



THE POLITICAL ECONOMY OF CORRUPTION AND ITS IMPACT ON GOVERNANCE IN PAKISTAN

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ABSTRACT

Corruption in Pakistan is a pervasive issue that undermines governance, economic development, and societal trust. This study examines the political economy of corruption, exploring its historical roots, institutional manifestations, and systemic impact on governance. Corruption in Pakistan spans multiple sectors, including politics, public services, and business, fueled by weak institutional capacity, political patronage, and societal norms. The paper highlights how corruption erodes public trust, distorts economic growth, and perpetuates inequality, with Pakistan ranking poorly on global corruption indices. Case studies illustrate systemic abuses, such as cronyism in state enterprises and electoral malpractice. Despite anti-corruption frameworks and international cooperation, challenges persist due to lack of political will, accountability, and civic engagement. The study concludes with recommendations to strengthen institutions, enhance transparency, and promote civic participation to combat corruption effectively.

Keywords: Corruption, Governance, Political Economy, Pakistan, Institutional Weakness, Transparency, Accountability, Economic Development

Introduction

Corruption is antonymous with governance. It works against the very essence of good governance, demands and transparency. In Pakistan, the problem of corruption is wider than government and it affects many other areas and spans many institutions and departments, corrupting bureaucracy, police and private industry as well (Khan et al., 2018).

It is difficult to establish the exact extent of corruption. Pakistan ranks 120 out of 180 countries with a score of 33. There are numerous cases in news media in which high-level individuals have ordered for illegal activities which ultimately damaged national resources (Hafeez et al.2023). Corruption has also bared the irregular application of the constitution and laws in the stainless steel business in 2007, a political wrapper was put on the systematic corruption of the tax system in a big department store; customs duties have been tampered with to cut down import charges for cheap under-weight steel; the weight of ore is reduced before it is loaded to ships; millions of dollars have been pocketed by members of the shipping industry without invoices for loading and hiring; the “Hawai Jahaz” gang controlled the issuance of completely empty containers to importers; those carrying contaminated chemicals are stopped from being checked; environmental pollution standards are also not applied and offers have been made to the Environmental Protection Agency with the circulation of money. During all these investigations, some incidents were also seen where the documentary evidence to be submitted was changed at a very high level in the bureaucracy. The documentary evidence used to insult and create problems for the countries.

The primary objective of this text is to delve into the intricate and multifaceted emergence of corruption, shedding light on its various economic and political perspectives. It raises a challenging question: how has corruption evolved in recent years? This evolution persists in spite of the fact that numerous reform initiatives have been implemented not only by the government of Pakistan but also by a range of international donor agencies dedicated to fostering integrity and transparency (Altaf & Shabir, 2023). This text aims to conduct a thorough and critical evaluation of the comprehensive strategies involving political change and restructuring, as well as other related dimensions, all set against the complex backdrop of the dual democratic and military traditions that have significantly influenced Pakistan's political landscape.

In order to accurately comprehend where the battle against corruption should be initiated within a political system such as the one that is currently operative in Pakistan, it is imperative to conduct a detailed analysis. This analysis must focus specifically on the existing power dynamics that characterize the political arena. Furthermore, it must closely examine the role and effectiveness of accountability institutions within this context, as these entities are crucial for enforcing standards of governance and pursuing justice in the face of unethical practices (Ullah et al.2022). By dissecting these intricate elements, a more comprehensive understanding of corruption's persistence and proliferation can be established, paving the way for more effective anti-corruption strategies that consider the unique political, social, and economic challenges that Pakistan faces today.

Understanding Corruption

Corruption is primarily characterized by various illegal activities that undermine the integrity of systems and institutions. It includes actions such as bribery and embezzlement of public resources or valuable assets. Furthermore, normalized acts associated with corruption may also involve serious breaches of trust, exertion of unjust or undue influences, and the pursuit of unfair personal gains (Mugellini et al.2021). These can manifest through falsification of information, manipulation of obligations, and misappropriation of possessions or resources. Additionally, violations can extend to ignoring established rules, procedures, and policies that are meant to maintain fairness and accountability.

The prevalent perception of corruption as a benign tribulation enabling cheap shortcuts to navigate complex socio-political business environments is undoubtedly comfortably misplaced. It is not without reason that global business outlooks underscore corruption as a pivot to evaluate the credibility, diligence and transparency of sovereign administrations worldwide (Kothari). In a waterproof enactment of the adage that the festering of fractures commences at the summit, it is discernible that Pakistan is strategically situated at the periphery of chaos to become a key instigator to multifarious overt and inadvertent triggers.

The qualities and intensities of these triggers would culminate fundamentally towards either breaking away from the yoke of corruption drenched under-flourished serfdom or debouch into a hampered state marooned in miasma. Although the dilemma is further embossed by a heterodox commingling with facets from the domains of belief and religion within an introspective representational democracy, yet the writer endeavors to insinuate a made to measure rational animadversion primarily from a matter-of-fact and meta- political economy context. Concisely, the endeavor is to proffer an insight into the

political economy of corruption and its superstructure on governance in Pakistan (Hassan and Zeb2021).

Definition and Types of Corruption

In Pakistan, understanding social norms and motives behind corruption is crucial. The Secretariat Departments, linked to current ministers, remain "Sarkari". Even with the government's efforts to curb corruption, substantial change may be resisted, especially by the powerful elite benefiting from existing practices. Analyzing why corruption thrives in certain states may yield insights for effective short-term policies to combat it. This involves pursuing good governance through public service reform, exploring how power is abused in patronage democracies like Pakistan. Examining the effects of corruption on governance can shed light on the political economy's dynamics. Policies aimed at controlling corruption focus on public, judicial, political, regulatory, and bureaucratic mechanisms, alongside modernization of public services. International agencies now prioritize governance quality and corruption control in their objectives. (Khan et al., 2018)

Historical Context of Corruption in Pakistan

This section encompassed two main themes that are, the historical background of corruption in Pakistan and the impact of corruption on the institutions and governance of Pakistan. Furthermore it was also highlighted the corruption potential practices worldwide and focused only on the major corrupt sectors in Pakistan, which are related to political governments in public and political organizations.

As a general principle it is the economic act of corruption similar to the theorizing in other countries, which were concluded and applied to Pakistan as it is put into some parallels with certain theories in order to underline some aspects of the political economy of corruption in Pakistan. Both economic development and stagnation advanced upon economic acts of corruption. Corruption is socialism is peculiarly fulsome: dishonest trade is the speediest get-rich-quick, the easiest source of wealth (Hassan and Zeb2021).

In a same context world over, corruption is an issue of primary importance, but regrettably it has particularly been severe in developing countries. Consequently, it appears to have reached the stage of a perplexing predicament because the poor countries pay the most for corruption while they can stand it the least.

There is a trite dictum which says, it is awful to get hung for a sheep as because for the steal of a jaguar rights are left. The problem is graver if a small country is associated by the wolves in public office of a large country, consequently it confronts such difficulties that tragically it can come a cropper. However, due to political economy, tendencies of whole systems and because of its impartiality of economic obligations. Japan and Pakistan cannot be of parallel examples (Schwarz et al.2023). Nonetheless, as an example from the great and closer at hand powers let alone their nearest neighbors and to contemporaneousness the interplay of certain community relations were mirrored with those of Pakistan and the economic community.

Corruption in Pakistan: An Overview

The primary strategic objectives have been meticulously outlined as follows: (1) Empower citizens to cultivate a more robust and well-rounded awareness of their fundamental rights while actively and decisively rejecting corruption in all the numerous forms it can take; (2) Engage both the Public and Private Sectors, selectively choosing and encouraging them to implement essential anti-corruption measures that reflect best practices established in various successful jurisdictions; (3) Conduct a thorough and comprehensive evaluation of the existing body of laws and regulations, identifying their inherent weaknesses and shortcomings, providing insightful and well-thought-out recommendations, and passionately advocating for a stricter and more efficient enforcement

mechanism; (4) Work diligently towards promoting integrity among both current and future leaders of Pakistan, striving not just to enhance but to significantly increase the number of efficient and honest contributors within the socio-political landscape, while simultaneously working to reduce the troubling presence of corrupt individuals; (5) Rigorously promote transparency in political arenas and actively foster a culture of anti-corruption within the business environment (Rika et al.2021).

It is crucially essential to examine and consider the antiquated legal, behavioral, and business practices upheld by the corrupt ruling coalition, along with the constraints they impose. Corruption has tragically emerged as a "pandemic social ailment" that severely undermines societal progress in many dimensions. The economic growth and prosperity of any given country are frequently viewed as remedies capable of addressing a range of societal ills and rectifying long-standing social injustices (Usman et al.2022). However, the detrimental side effects that accompany this growth are becoming painfully and increasingly apparent across a multitude of countries situated in the Global South. Moreover, a significant number of experiments conducted throughout the previous century have cast a skeptical and critical eye on the long-term sustainability and effectiveness of the modernization processes that lie at the heart of various developmental theories. In a similar vein, analytical models examining the North-South dynamic systematically underscore the notion that the historical, theoretical, and developmental trajectories observed in Northern countries particularly in Europe simply cannot accurately represent the diverse, multifaceted routes that contemporary "developing" societies will pursue as they carefully navigate their own paths towards industrialization and robust economic growth.

Within this analytical framework, corruption introduces an overwhelming and new burden to the development agenda, pushing the future trajectories of numerous nations, including Pakistan, into an unsettling state of uncertainty. In Pakistan, corruption has spread rapidly, akin to a malignant cancer permeating the very fabric of society. It is widely recognized as the root cause of numerous societal evils, deeply tarnishing the moral fiber of both public servants and private citizens alike. The phenomenon of corruption in Pakistan is perceived through a variety of lenses, including political and philosophical perspectives (Ali et al.2022). From a political standpoint, corruption manifests distinctly as the abuse of power by authorities seeking personal gain above the common good. On a broader moral scale, it represents improper and dishonest behavior, highlighting how individuals wield their power for selfish desires and detrimental motives. The primary focus of this text is thus firmly anchored in economic considerations that cannot be ignored.

Corruption has unfortunately evolved into a widespread and pervasive business, significantly undermining the stability and tranquility of the global economy at large. From a political perspective, corruption is recognized as a grave curse afflicting the nation of Pakistan. Beyond being a mere moral transgression, it has inadvertently spawned new evils, such as terrorism, which has nourished disturbing currents of extremism. Pakistan stands as a pivotal and precarious political hotspot in the midst of an emerging global economy, with an estimated GDP totaling 271 billion dollars, exhibiting a commendable growth trajectory over recent years despite glaring issues (Shaikh & Khan, 2023). However, business operations within the country are experiencing troubling slowdowns. Statistically, Pakistan grapples with a high inflation rate of 9.06%, which stands in stark and alarming contrast to the inflation metrics observed in many Western nations. A significant portion of the population, roughly 35%, is tragically living below the poverty line. This widespread

and pervasive poverty, compounded by relentless inflationary pressures, indirectly paves the way for soaring crime rates, leaving the nation grappling with escalating violence and tragic bloodshed that affects all layers of society. The average cost of doing business in Pakistan is marked at 17.59%, alongside a hidden loss of approximately 200 working hours attributed directly to corruption-related issues that plague firms and businesses alike.

Furthermore, a concerning 51% of individuals indicate a willingness to remain casual or indifferent when it comes to reporting corruption, reflecting a disheartening trend in public engagement. Additionally, a striking 69% of the populace relies heavily on their accountants for guidance concerning fraudulent practices, revealing deep layers of mistrust within the system. To address this globally shameful and distressing issue, which is intrinsically linked to the day-to-day operations of businesses, a comprehensive five-year action plan has been meticulously devised. This strategic framework seeks to prevent and mitigate corruption while promoting integrity across the private sector and fostering accountability. Complementing this action plan are ten well-defined guiding principles and twelve actionable rules that advocate for the effective utilization of free anti-corruption tools, emerging as the only viable solution capable of rectifying and rejuvenating the socio-economic landscape of Pakistan in a meaningful and sustainable way.

Impact of Corruption on Governance

Largest financial abuses occur in developing countries, posing a challenge that affects both rich and poor nations. Corruption is recognized as a significant issue in Pakistan, with low-income countries typically having corrupt systems. It involves misuse of authority, particularly among public officials, and degrades moral values. (Ullah et al.2022) This paper aims to identify causes of corruption and its societal implications in Pakistan, supported by case studies from various organizations.

Organizations like SEED define corruption as the abuse of entrusted power for personal gain, while Cynfyn describes it as dishonest conduct involving bribery and rule-breaking for benefits. In the construction industry, it's seen as misuse of public office for personal advantage. The paper explores strategies to combat corruption in Pakistan, where TI Pakistan has initiated a multidimensional approach since 1996, including the TANDA project, aiming to address rampant corruption affecting millions (Hassan and Zeb2021). Civil organizations like the Civil Society and Policy Development Centre (CSPDC) play a crucial role, linking corruption to democratic failures. Since 1997, CSPDC has held workshops and seminars nationwide. Dr. Sakuntala, CSPDC's Executive Director, emphasized that democracy cannot thrive without investigating electoral malpractice and the misuse of power by elected officials.

In the new book, *The Political Economy of Corruption in Pakistan*, the author demonstrates how organized patterns of corruption erode the performance of state agencies and contaminate the overall government structure for the purposes of personal accumulation. In seeking to define and battle against maladministration and malpractices, a more detached perspective has now evolved with the term governance. (Ullah et al.2022)Indeed, an early stage of the anti-corruption bureaucratic movement in some countries has now been passed and an overall assessment can be made of what has or has not been accomplished. In the light of Pakistan's recent experience, the objectives, possible strategies and requisite action are appraised.

Erosion of Trust in Institutions

Corruption, particularly grand corruption on the part of office holders, is an issue of concern in many countries, not least in many developing countries but not necessarily having the same operational or policy implications across the range of these countries. Responses in the economic or political science literatures are typically not made with an

awareness or understanding of those distinctions (Usman, 2023). This paper seeks to illustrate some of the ways in which situational awareness can change the diagnostics of how these issues arise in different settings. In Pakistan in various incarnations on components of the problem, its evolution and change, how it is framed in the political debate, and the restrictions on responses that can be made minded particular circumstances and stages the evolution and impact of corruption in Pakistan has been linked with the extreme politicization of the state and governance. The claim is that the process of reconciliation has never truly taken place. Furthermore, that the impact of the collapse of internal mechanisms of restraint (before and after 1977) and the politicization of the judiciary (also at-indirectly-above the same period was significantly increased in the context of import-substitution industrialization.

While corruption, or grand corruption particularly, is one mechanism through which the state is observed to fail, it is a supreme irony as it is so often politicians in the name of governance are often unable to effectively counter corruption because the character of corruption in any country has come to reflect the very nature and operation of how that country is governed (Khan et al., 2018). In spite of all the evidence to suggest that something is amiss, the functional nature of corruption itself works to put in place a web of force and mutual accommodation without which in many cases because of the breakdown of internal mechanisms, or accretion of power in a few hands the entire state and its operations are so vulnerable that to move strongly against on form of illicit transfer would risk the entire edifice. In that sense, the discourse on corruption and governance in Pakistan has been removed from the realm of the debate from either side of the isle. In fact, there one can trace a managed deflection of the very notion of what constitutes corruption and how it is operational bound for the majority and increasingly the upper echelons of society itself.

Implications for Public Policy

It is essential to raise public awareness so that citizens refuse to pay bribes for services they are entitled to under the constitution of Pakistan. Advocacy and research organizations are crucial, while civil society and media combat corruption. Despite high public awareness, initiatives often fade due to the "chaar diwari" system. The imprisonment of a few army generals or bureaucrats is not enough to demonstrate a successful corruption eradication campaign in Pakistan. A key goal is to increase public awareness and reduce corruption, particularly in public service delivery, which affects everyday life. Data collection on health and education in rural areas is ongoing, focusing on key informants, while urban efforts involve public transport and property services. TI Pakistan will help launch formal and informal complaints, leveraging Right to Information (RTI) activists to gather necessary data. In addition, unions and professional organizations will collaborate in the efforts, and Corporate Social Responsibility (CSR) initiatives will address corruption in the defense sector, positioning TI Pakistan as a focal point for these actions. Input on advancing this initiative is welcomed. (Khan et al., 2018)

Effects on Economic Development

Pakistan, with a population of 201.25 million, ranks sixth globally but has only achieved 5.79% economic growth in the past decade, falling behind regional competitors. The country has suffered losses exceeding 450 billion rupees due to corruption and ranks 139th out of 180 on Transparency International's Corruption Index. Corruption has emerged as a significant issue affecting nations worldwide. To boost investment, the Pakistani government utilizes the public-private partnership (PPP) model, with 119 infrastructure projects underway through this approach. The China-Pakistan Economic Corridor (CPEC), part of China's "One Belt, One Road" initiative, aims to enhance regional growth and development dynamics. Corruption hinders economic growth, causing

profit losses and limiting market opportunities, adversely affecting the business climate (Shaikh & Khan, 2023). As a result, educated individuals are leaving Pakistan, and many companies have relocated to China and Indonesia. The pervasive nature of corruption manifests in various forms, including administrative misconduct, international trade fraud, and tax evasion, ultimately undermining societal integrity and fairness.

Case Studies

The following are a sequence of country specific in-depth case studies that have been researched and written on the issue of Governance Indicators on Pakistan and are contained in Chapter wise format: (1) Historical and Structural Background Of The Economy Of Pakistan (2) Political Economy Of Corruption In Pakistan (3) Political Economy of Corruption in Pakistan: The Devolution State Perspective (4) Setting the Context: Pakistan's Historical and Political Economy (5) The Political Economy of Corruption in Pakistan: A Devolution State Perspective (6) Case Studies: The Political Economy of Corruption in Pakistan: (a) Pak-Arab Fertilizer: A Case of Crony Corruption (b) Analysis of Aid Flows and Governance (7) A Case Study of Villages in Blalo District, Pakistan (8) A Case Study on Corruption and Economic Growth (9) A Case Study on Afghanistan and Pakistan

Political economy of corruption in relation to the governance perspective has gained momentum, both in academic research and policy making of the national governments and donor agencies. The governance indicators, essentially from a neo-institutional perspective, have been the key constructs of this approach and have thus been at the forefront of the research methodologies on corruption over the past decade (Adam et al., 2025). Governance indicators have been at the core of the anti-corruption initiatives undertaken by the donor agencies and governments. Subsequently, various national level research organizations of different countries have also started developing similar research projects. Moreover, the governance indicators are key solicitations of the international non-governmental organization, Transparency International.

Corruption in the Political Sphere

Corruption in Pakistan appears as nepotism, favoritism, and misuse of authority, creating substantial obstacles for both local and foreign businesses. This issue has deep roots in the colonial era, with British practices influencing ongoing corruption among politicians. Key sectors affected are power, tax, customs, police, judiciary, land management, and health. The sale of election tickets limits educated participation in politics, with Pakistan currently ranked 117 out of 180 on the corruption perception index, scoring 32. Political factions engage in ticket selling, leading to violence and dominance by less educated individuals (Shahzad et al.2023). While there is some female involvement in politics, societal expectations hinder their participation, resulting in a harsher political climate. Political parties struggle to gain dedicated support, often appearing as obscure entities involved in ownership disputes. Corruption is ingrained in business, with 43% of firms identifying it as a major barrier, many feeling compelled to offer gifts for government contracts. This environment promotes bribery, damaging business ethics and leading to inferior products and services. Many honest contractors pursue livelihood opportunities amidst this pervasive corruption.

Corruption in Public Services

Corruption is a worldwide phenomenon and a major obstacle to economic and social development. In the wake of the continuing economic crisis and political instability, the population is beginning to perceive more directly the problems of corruption in Pakistani society. The Government of Pakistan has recently launched a program for alleviating poverty and improving governance, but political disputes and corruption scandals within the government have led to a decline in its popularity and

effectiveness (Hassan and Zeb2021). Major segments of Pakistan's economy remain corrupt and there is a general lack of accountability in both the public and private sectors. Recent political changes have weakened governance even further. This paper examines the political economy of corruption in Pakistan and provides information on recent developments in government and the private sector and on the measures being taken by the public and private sectors.

Recent research indicates that various Islamic modules have been used in Pakistan as social safety nets, effectively curbing existing corruption levels in government service. The new government of Nawaz Sharif that came to power in October 2013 also took societal and economic measures to control corruption at all levels in the private and NGO sectors. Because of government regulations and checks and monitoring of institutions and NGOs, many have already shut down or curtailed their operations in Pakistan (Khan et al., 2018).

Political interference in government services and corruption will be addressed by laying off the largest number of employees in a single project, rather than in the general sense. The method used in Pakistan has also been applied in other Muslim countries. It is argued that corruption and political interference in government service chains are strongly linked to large numbers of employees, and these two same evils are further strengthened by the appointment of new employees. Furthermore, the government overlooked this malaise of corruption by appointing local influential politicians, landowners and tribal leaders to the board of directors of nationalized corporations in order to get direct benefits and political advantages (Masoud2023).

Corruption in the Business Sector

Corruption in the business sector is one of the biggest challenges for prosperity of the economy, including Pakistan. Corruption in the business sector distorts competition and makes it unfair. It affects domestic investment climate and decreases foreign direct investment into the country. Corruption has enormous political and social consequences. The relevance of Anti-Money Laundering/Anti-Terrorist measures for the financial sector should also be considered in the public consultation process. (Ullah et al.2022) Comments received from Sectors highly exposed to Money Laundering and Terrorist Financing activities, especially private sector need to be considered. All this requires: Transparency of Rules, Timeliness with publication of Rules and Policies for Compliance, Increasing Complexity of Policies, Beneficiary Ownership to be submitted by all Businesses registering with the SECP, other augmentation of rules which may increase the compliance cost of policies.

Corruption in the business sector is very high-risk because the conduct and practice of bribing are very hard to unveil. The bribing is normally done in a very secret way with the assistance of a trusted third party and businessmen who participate in corrupt practices are not willing to share it with anyone else. The bribes paid to high-ranking officials are mostly made in cash in a phased arrangement. On the other side, cash is not the only tool where to hide a bribe transaction; many other more sophisticated and secure ways exist. Therefore only a few transactions can be unveiled while there is no opportunity for investigation especially in view of the very low risk of detection. Corrupt practices in these deals seem to essentially be at the highest stage of the business deal (Khan et al., 2018). This means that in the vast majority of cases, bribes are first discovered and challenged at a later stage only when they are least detectable, i.e. hidden in sophisticated ways and at a time when no legal options exist.

Anti-Corruption Framework in Pakistan

Currently, Pakistan stands among one of the most corrupt nations in the world due to the faulty policies of the government and lack of seriousness in the eradication of corruption from society. In the national and public sectors,

anti-corruption agencies are surrounded by corruption. If they are not devoted and enthusiastic in their tasks to prevent corruption or to address minor cases of corruption, the country will never be able to be saved from this social sin. This is due to the defective political and economic system in Pakistan in the public and private sectors. A strategic approach is adopted here for decreasing corruption in both sectors of Pakistan (Imran et al.2023). With the development of anti-corruption measures, a plan has been drawn up for the government, public bodies, and the private sector as well as for the TI Pakistan and other organizations to tackle any sort of corruption. There is also significant importance for the public to avoid bribing, which is a form of corruption, and to report corruption to the competent authorities.

The definition of corruption is expanded within this analysis to all types of abuse of resources and functions for the realization of personal gains, whether that gain is material or intangible (as well as any type of bribery). Subversion in exchange for personal or political gain, as it exemplified by the cases discussed above, is itself a form of corruption (Dikmen and Çiçek2023). This tantamount all misappropriation of public or semi-public resources whether through embezzlement, theft, or rent-seeking is pretty clearly corrupt. It also includes nepotism of all forms, abuse of legal processes for the criminalization of political difference, allowing the blame game of failures to substitute for adequate management, and the creation of false crises, emergencies, or necessities to dodge legislative or executive restraint. It also takes in hand the neglect of any duty due to lack of care, knowledge, or incompetence.

In the public sector, corruption narrows the decision-making powers and depletes the workforce potential. The whole system is damaged due to it and the potential growth of the country is retarded. Supervision becomes difficult and accountability fades away. The government has to pay a subsidy to its workers, as they do not perform their duties efficiently by engaging themselves in corruption. Similarly inefficiency/frauds in the private sector withhold the actual performance of the company and skyrocket the cost of the commodities. Ultimately, it is the poor who suffers the most. Both lawlessness of administration and harmful judicial decisions promote corruption. There is also a two-tiered manifestation of corruption. One is monetary and the other is derived in the form of facilities. Politics becomes blood-money and impairment of moral values is witnessed. Less loot and write-off create havocs in the national economy; inflation, poverty, and unemployment are key issues of state. There is a crisis of inflation where there is dearth of resources as a result forced to beg for foreign aids. In short, the whole system is paralyzed.

Legal and Institutional Mechanisms

Corruption is deeply rooted in the whole system of the country which is fatal for both the national economy and the reputation of the country in the international markets. This strife is not only against economic progression but a challenge to the whole system. Pakistan kept on facing scarce corruption as it was 134th on the list in 2010. Monopolist policy by state-owned firms, tax evasion, kickback decisions, bribes, and many other worst practices are deteriorating economic growth. Nowadays, due to the recent increase in corruption, inflation is becoming a crucial challenge for the government. Illegal practices by government servants have increased the inflation rate to a great extent. The poverty ratio is also increasing due to this fiscal menace (Khan et al., 2018). The role of domestic fiscal structures has also increased to conceal the money obtained illegally. This black money has fewer chances of being consumed in national development sectors. The government has tremendously decreased the quantity of funds to national health and education departments which are the major necessities for the alleviation of poverty.

Investors are not interested in making any capital structure in those sectors which are highly influenced by corruption. The level of investment in Pakistan is becoming lower and lower. More and more capital is oriented toward the real estate sector which is a growth-neutral sector. As a consequence, the industrial and agricultural sectors which are considered to be the growth sympathy sectors are losing their competitiveness. A few industrial sectors have remained captive to the local clients of those sectors. Illegal and low-quality products destroy the trust of people on local firms and also tend the people to prefer foreign products. Corruption is fatal for the reputation of the whole nation. (Abdeljawad et al., 2024) Nowadays, the nation is facing a lack of reputation in the international market. In import/export sectors, products are unable to compete in the world market because of their high costs and idiomatic quality. So, Pakistan is not able to avail international trading opportunities. Envoys do discuss the national issues of corruption while making any trade agreement because the dynamic behavior of international firms does not trust each other on time. Foreign direct investment is made by setting up branches in Pakistan and by investing capital. Due to the common notions of corruption, potential clients have doubts about investing in the Pakistani marketplace. (Khan, 2022)

Role of Civil Society

Today's politics are influenced by various organizations, mainly human rights groups, which hold governments accountable for their policies. Human rights activists are a vital voice within civil society. Civil society is defined by the government's alignment with the people's lifestyle. In Pakistan, civil society's role is growing, aided by technology that facilitates access to information about legal and constitutional reforms. Programs designed to disseminate information can foster positive government perceptions and civic duties, similar to Uganda's media campaigns in the early 2000s that focused on good governance.

The United Nations' Millennium Development Goals, which promote the eradication of extreme poverty, universal primary education, gender equality, and global partnerships for development, raise awareness of citizens' roles within the state. As civil society becomes more active, citizens are more conscious of their rights and responsibilities, aiding in the successful implementation of state-sponsored initiatives. Civil society must reflect the true mindset of society and work toward removing class structures while promoting democratic principles. Demands for change should create a constructive environment that supports democratic norms instead of causing disorganization. (Ali & Ahmed Qadri, 2016)

International Cooperation

Pakistan who's first Prime Minister was a civil servant in Britain got independence in 1947 from Britain. Since then the politicians took over the government and seldom were there any politician having a vision of the economy. Zulfikar Ali Bhutto took over the government in 1971 with the slogan of 'Roti, Kapra aur Makan' ('Food, Clothing, and House'). The slogan was good enough but it was not visible that how these were to be fulfilled. But surprisingly, Pakistan's economy was growing rapidly in the 1960s and reached peak at 8.4 percent. Hence, due to the political instabilities, the impulsive attitude of the governments and the nationalization policy of Bhutto made the economy paralyze (Nasir, 2024). On the other side, General Ayub Khan took charge and talked about the 10-year plan but the focus remained on urban development and industrialization while the rural sector was given no due importance. It was for this reason, due to the concentration of wealth in urban areas the civil war broke out and the separation of East Pakistan took place.

The political economy is a pervasive issue where politics negatively impacts the economy and vice versa. Corruption, nepotism, and favoritism undermine economic growth, particularly in underdeveloped and

developing countries such as Pakistan. Politicians often favor those who offer substantial kickbacks, with this trend prevalent in Pakistan's National Assembly, where personal gain typically precedes public service. Consequently, Pakistan ranks 117th on the World Corruption Index, the second highest in SAARC countries. Issues like mismanagement, bribery, and lawlessness hamper the economic climate, while the depreciation of the Pakistani Rupee against the US Dollar has driven many to invest in property. From the mid-1990s to 2005-06, the economic growth rate was between 5-8%, but numerous factors like corruption and terrorism have destabilized the economy (Shaikh & Khan, 2023). Once a rapidly growing nation known as the 'Asian Tiger', Pakistan now struggles economically. Japan has engaged in projects like Thar coal, showing that strategic investments should be supported. Encouraging the elite class to invest and fulfill tax obligations is crucial, necessitating a strategic plan that considers the socio-political context.

Challenges in Combating Corruption

After four decades of using ladled socialism with the hegemony of the forty-two military families and the single party Pakistan People's Party and the Muslim League, along with twenty-two extra-constitutional years of military dictatorship, the country faced with crises in every field. The figures of economic and human development were unfortunate (Guillermoprieto, 2025). The condition of cities and rural areas were getting to worse with the passage of each day, the bureaucracy and some elements in the army showing the traditional attitude and keeping all the powers in hand, Virtual civil war in Karachi city, Nationally and internationally responsible and famous personalities living in exile, the economy of the country in trouble and so on.

In the eight hundred years of political turmoil, the imposition of the martial law times and its aftermath, Pakistan remained in the category of the corrupt countries. The nightmare of corruption has alarmed many reformist economists to look deeply into the political economy of the country. This is also an effort to provide the objective view on the question of the corruption in Pakistan based on statistics. For this purpose two major elements have been focused; first, the growth oriented and second (Zeeshan et al., 2022), the structure oriented corrupt practices have been picked. Furthermore, one section is dedicated to bring out the chronology and historical background of higher corruption in the context of 'institution oriented corrupt practices.

Weak Institutional Capacity

It is difficult to address corruption without building an understanding of the context and causes. Corruption was a substantial problem in the land more than the other nations with similar income levels. It was dealing like a business. By getting met to give some fraud, he could be paid neatly (Khan et al., 2018). Governments were severe about the invoice for bribes. While several businesses hide their corruption and bribe the government officials to stop government investigations, they gave public bills for the bribery to the government. Public bills were sent to death. It could be result in a fine, ransom requests, or put to jails by government. In the interview, the head of The Nehra Company was imprisoned for bribery to ship his goods from a customs officer. He declared that everything is possible if you have the money, but collecting money is too difficult.

Existing more than 20000 registered factories in Pakistan, of which only 6000 officially register and operate in areas existing closed units are allowed to restart without fulfilling any criteria. Those closed units are operating legs scare facilities as they don't invest on pollution. Human resource and safety organizations. They enjoy the heavy growth in 7% is seen annually in the shirt formation. The textile industry the owners of the factory utilize the mounts which are to be utilized only on the efforts to protect environment head of NEPRA the joint venture

between public and industrialists CEL structure form (Tahir). There is a lack of ability serving industrial waste water after treating IL, and so natural waters like borehole wells, canal and river are used for all purposes. Mixing untreated and weakly treated estate highly toxic substance in drinking and irrigation water which is consuming by the public in daily life. The public health convention is most important. Each industrial ministry has his own Godfather, consist of high Government Offices, AJ, Hockers and judges etc. paid those obeisance and each commentary head DC area Judge OL, Tehsildar, Moharrar, paid everything to his minister. The commercial license was obtained without concern with proper cereal or sewage system and the environment.

Political Will and Accountability

Asif Ali Zardari served as the President of Pakistan and led the PPP during the coalition government in Sindh after the 2008 elections. He regularly traveled to Dubai for medical treatment. A political advisor documented Zardari's medical records, foreign trips, and financial transactions, which a lawyer later revealed to the media, leading to public discussions. Following this, Zardari threatened the lawyer and media figures involved. An FIR was filed against the lawyer and journalists by a judicial department. An investigative journalist, under Zardari's orders, recorded evidence and attempted to blackmail a judge but failed to resolve the case, which then attracted media attention. A lawyer from Lahore filed a constitutional petition with supporting newspaper clippings, resulting in an FIR against the filmmaker through the FIA (Khatoon, 2023). The filmmaker was arrested in Dubai, tried, and sentenced. His counsel secured bail, but the FIA initiated extradition proceedings. Subsequently, he opted for an out-of-court settlement, prompting the FIA to close its case. The Supreme Judicial authorities in Pakistan expressed a political will for accountability, with a Supreme Court judge noting that 92% of judgements stemmed from falsified documents and fraudulent legal representation, particularly when judges were abroad. Following this judge's retirement, reports indicated that he may have dictated judgements without proper examination, leading to widespread applications for record reviews being rejected. This situation drew scrutiny from the Supreme Judicial Council, which subsequently took up the discrepancies reported by senior judges regarding the inaccuracy of the 92% statistic.

Societal Norms and Corruption

A diverse country like Pakistan with history of different empires, different cultures and norms, languages, religion and states having diverse cultural norms and social set ups. On the other hand as corruption is concerned, according to a report tells that the multiplicity of corruption explains that it is ingrained in four levels of governance in the country where all actors are involved. A study identified that individuals, political parties, private sector, and media among others have been further dividing the society into sub-actors and enabling different forms of corrupt behavior at all levels of society. (Asghar & Kasi, 2024) This type of multi-layered and multifactor corruption. According to , the societal viewpoint towards corruption in Pakistan has been dreadful. In a survey conducted in 2010, 84 per cent of respondents, and in 2016, 62 per cent of respondents, thought that corruption increased in the last three years. In the 2016 Corruption Perception Index (CPI), Pakistan ranked 116th out of 176 countries, down from 107th in 2015. Similarly, Pakistan ranks 120 in the 2018 CPI out of 180 countries. (Khan et al., 2018)

Recommendations for Improvement

Corruption in Pakistan is often considered one of the largest happening programs of its type. This high level of corruption reached its climax in 2000 and 2001. Measures taken to check this phenomenon in recent years have certainly reduced the level of corruption temporarily. However there is need to fight this menace effectively.

Main strategy adopted in this regard is to misuse the charitable funds available with the public and create political prejudices against the rival social groups. Opposition parties and rival politicians are being targeted. The mafia claims that firstly, while being in power the level of corruption always remains high to avoid this situation. Large scale corruption directly affects the economic development and the large population has to suffer poverty. On the other hand elected representatives misuse the power- resources for the satisfaction of their personnel and relatives interest. To tackle this situation a mix of political and media techniques are being used.

Creating the apparatus of the state to distribute a selective 'justice' is a key component to deciding on a form of power that seeks to monopolize corrupt practices. As the parties and their affiliates compete for this control, there is heavy reliance upon the blessing of clerics and the circulation of amulets. A prominent member of the governing party is known to have given out large sums of money for the preparation and signature of such amulets. Regarding the latter, there was a report in the press about how some leading political figures are religious-minded and have kept with them a paratrooper molvis who moves with them in official helicopters. Therefore perspectives of ongoing criminal cases in Pakistan lead one to search for the latest events reported in the public media. In this particular epoch of struggle by two states, the political economy of corruption appears to be a constantly materializing ideological theatre. This is why it has been difficult to restrict a discussion on it to purely statistical matters.

Strengthening Institutions

Corruption as Business Challenge in Pakistan examines the political economy of corruption and its impact on governance in a historical and international context. Corruption pervades many societies, with businesses often engaging in corrupt practices. The 1996 elections in Pakistan highlight the blatant use of corruption, raising doubts about the elections' effectiveness as a representation mechanism. Corruption incentivizes agents to maintain policies contrary to principals' interests. In its historical context, Pakistan reveals parallels to Wisconsin, which, although seen as a model of democracy, experienced a takeover of public resources by a small elite at its founding (Barker, 2025). The establishment of the modern West involved extensive conquest and expropriation, surpassing instances in E. Asia, India, or Iran. Multinational corporations engage in practices that would be considered illegal or unacceptable in the US. Positioned between "The West" and "The Rest," Pakistan reflects both historical phases, allowing for a less condescending critique of its corruption.

Enhancing Transparency and Accountability

Governing relies on trust and consent from the governed, with the state needing to act in the public interest. Fostering trust is vital for legitimacy in wielding power. "Governance" encompasses all processes, rules, and structures influencing power execution, decision accountability, and conflict resolution. Transparency International defines corruption as the abuse of entrusted power for personal gain, which includes bribery, nepotism, embezzlement, and fraud. Corruption reflects economic failures and causes societal misery, necessitating a broader political context. Ultimately, the state must work towards justice, welfare, and order for its society.

Society faces interrelated issues like moral and ethical erosion in institutions. These problems can be addressed if citizens are empowered by constitutional structures to hold the government accountable and ensure transparency and responsible governance. Corruption, a major barrier to sustainable development, wastes wealth and resources. It is essentially the misuse of power or authority to gain unfair advantages over others. This behavior disrupts development cycles, while a small elite continues to benefit, leaving underlying issues unresolved.

Promoting Civic Engagement

Unfortunately, both the supply and demand sides of nepotism are very strong in Pakistan. It is nearly impossible to differentiate between legitimate and illegitimate favoritism. Promoting state's regulations against nepotism is also less effective in the presence of strong political patronage in Pakistan. Nonetheless, one way to combat this negative/corrupt practice is creating an efficient and independent institutions capable of real-time monitoring of the hiring and procurement procedures at federal, provincial and local levels. It may sound incipient at a glance, but promoting civic engagement at all levels of society is crucial. It encourages an active participation of citizens in their individual and collective capacities in a sense that they themselves control and monitor the behavior of their elected representatives and institutions. Indeed, demand for the good governance and accountability must come from the citizens themselves. Eventually, such leadership will emerge from the very society, compelling the political elite and civil bureaucracy to comply with the rules of meritocracy and accountability. In democratic norm, when fulfilled, the corrupt practices such as undue political influence over the public institutions come under scrutiny.

Conclusion

In the last decades a rapidly growing research literature has emerged on the political economy of corruption using a common research methodology known as either the non-parametric or parametric frontier approach. In the first period much of this research was based on insights from dissent and public choice theory, and emphasized that corruption is a reaction to the failure of markets and the failure of state regulation. This literature contended that actual or intended deregulation of markets play out in the absence of reform of state intervention policy, could easily lead to increased opportunities for corruption. Spurred on by the Asian crisis, dissatisfaction with this approach intensified in conjunction with the recognition that understanding of the economics of corruption should also take on board a demand side perspective. This requires looking more closely into the playoffs for the corrupt, and possible distributional payoffs for sub-optimal resource use, decision or policy making in the aggregate, rather than just the microeconomics of those individuals who actually pay bribes, in self-defense or in a bid to secure advantageous treatment.

Conceptually, the model is fundamentally anchored on three essential pillars that are critical to understanding regulatory dynamics in modern economies. (i) The demand for regulation is a key foundation; notably, the extent of public intervention in a market economy is generally determined by a thorough and rigorous cost-benefit analysis, which is specifically aligned with the principles of public interest theory. This particular approach builds upon foundational behavioral assumptions that are prevalent in the traditional political economy of regulation and highlights the intricate relationship between market operations and regulatory frameworks. It posits that individual firms and various agents actively engage in systematic lobbying efforts aimed at securing a favorable supply of regulation that will ultimately benefit them. It is within this comprehensive framework of the regulatory process that we observe a significant recasting, depicting it as a result of corruption, inefficiency, and sometimes dysfunction within the state apparatus, raising questions about the effectiveness and integrity of regulatory mechanisms.

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