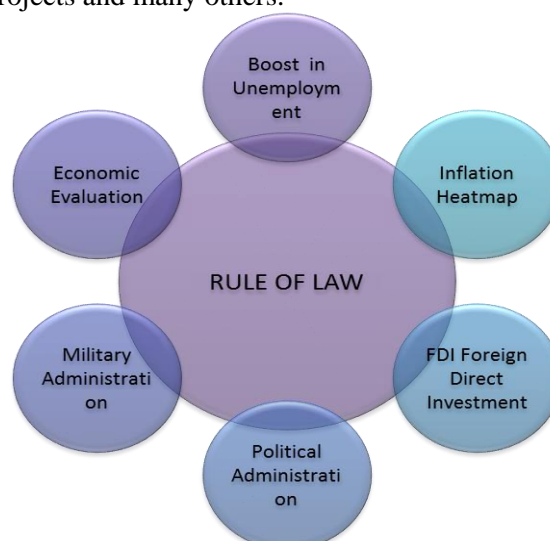


Fig 1: Conceptual Model Linkage between ROL Rule of Law and other 3 factors EE Economic Evaluation “ α ” IH Inflation Heatmap “ β ” and Unemployment Rate “ γ ” associated with the political and military administration.

Source: Author Research

Research Design

As per the research design, a comprehensive historical analysis of Pakistan spanning the last seven decades will be conducted, focusing on the intricate relationship between the rule of law and the country's economic conditions. The study aims to dissect the roles played by the ruling elite, corrupt business entities, and both political and military leadership in shaping Pakistan's economic, social, and international standing. The research design outlines a systematic approach to segregate the tenures of political and military leadership, evaluating their respective progress and the influence of the rule of law on the overall landscape of the country.

The key components of the research design include:

Historical Evaluation: A meticulous examination of Pakistan's history over the past 70 years will be undertaken, highlighting the interplay between the rule of law and economic conditions. This historical context will provide a foundation for understanding the evolution of governance and its impact on various sectors.

Elite and Leadership Influence: The research will delve into the roles played by the ruling elite, corrupt business entities, as well as political and military leadership in contributing to the economic, social, and international challenges faced by Pakistan. The aim is to identify patterns and mechanisms through which these entities have influenced the nation's trajectory.

Segmentation of Leadership Tenures: Political and military leadership tenures will be carefully segregated to analyze their distinct contributions and the varying influence of the rule of law during different periods. This segmentation aims to provide a nuanced understanding of how governance practices evolved over time.

Evaluation of Social Factors: The research design includes an in-depth assessment of various social factors, such as inflation rates, surges in unemployment, and perspectives on financial and economic issues. These factors, directly or indirectly linked to the rule of law, will be scrutinized to comprehend the broader impact on the well-being of the population.

By adopting a holistic approach, the research design seeks to unravel the intricate connections between governance, the rule of law, and Pakistan's multifaceted challenges. Through this comprehensive analysis, the study aims to offer valuable insights into the historical dynamics that have shaped the country's economic, social, and international standing.

Research Gap

The ongoing study seeks to provide a succinct examination of the economic repercussions resulting from the breach of the rule of law. Additionally, it endeavors to explore the broader impact of the rule of law on various social facets within society, particularly focusing on its implications for the health system.

Economic Consequences:

Inflationary Pressures: Violations of the rule of law can contribute to economic instability, leading to price fluctuations and an upswing in inflation rates. Consequently, this adversely affects the purchasing power of the populace.

Unemployment: The violation of the rule of law may contribute to an uncertain economic environment, deterring investments and hindering business operations. Consequently, there could be an increase in unemployment rates as businesses grapple with sustaining their operations.

Foreign Direct Investment (FDI): A lack of adherence to the rule of law can create an unfavorable investment climate, dissuading foreign investors from committing capital. This may result in a decline in FDI, thereby impacting the country's economic growth.

Social Factors - Health System:

Access to Healthcare: The rule of law plays a pivotal role in ensuring access to healthcare for all citizens. Violations of the rule of law may lead to disparities in healthcare services, limiting accessibility for certain segments of the population.

Quality of Healthcare: A robust rule of law contributes to maintaining standards and regulations within the healthcare system. Violations may compromise the quality of healthcare services, posing risks to public health.

Equity in Health Services: Adherence to the rule of law is vital for promoting equity in the distribution of health services. Violations can exacerbate existing disparities, leaving vulnerable populations with inadequate access to healthcare.

By examining these economic and social dimensions, the study aims to illuminate the multifaceted impact of the violation of the rule of law. This comprehensive understanding is crucial for developing well-informed policies and interventions that address the challenges arising from a lack of adherence to the rule of law, ultimately promoting the well-being of both the economy and society.

Research Objective

The research aims to delve into the forces and factors that obstruct the fair and transparent application of the rule of law in Pakistan. A primary objective is to identify and understand the elements that resist the establishment of an effective rule of law. Additionally, the research seeks to explore the intricate connections between the rule of law and the country's economic landscape, as well as its impact on overall growth and development.

Specifically, the study will investigate the correlation between the rule of law and key economic indicators, such as inflation rates, unemployment levels, and foreign direct investment (FDI). These indicators are crucial components of the economic framework, directly influencing the overall economic health of the country. Understanding how the rule of law interplays with these factors will provide insights into its role in shaping economic dynamics.

The research will also examine the broader impact of the rule of law on significant social factors, aiming to uncover its effects on various aspects of society. This includes analyzing how the rule of law influences the prevalence of inflation and unemployment, both of which have far-reaching consequences on the well-being of the population. Furthermore, the study will explore the relationship between the rule of law and FDI, recognizing the importance of foreign investments in fostering economic growth.

By investigating these aspects comprehensively, the research aims to contribute to a nuanced understanding of the challenges and opportunities associated with the rule of law in Pakistan. Identifying impediments to its transparent application and assessing its impact on economic and social parameters will provide valuable insights for policymakers, scholars, and stakeholders alike. Ultimately, the goal is to inform strategies and reforms that can promote a more just, transparent, and economically robust environment in Pakistan (*Prof. Dr. Abdourahman Aljounaidi et al., 2024*).

Evaluation of Military Ruler's Government Tenure

Pakistan experienced military rule for a significant duration spanning approximately 33 to 38 years, starting from the day of independence until 2008. The first military ruler, President Ayub, governed from 1958 to 1971, holding indirect influence as the Commander in Chief from 1951 to 1969. Subsequent military leaders included Zia-ul-Haq (1977-1988) and Pervez Musharraf (1999-2008). Throughout this period, Pakistan encountered various crises, including economic instability, soaring inflation, unprecedented unemployment, currency devaluation, industrial collapse, and a shift from nationalization to privatization of state institutions.

Despite exceptions, notably during Zia-ul-Haq's tenure, the military leadership faced criticism for prioritizing its institutional interests over the broader national welfare. The focus on individual and institutional gains, as opposed to the country's overall development, was evident in decisions such as appointing retired military personnel to key positions, limiting employment opportunities for the educated youth.

The military leadership's inclination to prioritize familial and personal connections over meritocracy further fueled discontent, especially among the youth. The practice of offering retired military personnel prominent positions post-service contributed to the rising unemployment rate. This prioritization of personal interests over national well-being created a sense of hopelessness among the youth.

The military government's tendency to disregard the rule of law during its tenure exacerbated economic challenges in the country. The consequences of this approach are still felt today, as Pakistan grapples with multiple ongoing challenges.

In summary, the military rulers, while demonstrating occasional successes, failed to consistently prioritize the broader interests of the country over institutional or personal gains. The

consequences of this approach continue to reverberate, underscoring the importance of adherence to the rule of law and comprehensive, people-centric governance.

Evaluation of Political Parties Ruler's Government Tenure

For nearly 35 to 40 years, political rulers in Pakistan have shaped the nation's trajectory, with the initial period marked by commendable progress under the leadership of the Muslim League during the era of figures like Liaquat Ali Khan, Fatima Jinnah, and Quaid-e-Azam. Despite the limited time since independence, the country witnessed notable advancement. However, this positive momentum faced disruption when Zia-ul-Haq, a military leader, seized power from the democratically elected government of Zulfikar Ali Bhutto.

Subsequently, two major political parties, PPP (Pakistan Peoples Party) and PML (N) (Pakistan Muslim League - Nawaz), have alternately governed Pakistan for the past 35 years. Regrettably, during their tenures, these parties have been marred by extreme corruption, causing irreparable harm to the nation. Pakistan's foreign debt has surged to precarious levels, accompanied by alarming spikes in unemployment and inflation rates. Daily fluctuations in the prices of essential commodities, a rise in criminal activities, and a decline in industrial activity characterize the bleak state of affairs.

The energy crisis has escalated, with exorbitant prices of petroleum products further burdening the populace. Large-scale projects initiated by these parties were marred by high costs and hefty commissions, often shielded by claims of immunity from legal consequences. Presently, as these political entities continue to govern, Pakistan's foreign reserves have dwindled to a mere US \$4 billion, pushing the country to the brink of destruction.

The prevailing situation in Pakistan is marked by widespread anarchy and chaos, leaving the populace disillusioned. Pessimism among the youth is pervasive, prompting many university graduates and degree holders to seek opportunities abroad for a more promising future. The educational system is faltering, state departments operate inefficiently, relying on outdated record-keeping methods. Incompetency within state departments is evident, contributing to the nation's overall debt-ridden status. The performance of political parties remains conspicuously inadequate, fostering an environment of discontent and despair among the population.

Inflation Heatmap

In Pakistan, the phenomenon of inflation is intricately linked to petroleum prices, particularly impacting the prices of essential commodities. From its inception to the present day, inflation has exhibited a persistent upward trend, fluctuating with varying degrees of severity during different periods. The inflation rate in the country tends to differ across timeframes, influenced by diverse factors.

One of the primary drivers of inflation is the imbalance between high imports and low exports. Supply-demand disruptions further contribute to inflationary pressures, stemming from heightened demand and insufficient supply. The prevailing state of unrest and a blatant violation of the rule of law in Pakistan have created an environment where there is a lack of systematic control over prices. Except for state-owned entities like the Utility Superstore, there is a notable absence of an effective price control mechanism, allowing arbitrary price hikes at any given time.

Currently, Pakistan is experiencing the highest inflation rate in its history, reaching an alarming level of almost 100%. Some specific products have witnessed an astounding 200% increase in prices. However, amidst these unsettling economic circumstances, there is a conspicuous absence of an effective rule of law and a functioning justice system to address the prevailing issues. This absence has resulted in a lack of accountability and control over the economic landscape.

The consequences of this situation are dire, particularly for the middle-class population, as inflation pushes them into increasing financial strain. The impoverished are further marginalized, with some descending into destitution. The impact on daily life is palpable, with people waiting in lines for basic necessities like wheat flour and facing the threat of starvation. This distressing scenario is fundamentally attributed to the violation of the rule of law, which has left the economic landscape vulnerable to unchecked inflation and its severe social repercussions.

Boost in Unemployment

Over the past 11 months, Pakistan has witnessed a staggering 37% increase in the unemployment rate, sparking concerns and anxiety among young graduates about their future prospects. A disheartening statistic reveals that 74% of Pakistani youth holding university degrees aspire to leave the country for

better employment opportunities and future perspectives. The severity of the situation is further underscored by the closure of nearly 1,200 industries due to energy crises, resulting in approximately half a million individuals losing their jobs amidst the current political instability.

The impact of this alarming scenario is particularly significant given the youth's pivotal role as the main workforce and backbone of the nation. A direct consequence of this crisis is the exodus of approximately 700,000 youths leaving the country for job opportunities in Dubai and Saudi Arabia within a span of seven months. This mass departure of skilled and educated individuals poses a serious threat to Pakistan, as the youth demographic constitutes a crucial element for the nation's economic development (*Irfan et al., 2024*).

The situation is even more critical considering global challenges faced by countries like Japan and Germany, where a growing generation gap exists. These nations are grappling with an aging population, necessitating the recruitment of a workforce from other countries. Pakistan, fortunately, possesses a significant advantage with 65% of its population being comprised of youth. However, the unfortunate reality is that the country is losing this invaluable human capital due to the prevailing circumstances.

In essence, the mass departure of educated and skilled youth has far-reaching implications for Pakistan's economic and social fabric. Addressing the root causes of the unemployment crisis, political instability, and energy shortages is imperative to retain and harness the potential of the nation's youth for sustainable growth and development.

Economic Evaluation

Since gaining independence, Pakistan has weathered numerous economic crises under both military and political leadership. Currently, the nation grapples with an external debt and liabilities amounting to nearly US \$130 billion, constituting 95.39% of its GDP, as reported by the Financial Express Pakistan (*Dr. Salman Azam Joiya et al., 2023*). To address the economic challenges, Pakistan has imposed a ban on the imports of non-essential luxury items, effectively shutting down a significant portion of imports due to a lack of sufficient US dollars to fund these transactions. The ban encompasses items such as mobile phones, automobile accessories, home appliances, and 33 other commodities, aiming to reduce the Dollar gap and stabilize the Pakistani Rupee, as outlined by the Ministry of Finance on August 15, 2022.

This import restriction has led to numerous ships standing idle at ports, as clearance is hindered by the scarcity of dollars. Major companies in Pakistan have faced operational halts for the past 11 months, desperately requiring raw materials and foreign exchange to resume activities. Consequently, several industries, including automobile giants Suzuki, Honda, and Toyota, have halted operations due to the lack of essential resources, as reported by Bloomberg on February 19, 2023.

The economic fallout has extended to the export sector, witnessing a continuous decline that further compounds the nation's economic woes. This decline, coupled with the government's inability to navigate the economic crisis, has resulted in approximately seven million job losses in Pakistan, primarily affecting those employed in textile and related industries, according to Businessrecorder in January 2023.

The International Monetary Fund (IMF) has conveyed concerns to the Pakistani government, highlighting a non-debt creating inflow shortfall of US \$13.8 billion compared to budgetary estimates in the current fiscal year. The Pakistan Bureau of Statistics (PBS) indicates a narrowed trade deficit of nearly US \$19.6 billion in the first seven months of fiscal year FY2023, attributed to import restrictions that have led to a 7.2% decrease in exports.

Additionally, the circular debt in Pakistan has surged to RS 4,177 billion, with the energy sector's outstanding debt increasing by RS 129 billion annually. This escalation of financial obligations is attributed to a combination of factors, including administrative corruption, political instability, and a violation of the rule of law, as reported by Tribune in April 2023.

FDI Foreign Direct Investment

Foreign Direct Investment (FDI) in Pakistan has experienced a staggering 44% decline, reaching almost negligible levels, as overseas investors express concerns about the lack of security and rule of law in the country, as reported by Livemint. This apprehension among investors has resulted in a severe economic setback.

Compounding the issue is the widespread lack of confidence among Pakistanis in the current administration. This lack of faith is mirrored in the alarming decrease in foreign remittances, which

have plummeted to a precarious level. In 2021, foreign remittances stood at US \$32 billion, while in the fiscal year 2022, they have dwindled to a mere US \$8 billion, marking a substantial decline. The erosion of confidence and decrease in remittances can be attributed to the absence of a robust rule of law in Pakistan.

One of the sectors significantly impacted by this economic downturn is the real estate business, where overseas investors traditionally invest by purchasing property. Currently, the real estate industry is experiencing a virtual standstill as overseas investors are hesitant to engage in any transactions or investments. This hesitancy is primarily linked to the prevailing political instability, a direct consequence of the violation of the rule of law in the country. The reluctance of overseas investors to buy or invest in various sectors is a testament to the far-reaching repercussions of the political and legal uncertainties plaguing Pakistan's economic landscape.

Results

Comparative Analysis of Economic Situation Under Military and Political Administration

Throughout its history, both military and democratic administrations have posed significant challenges to the Pakistani economy. While the daunt posed by military administrations may be slightly less than that of democratic political parties, it is crucial to acknowledge that political parties ruling Pakistan over the past four decades have been extensively supported by the security establishment. Consequently, the security establishment indirectly emerged as a dominant force within the Pakistani government. It is noteworthy, however, that the complicity of corrupt politicians and businessmen in perpetuating a culture of corruption cannot be overlooked. In essence, Pakistan has grappled with the detrimental impacts of the security establishment, corrupt politicians, and monopolistic businessmen over the last seven decades. These actors have consistently obstructed the path to progress and development, impeding the effective implementation of the rule of law in the country. Over this period, these three influential factors have consistently prioritized their own interests, as well as those of their relatives and close associates. This self-serving orientation has widened the divide between the rich and the poor in Pakistan, with the capitalist system and rule of law violations exacerbating the socioeconomic disparities. The consequence has been an alarming economic imbalance, pushing Pakistan perilously close to the brink of financial bankruptcy and economic destruction. Our results, supported by the hypothesis, indicate that governments led by both democratic political parties and military administrations have significantly contributed to the economic distress and plight faced by the Pakistani public.

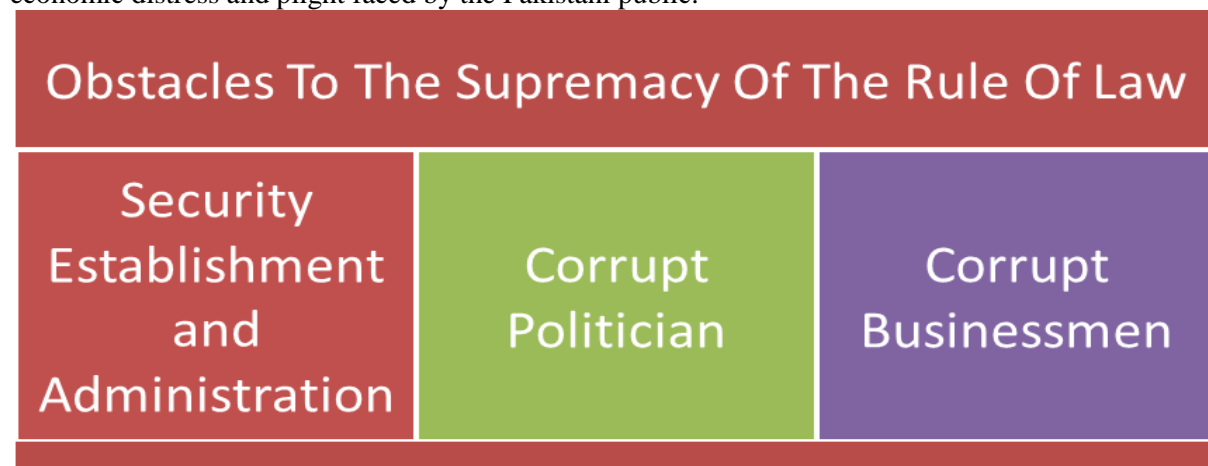


Fig 2: Obstacles to the supremacy of the rule of law, and responsible factors of economic crisis consequences in Pakistan

Perceptions about Government, Rich, and Poor Discrimination Regarding Accountability: A prevailing sentiment among the people of Pakistan is that the affluent, those in government positions, and those wielding power are immune to consequences, shielded from the reach of the law or any other authority. This perception has given rise to a stark disparity in treatment between the wealthy and the underprivileged, fostering a breeding ground for societal ills like envy, malice, and jealousy. Consequently, this discrimination gap has contributed to a surge in criminal activities (*Aljounaidi, A et al., 2023*). Moreover, the disadvantaged segment of society is grappling with mental and psychological stress, often stemming from an ingrained sense of inferiority complex.

Public Perceptions about Government and State Institution People: The populace in Pakistan perceives politicians, government officials, the elite class, bureaucrats, and state institutions such as the police as being tainted by corruption. This viewpoint stems from the belief that individuals within government institutions are often unwilling to fulfill their duties without the influence of bribes. Furthermore, there is a prevailing perception that when actions are taken, they are primarily directed towards benefiting their own circles of family and friends, rather than addressing the needs of the general public.

Bribery Victimization: Petty bribery has become endemic in Pakistan, with over half of the population resorting to paying bribes to secure assistance from the police and various institutions. Additionally, the public often finds themselves compelled to offer bribes for medical treatment, facing challenges in accessing timely and uncomplicated healthcare from state hospitals without the aid of personal references.

Violation of Fundamental Rights: Pakistanis hold optimistic perspectives on fundamental freedom rights, considering them crucial for the progress of the country. However, due to the persistent violation of the rule of law, governments have faltered in delivering essential rights to the public, encompassing access to education, healthcare, and food facilities.

Decline of GDP: Owing to political instability and a disregard for the rule of law, the economic landscape has deteriorated substantially. In Fiscal Year (FY) 2021, the GDP growth rate stood at 5%, but there has been a notable decline in FY 2022, with the growth rate plummeting to 3.9%. The ongoing decline is attributed to the pervasive unrest prevailing throughout the entire country.

Overseas Investors Withdrawing Investments: The inadequacies in the enforcement of legal frameworks within the country have instilled a sense of apprehension among overseas investors regarding the security of their investments in Pakistan. Both local and international investors are contemplating the withdrawal of their investments, opting to redirect their financial endeavors to countries where they perceive a greater sense of security. This development poses a serious and alarming threat to the nation's economy, amplifying the economic challenges faced by Pakistan.

Surge in Commodity Prices: The escalation of commodity prices is a daily occurrence, with market stability remaining elusive. Unprecedented levels of market volatility are observed, as the stock market experiences a continual decline, with the index rate plummeting steadily. The disruption in the balance between supply and demand exacerbates the lack of equilibrium in the market, contributing to heightened market uncertainty. Essential commodities witness a staggering increase in prices, nearly doubling in some instances. The aforementioned economic challenges stem from the violation of the rule of law.

Conclusion

The populace is grappling with severe financial and economic distress, entangled in the relentless cycle of poverty. Individuals are resorting to drastic measures, including suicidal tendencies and succumbing to starvation due to widespread hunger. Unemployment rates are soaring precipitously, while the inflationary pressures intensify daily. Foreign reserves are nearly depleted, exacerbating issues such as a burgeoning circular debt, a substantial current deficit, and an overwhelming external debt. The overall economic landscape is dire, primarily attributed to a flagrant disregard for the rule of law.

Government institutions are plagued by inefficiencies, contributing to the prevailing economic turmoil. The elite class, rather than facilitating the proper functioning of state institutions, is actively impeding their efficacy. This obstruction is driven by the elite's singular focus on consolidating their dominance, a pursuit that exacts a heavy toll on the nation, manifesting in widespread economic and social devastation.

Policy Recommendation and Implications

In order to rescue the entire nation from impending economic catastrophe and propel it towards progressive development, it is imperative that individuals and institutions alike prioritize the interests of the country. A collective commitment to the advancement of the nation must supersede individualistic considerations. The paramountcy of the rule of law should be staunchly upheld, prompting collaborative efforts among legal experts, economic analysts, and consultants to formulate and implement novel policies conducive to legal and economic development. Every member of society must actively contribute to the nation's progress, with a concerted effort to eradicate parochial thinking and foster a mindset geared towards collective welfare. A collaborative forum involving

legal experts, economic analysts, and consultants should convene to strategize and devise policies aimed at reinforcing the rule of law and driving economic growth.

Simultaneously, an emphasis on education is paramount, necessitating the promotion of learning in both rural and urban areas. Access to fundamental knowledge should be universal, ensuring that every individual is equipped with a foundational understanding.

To overcome the divisive forces of provincialism and linguistic disparities, a unified front must be forged. The nation's trajectory towards development hinges on the dissolution of these divisive tendencies, fostering a harmonious and inclusive environment conducive to progress.

Declarations

Ethical Approval and Consent to Participate

The current research study was designed, reviewed, and approved by Research Management Board (RMC) MEDIU Al-Madinah International University, and we completely adhere to Research Ethics and Governance. The current research project is run by (Principal Investigator) Muhammad Ali & research team. Each co-author has participated in the project start-execution-end. We solely declare that we have participated in the above health research project related to "VIOLATION OF THE RULE OF LAW CAUSES SERIOUS ECONOMIC CONSEQUENCES: EVIDENCE FROM PAKISTAN".

Competing Interest

There is no conflict of interest exists among authors.

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