



Governance and Economic Growth Nexus: Challenges and Opportunities for Pakistan; Post Covid-19 Analysis

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ABSTRACT

Post novel coronavirus-19 has created a challenging situation for developed as well as developing countries to sustain their economic stability. There are lot of controversies for policy makers to formulate an effective governance policy for reviving economic strength and to minimize economic effects of this pandemic. The present study focuses on the deliberation of current state of economy in Pakistan after 4th wave of COVID-19. This study further analyzes the effects of governance policies for restoring economic stability in Pakistan. To measure governance, world governance indices (WGI) has been used while economic stability has been measured through growth in GDP per capita. The data about economic and social indicators has been collected for the period of 1996 to 2021. To ascertain the empirical results, multiple linear regression model has been applied. Main results are in favor of positive and significant effects of governance effectiveness on economic stability of the country. Future studies may focus on the role of effective governance policies to achieve economic stability in regional blocks like EU, ASEAN, G 20 and OECD.



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1. Introduction

The Novelcoronavirous-19 has distressed the global economy and obligated the policy makers to restate their preferences and policy measures for sustainable economic development. It has pushed the world economies in deep and serious recessions. The COVID-19 have drastic and acute effects on the economies of developing countries, which were already in their serious economic, social and political crunches. According to Bank (2020), the global economic growth rate is expected to decline by (4.9) % in fiscal year 2020-21. The World Economic Outlook has projected very high degree of uncertainty in aggregate demand of global economy. Due to this pandemic, economic activities in developing as well as in developed economies have adverse effects on key economic parameters like employment, investment, growth in industrial and agriculture sectors (Outlook, 2009).

The major contributors of developing countries like Pakistan are agriculture and industrial sectors which are interdependent to each other, It means that if industrial sector is deteriorating its contributions to economic growth, then other sectors also carry adverse effects. Agriculture sector is providing raw material to industrial sector and industrial sector is providing automated technologies to amplify the agriculture growth. The current pandemic has hit both sectors simultaneously which has multiplied adverse effects on economic and social indicators. This pandemic has more severe economic consequences and repercussions than anticipated.

The present study is an attempt to investigate the impact of governance policies on economic stability in Pakistan. This study analyzes the current status of devastation due to COVID-19. To cope up these challenges, there are multiple recommendations by international agencies like WHO. More particularly, the current ongoing pandemic has compelled the policy makers to reframe their policies for achieving economic stability.

Main objectives of the study are as follows

- To examine current status of economic stability in Pakistan in pandemic situation
- To identify main determinants of governance policy and its effectiveness in Pakistan
- To examine the governance effectiveness in achieving economic stability in Pakistan

These objectives are integrated with each other. The economic stability is one of the prime objectives of the countries, irrespective of developed or developing. The economic stability can be interpreted into sustainable economic growth, price stability and employment opportunities. An effective management policy can stabilize the economy. Bleaney (1996) has focused on good management policies for fostering sustainable economic growth. He has further explained that there are two main factors, which play significant role in nurturing economic growth; First is capital formation and second is external sector development. The role of capital formation is determined on the top management commitment to progress in main sectors of economy, prevailing economic and human resources, institutional infrastructure, available utilities, current phases of economies and priority areas, identified by the policy makers. In this regard, the role of donor agencies is very vibrant and significant.

There is no perfect prediction about the longevity of this world-wide pandemic, which has been started in 2019 and it may transform into different shapes like introduction of new disease named as Omicron from South Africa. It has deep rooted and prolonged adverse effects on developing as well as developed economies. Relatively, developing economies are more affected than developed economies. The World Bank (2020) has published its flagship report about Global Economic Prospects (2020) and identified the critical situations of developing countries during Pandemic 2019. The report further explains that global growth is expected to decline by 5.2 percent and this pandemic is considered as deepest global recession since Second World War. All economic and social indicators in the globe are showing declining trends. The report has further highlighted multiple sectors to improve the economic situation and make the economies more resilient to cope up the situations in future. Main areas of improvement are health sector facilities, policy formulations and more elastic innovative systems. The report emphasized on global cooperation to save vulnerable population in the developing countries and improve the country's capacity to cope up this situation in future (Outlook, 2009).

2. Literature Review

This section covers current economic situations of developed and developing countries during COVID-19, challenges and opportunities for Pakistan economy in achieving economic stability in developing economies.

2.1. An Overview of Global Economic Situation during COVID-19

COVID-19 has embraced astonishing effects on the global economy and pushed the world economies into deeper economic and social crisis for which the world was neither prepared nor imagined. This crisis has created multidimensional problems in health sector, employment sector, poverty issues, adverse law and order issues, depravedness of basic necessities, vulnerability in the societies and problems in nonavailability of medical treatments in the hospitals. This pandemic has created deep rooted damages to the determinants of economic growth prospects in the world economy and have ruined the standard of livings and created deep recession. The World Bank has published a Flagship report on Global Economic Prospects in 2020. The report has comprehensively discussed the effects of COVID-19 on global and regional economies.

This pandemic has resulted in huge contraction in financial conditions in developed as well as emerging and developing economies. The global economic growth contraction is expected to 5.2 percent during financial year 2020-21. The advanced economies are expected to reduce their economic growth by 7.2 percent. Among the advanced economies, the EU has rigorously affected and their economies are projected to contract around 9.1 percent (Bank, 2020). The real GDP of High-Income Countries is projected to reduce by 6.8 percent as compared to contraction of developing economies by 2.4 percent during FY 2020. The world trade volumes have constricted up to 13.4 percent which has left a majority of unemployed and vulnerable population. The low-income countries are expected to grow by one percent. One of the drastic impacts has been observed on oil prices which has reduced by 47.9 percent due to reduction in international demand for oil.

All major sectors of advanced economies have been disrupted due to COVID-19. The second wave of this pandemic is on its high surge which may further aggravate the intensity of economic, social and financial conditions of the economies. For instance, US economy is expected to contract by more than 6.1 percent which has very serious repercussions on its economic and social fronts. The people have to face high unemployment and rising inflation. There was a massive reduction in retail sales and industrial production during COVID-19. Similarly, the economic growth in emerging economies like Malaysia, China, India and Thailand has worsened more than expected in first quarter 2020 and there is high probability that it will further decline with massive magnitude in second quarter (Bank, 2020).

The worst effects of this pandemic have been observed in the developing economies. For the first time, all the regions are projecting negative economic growth in FY 2020-21. All the developing countries have structural differences but particularly, South Asian countries have to face longer lockdowns for more than six months which has created a massive decline in aggregate demand and increase in precautionary savings. In other words, capital formation in the developing countries have drastically declined and it has hit the employment sector severely. More than 6.65 million people have become unemployed only in Pakistan during fiscal year 2020-21.

These adverse effects have been observed in all the developing nations. For instance, Indian economy has suffered severely due to Coronavirus -19 and its unemployment went up to 24 percent in Fiscal Year 2020. Due to instantaneous and strict lockdowns in major cities, all the economic activities have been suspended. There are three main sectors; agriculture, services and manufacturing sectors, which have directly hit due to COVID-19 in the South Asian Economies (Islam, Jannat, Al Rafi, & Aruga, 2020). When the industrial sector remains closed then there is no question of employment and high surge in unemployment has been observed in Indian economy during FY 2020-21. The second wave of this pandemic has knocked down Indian economy at its record level. In the month of April, 2021, the number of Covid Cases has spiked up to 350,000 per day and death toll has surged more than 2700 per day. This emergency situation has collided whole infrastructure of Indian economy. Basic reasons behind this situation

are unprecedented intensity of the pandemic, wrong perception of the people about Covid-19, lack of public health infrastructure and lack of intensive care regarding the SOPs (Standard Operating Procedures) related to Covid-19 (Islam et al., 2020).

In Pakistan, all major sectors of the economy have drastically affected due to Covid-19. Mostly, manufacturing, services and MSMEs (Micro, Small and Medium Sized Enterprises) sectors have shown drastic decline in their respective growths. Shafi, Liu, and Ren (2020) have investigated the effects of Covid-19 on small and medium enterprises in Pakistan. They have observed a sharp decline in sales growth, supply chain, decrease in demand and reduction in profitability of MSMEs. The authors have conducted a questionnaire survey from 184 firms from Pakistan and concluded that if the lockdown remained persistent then 2/3 firm may not be able to survive. Almost same situation has been prevailed in other developing countries (Ahadu, 2020).

This pandemic has not given any relaxation to developed economies in spite of having good health infrastructure, capital availability and advanced technologies. All European economies, especially Italy, France and Germany have seriously affected due to COVID-19. A high death toll has been observed in these countries on daily basis. The doctors and other paramedical staff have sacrificed their lives during their official duties and strived their best to recover the patients. Similarly, USA economy has suffered a serious setback on economic and social fronts. The economic indicators have reflected negative growth in major sectors of the economy. For instance, real GDP growth in second quarter of FY 2020 in USA has declined up to 31.40%. The unemployment rate has spiked up to 14.7 percent which have not observed since the era of Great Depression. These adverse numbers have created a serious distress in US economy on economic, social and political fronts. The current political crisis has damaged US democratic system and further intensified the economic situation but this aspect is beyond the scope of current study (FUND., 2021).

In this regard, the role of good governance is very vital for coping these issues. Pakistan is facing internal and external challenges in every sector of economy. In internal challenges, on one side severe economic issues like food inflation, consistent increase in fuel prices, lack of employment opportunities is surging the intensified economic distress. On the other hand, the government is unsuccessful in restoring the trust of entrepreneurs, which are creating an uncertain situation for promoting the economic activities. Similarly, on political front, the government is also struggling to sustain the democratic system. On contrary to internal issues, there are certain external challenges which are further aggravating the severity of economic and social issues of the country. Recent war between Russia and Ukraine has further intensified the global situation in terms of high uncertainty, security threats and complexity in central Asian states like Kazakhstan and Kirgizstan. The neighboring countries are recalculating their security matters and foreign policies, keeping in view the Ukrainian situation (Islam et al., 2020).

Mahran (2023) has investigated the effects of governance on economic growth in a sample of 116 countries. The author has used natural log of GDP per capita at Purchasing power parity (PPP) for the measurement of economic growth. The governance has been measured through six indicators; voice and accountability, political stability and absence of violence, government effectiveness, rule of law, regulatory quality and control of corruption. The author has further used four control variables; trade openness, population growth, gross fixed capital formation and foreign direct investment to make a comprehensive analysis. The author has used principal component analysis and spatial regression models for ascertaining empirical results. Main results indicated that 13 European countries are well connected in getting the influence of governance on economic growth. While, 22 African countries have observed low economic growth due to poor governance. The author has emphasized on the promotion of regional integration among the countries.

ADEGBOYEGA and ARIKEWUYO (2020) have examined the impact of good governance on economic development in Nigeria. The authors have used GDP Per Capita as a measure of economic development and good governance has been measured through Stock Market capitalization to GDP ratio, foreign direct investment to GDP ratio, voice and accountability, regulatory quality and control of corruption. The study was conducted based on secondary data from 1982 to 2019 of the observed variables. For empirical analysis, the authors have used ARDL (Auto Regressive Distribution Lag) Model to determine long run and short run relationship among the variables. Main results indicate that there is positive relation between FDI, CC on GDP per capita while market capitalization to GDP ratio, regulatory quality and voice and accountability have negative relationship with good governance.

The UN Agenda 2030 report has discussed the stunning challenges for sustainable development like economic disparities among the countries, income disparities, poverty, problems of gender inequality, health disparities, frequent natural disasters, unemployment issues, terrorism & sectarian violence, natural resource depletions and humanitarian crisis. It is a matter of fact that these challenges can never be controlled until and unless a comprehensive and cohesive governance policy framework has not been formulated. The policy formulation may be segmented into short term, medium term and long-term perspectives (Mahran, 2023).

For short term policy objectives, all the countries must concentrate on the remedial measures for this fatal pandemic which has paralyzed the global economy. For instance, vaccination process should be faster without any further delays and discrimination. This process has been successfully accomplished in some countries like England, Israel and now the people of these countries are getting a sigh of relaxation but most of the European countries, South Asian, South East Asian economies are still in the clutches of Covid-19. In this regard, the role of WHO (World Health Organization) is exemplary. WHO has introduced Covid-19 Solidarity Response Fund to assist the member economies in caring the patients, frontline workers supply and providing relevant information about medical research?

For medium term objectives, public sector of the developing economies ought to focus on health facilities on prior basis. These economies have to focus on increasing health expenditures up to minimum 5% of their respective GDPs (Gross Domestic Product) to face such kind of severe pandemics in future. To attain sustainable development goals (SDGs), more particularly, SDG-16 and SDG-17 which are concerned with peaceful and inclusive societies and to strengthen the means of implementation to promote global partnership for sustainable development among the member countries, The United Nations should play an exemplary role to resolve the deadlocks between respective countries like the matter of Palestine, dispute of Kashmir between India and Pakistan and other prominent issues among the countries under the charter of UN. When these countries will become out of these issues then they may focus on the development of their social and economic infrastructures. Otherwise, they may consume all their energies and resources to mitigate these issues and may indulge in an unended war (FUND., 2021).

The external sector development is one of the key factors for sustainable economic strength. The Exports Led Growth (ELG) Hypothesis has proved the progress of transitional economies. If the exportable items are based on semi manufactured or manufactured goods then the external sector would develop with greater pace. In this regard, Ahmed and Mahmud (2011) have conducted a study related to the determinants of innovation in manufacturing sector in Pakistan. The authors have highlighted the significance of innovation in achieving competitiveness and comparative advantages which ultimately help in getting high economic growth.

2.2. Challenges and Opportunities for Pakistan

Pakistan is among the developing countries which is facing multiple challenges on economic, social, political and geopolitical levels simultaneously. The gravity of the problems has intensified, particularly, in post COVID scenario. The SOPs (Standard Operating Procedures) for the prevention of COVID 19 have created a chronic situation in retail and wholesale markets. The government wants to control the disease through social distancing, lockdowns either complete or with smart lockdowns but due to these lockdowns, economic activities have drastically affected. These lockdowns have created serious shortfall of goods in the consumer markets due to lack of aggregate supply and in resultant to it, inflationary pressure has soared up to 19.65 % in December, 2021 (Sohil, Sohail, & Shabbir, 2021).

KPMG International Limited, Pakistan, a UK based company, has highlighted the impact of COVID-19 on Pakistan economy in its report. The report explains that there is significant reduction in consumer expenditures due to persistent and lingering pandemic. Similarly, due to disruption in global supply chain, local industry is not in a position to supply the goods to meet local as well as international demands of products. The pandemic-19 has adversely affected the market performances which has been measured with JPMorgan Global Purchasing Managers Index (PMI). The report has further explained that PMI index has fell down by 6.1 from 52.2 to 46.1 points in February, 2021. If the economic activity is indicating slowdown trend, then all allied industries are reflecting downward trends, which may hammer the employment opportunities within the country (Haq, 2018).

One of the main challenges for Pakistan economy is its economic turmoil which has compelled the Pakistani government to approach International Monetary Fund (IMF) under Extended Fund Facility (EFF) for debt relief and economic stability. Due to IMF (EFF) program, most of the quantitative targets have been met till June 2020 but due to adverse Covid-19 shock, Pakistani government has to shift their policy priorities from development projects to the provision of better health facilities and for the welfare of general public. For Pakistani authorities, it was very difficult to maintain balance between public support and debt management.

Another important challenge as well as an opportunity for Pakistan is its geographical location and its significance in emerging economies. On one side, the People Republic of China is making capital formation at Gawadar Port, which may amplify dynamic transformation in global trade and Pakistan may get greater benefits. The exit of US forces from Afghanistan in 2020 has created a vacuum for all the countries to get benefits and avail opportunities for development in Afghanistan. Pakistan has played a significant role in making negotiations between Taliban and US government. Now, there are certain threats for Pakistan to face. For instance, TTP (Tehreek-e- Talibaan Pakistan) may become active in destabilizing Pakistan Economy with implicit support of Indian Intelligence Agencies. Pakistani law enforcement agencies are quite vigilant in controlling any unprecedented situation which may disturb peace in the country.

3. Data and Methodology

To measure the concept of governance, World Governance Indices (WGI) has been used. The WGI consists of six sub variables; Control of Corruption (COC), Government Effectiveness (GEF), Political stability and Absence of Violence (PSAV), Regulatory Quality (RQ), Rule of Law (RL) and Voice and Accountability (VOAC). The economic stability has been measured through growth in GDP per capita. To ascertain the empirical results, economic and social indicators have been collected for the period of 1996 to 2021 (FUND., 2021).

The data about economic parameters like GDP growth, GDP Growth in Per Capita are collected from World Development Indicators 2021. The data about governance indicators are collected from World Governance Index (2021). There are certain missing values in the data for

1997, 1999 and 2001, which have been generated through indirect method. The data gaps have been filled up by estimating intermediate values for a given series. (Mazzarol, Reboud, & Volery, 2010).

3.1. Research Methodology

Before making an empirical investigation, diagnostic tests like Unit Root tests and multicollinearity test have been conducted. Two tests; Augmented Dickey-Fuller test (ADF) and Phillips-Perron test (PP) have been used to investigate the presence of unit root in the data series. ADF is a negative statistic and the benchmark is that if ADF value is negative then null hypothesis is rejected which means that there is no unit root in time series data. Similarly, Phillips-Perron test (PP) is a modification of Augmented Dickey-Fuller test and it is also used to test the data stationarity. This test corrects the autocorrelation and heteroscedasticity in the errors. Higher negative values at p values less than 5% recommend that data is stationary. The results of the Unit Root Test have been explained in Table 1.

Table 1
Results of Unit Root Test

Variables	Augmented Dickey-Fuller test statistic ADF	Phillips-Perron test statistic
GDPCTA	-5.307 (0.003)	-5.307 (0.003) *
GEF	-3.401 (0.022)	-3.236 (0.036)
COC	-3.044 (0.049)	-5.263 (0.003)
PSAV	-2.789 (0.045)	-2.821 (0.048)
GDPG	-5.665 (0.001)	-5.664 (0.001)
VOAC	-3.432 (0.020)	-3.396 (0.022)

*The values in Parenthesis are P Values

Table 1 explains that results of Unit Root Test for all the variables under investigation. The null hypothesis for ADF is that there is unit root in the series which means that data is non-stationary if p value is greater than 5%. It is observed from the results that there is none of any single variable which is non stationary because the p values (in Parenthesis) are less than 0.05. The same results have been cross checked from PP Test. For the variables GDPCTA, COC and GDPG, there is high negative values as compared to GEF, PSAV and VOAC.

Another econometric problem which is generally observed in time series data analysis is Multicollinearity. This problem exists when an independent variable is highly correlated with one or more than one independent variables in multiple regression equation. If the problem of multicollinearity exists then the results may be misleading. One of the best ways to detect multicollinearity is to calculate Variance Inflation Factor (VIF) against every independent variable in the data series. The results of VIF in the present study is presented in Table 2.

Table 2
Results of Multicollinearity

Variable	VIF
D(GEF)	1.416
D(COC)	1.304
D(PSAV)	1.198
D(GDPG)	1.328
D(VOAC)	1.415
C	NA

Table 2 explains the results of multicollinearity through Variance Inflation Factor (VIF). The higher the values of VIF reflects higher correlation between the variables. General principle is that if VIF value is higher than 10, it means that there is higher correlation between the variables which leads to overlapping effects on dependent variable. Table 2 explains that all the VIF values are less than 1.5 which depicts that there is no multicollinearity in the observed data. To attain empirical results, following multiple linear regression model has been used.

$$GDPCTA = \beta_0 + \beta_1 GEF + \beta_2 COC + \beta_3 PSAV + \beta_4 GDPG + \beta_5 VOAC + \varepsilon_1 \tag{1}$$

Where,

GDPCTA is GDP per Capita

GEF is Governance Effectiveness

COC is Control of Corruption

PSAV is Political stability and Absence of Violence

GDPG is GDP Growth

VOAC is Voice and Accountability

ε_1 is an error term

A software E. Views 8.1 has been used for getting the results. The results have been explained in Table 3.

Table 3
Results of Regression Analysis

Variable	Coefficient	t-Statistic	Prob.
C	0.032	3.052	0.001
D(GEF)	0.521	63.233	0.000
D(COC)	-0.156	-1.799	0.088
D(PSAV)	-0.085	-1.221	0.238
D(GDPG)	0.976	171.556	0.000
D(VOAC)	0.292	3.352	0.003
R-Squared	0.999	Durbin-Watson stat	1.653
F-statistic	6764.291	Prob(F-statistic)	0.000

Table 3 explains the regression results where GDPCTA (Growth in GDP Per Capita) is a dependent variable which measures the economic growth of the country. All other variables like GEF, COC, PSAV, GDPG and VOAC are considered as independent variables. The results show that there is positive and significant impact of governance effectiveness on economic stability of the country. The value of T. Statistic of GEF (63.233) indicates that the variable has significant and positive effect on economic stability of the country, which has been measured through GDP Per capita. Second, important results of this study shows that GDP growth has drastic and positive impact on economic stability. The results of the present study are consistent with prior studies like (Bendis, Seline, & Byler, 2008; Silvestre & Jîrcă, 2019; Von Grebmer et al., 2016).

Broadly speaking, main contributors of GDP in Pakistan are services sector, agriculture sector and industrial sector. As per Economic Survey of Pakistan, 2020-21, the share of services sector to GDP is 50% during FY 2020-21 (Islam et al., 2020; Sohil et al., 2021). The agriculture sector is contributing to GDP around 23.13% and industrial sector contributes to 17.72% during FY 2020-21. The government ought to prioritize these three sectors in the formation of their economic policies for the betterment of the country. The economic stability of a country can be interpreted as sustainable economic growth, controlling inflation and generating employment opportunities for general public. The prior literature like (Gillanders & van Der Werff, 2022); Lahouij (2017); Tabrizian (2019) supports that good governance leads to economic growth in the country. Good governance creates opportunities for investment in multi sectors like services, agriculture and industrial sectors which amplify economic activities in the country on social and economic fronts and ultimately economy moves to economic stability.

Another important result of the present study reflects positive and significant effect of Voice and Accountability (VOAC) on economic stability. Table 3 indicates the value of T. Stat of VOAC is 3.352 which indicate significant effect on GDPCTA. It explains that when the accountability promotes in the country then economic stability improves drastically. In this regards, law enforcement agencies and judicial system should play a significant role in developing the accountability culture across the board and without any discrimination. Unfortunately, in Pakistan, our judicial system is overburdened with political cases and criminal cases. Due to political involvement, corruption and exploitation, the accountability system has been halted. The government must develop an effective mechanism of accountability which should be implemented with strict and exemplary impeachments to the culprits.

Table 3 further describes the impact of COC (control of corruption) and PSAV (Political stability and absence of violence) on economic growth in Pakistan. These two issues are persistent and common in almost all the developing countries like India, Sri Lanka, Nepal and Bangladesh. The results of the study indicate that when the corruption is being controlled then economic growth may increase. The study shows that the effects of corruption on economic growth is negative but insignificant at 5% level of significance due to its value of T-Stat for COC is (-1.79). The phenomenon of corruption has become a part and parcel in our economic activities, especially in public dealing transactions. The people are becoming habitual in making such kind of deeds without any hesitation, fear and unwillingness. The government should implement strict laws for those who are indulged in such activities.

Similarly, political instability is a continuous problem for the developing countries. There are many conspiracy theories for this instable political system in developing countries. For instance, it is presumed that it is an international agenda or the agenda of developed economies to keep destabilization in developing countries, so they cannot even think about development. These economies keep on quarrelling with each other on unending regional and international disputes. The international agencies are contacting with political heads and use them for their interests against some material benefits. This stance has been supported by Neo Colonial dependence model (Silvestre & Jîrcă, 2019). Current wave of political instability has been emerged in Pakistan since the start of motion of no confidence movement against present government in March 2022 which may create another unrest in smooth process of government.

It is not certain that when this pandemic may end but the economies must prioritize their preferences in policy formulation and their abrupt implementation is essential for the ease of general public. It is very painful to see the miseries of the deprived people and the failure of health systems. The government must refrain from blame game and sincerely take effective measures to provide basic health provisions to the general public.

4. Conclusions and Recommendations

The present study is an attempt to review the effects of governance on economic stability in Pakistan. To attain this objective certain economic and social variables have been included for empirical analysis. The period of analysis covers 25 years from 1996 to 2021. Multiple regression method has been used with the help of a software E. Views 8. Main results show that there is strong positive impact of governance effectiveness on economic growth. These results are consistent with prior studies like ADEGBOYEGA and ARIKEWUYO (2020); Mahran (2023) Another important result is negative impact of control of corruption on economic growth which means that if corruption has been controlled then economic growth may amplify with greater magnitude. These results are consistent with prior studies like Gründler and Potrafke (2019); Kaddachi and Ben Zina (2022) The government must focus on good governance to amplify the economic strengths of the country. The good governance constitutes efficient resource allocation, effective policy formation in priority sectors like services sector, agriculture sector and industrial sector for achieving economic stability in the country. Another important result of the present study is positive and significant effects of growth in GDP on GDP Per capita which means that due to the

promotion of economic activities in the country, individual income also amplifies. One of the significant results of the present study is that voice and accountability (VOAC) has positive and significant effect on economic stability in Pakistan. The control of corruption and political stability & absence of violence are showing insignificant effects on economic stability. As it has been observed that these two issues are persistent in developing countries like Pakistan. There is an immense need to come out from blame game and do some concrete and effective policy formulation for the betterment and welfare of the country.

Authors Contribution

Qazi Abdul Subhan: Data analysis and interpretations.

Abdullah: Introduction and literature review.

Tabassum Iqbal: Proof reading, conclusion and recommendations.

Conflict of Interests/Disclosures

The authors declared no potential conflicts of interest w.r.t the research, authorship and/or publication of this article.

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