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Pakistan
OBSERVER
June 08, 2026

PIDE suggests launching of 'National Savings Drive' to strengthen economic resilience

ISLAMABAD

The Pakistan Institute of Development Economics (PIDE) on Sunday suggested launching a targeted 'National Savings Drive' through the upcoming Finance Bill 2026-27 aimed at strengthening domestic resource mobilization and enhancing the country's economic resilience.

Authored by PIDE, Professor of Economics Dr S. M. Naeem Nawaz and Research Economist Wajid Islam, the policy viewpoint titled "Mobilizing Domestic Savings: A Finance Bill and Institutional Reform Agenda for Pakistan" highlighted the importance of increasing domestic savings to support sustainable economic growth and reduce reliance on external financing.

The study revealed that Pakistan's gross domestic savings stood at 6.4 percent of GDP in 2024, compared with 17.4 per cent in 1992, stressing the need for measures to encourage household and institutional savings.

According to the report, stronger domestic savings can provide a stable foundation for investment, economic expansion and financial stability.

It was observed that several regional economies have achieved higher savings rates through policies that promote secure, accessible and rewarding savings mechanisms.

The policy viewpoint identified inflationary pressures, high consumption patterns and limited incentives for formal savings as factors affecting savings mobilization.

It mentioned that households often prefer alternative assets such as gold and real estate, underscoring the need to strengthen confidence in formal financial instruments.

The study proposed a comprehensive National Savings Mobilization Package under the Finance Bill 2026-27.

Key recommendations include restoring and redesigning savings-related tax incentives, introducing a capped tax credit for approved long-term savings instruments under a revised Section 62 of the Income Tax Ordinance, and strengthening voluntary pension incentives under Section 63, particularly for first-time contributors, women, self-employed individuals and workers in the informal sector.

It also proposed reintroducing a protection-linked savings credit under Section 62A covering health insurance, life insurance and family takaful to encourage precautionary savings and support household financial security.

The report highlighted the importance of supporting vulnerable savers through targeted concessions for pensioners, widows, Shuhada families, women and senior citizens, ensuring that benefits are directed towards genuine small savers.

The authors further recommended expanding access to Sukuk, Shariah-compliant savings products, voluntary pension schemes, takaful, micro-insurance, REITs, regulated gold funds and digitized National Savings products. Simplified Know Your Customer (KYC) requirements for small-balance accounts were also proposed to encourage greater financial inclusion.

Dr S. M. Naeem Nawaz said strengthening the domestic savings base was essential for supporting long-term economic development and reducing dependence on external financing sources.

Wajid Islam said the focus should be on creating incentives that make formal savings safe, attractive and tax-efficient, thereby encouraging greater participation in the financial system.—APP

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پاکستان گھریلو بچت، تین دہائیوں کی کم ترین سطح پر PIDE

پاکستان کی اوسط بچت 9.10، بنگلہ دیش 21، بھارت 28 فیصد رہی

بلند افراطِ زر کم منافع بخش بینک ڈپازٹس نے رسمی بچت نظام سے دور کر دیا

اسلام آباد (خصوصی رپورٹر) پاکستان میں گھریلو بچتوں کی شرح گزشتہ تین دہائیوں کی کم ترین سطح پر پہنچ گئی ہے، جس کے باعث ملک کو سرمایہ کاری اور بیرونی مالیاتی انحصار کے سنگین چیلنجز کا سامنا ہے۔ یہ انکشاف پاکستان انسٹی ٹیوٹ آف ڈیولپمنٹ اکنامکس (PIDE) کی نئی پالیسی رپورٹ Domestic "Mobilizing and Bill Finance A :Savings forAgendaReformInstitutional Pakistan" میں کیا گیا ہے۔ رپورٹ کے مطابق پاکستان کی مجموعی قومی بچت 1992 میں جی ڈی پی کے 4.17 فیصد سے کم ہو کر 2024 میں صرف 4.6 فیصد رہ گئی ہے، جو خطے کے دیگر ممالک کے مقابلے میں انتہائی کم ہے۔ گزشتہ 30 برسوں کے دوران پاکستان کی اوسط بچت 9.10 فیصد رہی، جبکہ بنگلہ دیش میں یہ شرح تقریباً 21 فیصد، بھارت میں 28 فیصد اور ویتنام میں 30 فیصد کے قریب رہی۔ رپورٹ کے مصنفین، پی آئی ڈی ای کے پروفیسر ڈاکٹر ایس ایم نعیم نواز اور ریسرچ اکنامسٹ واجد اسلام کے مطابق بلند افراطِ زر اور کم منافع بخش بینک ڈپازٹس نے عوام کو رسمی بچت کے نظام سے دور کر دیا ہے، جس کے نتیجے میں لوگ نقد رقم، سونا اور جائیداد میں سرمایہ رکھنے کو ترجیح دے رہے ہیں۔ رپورٹ میں وفاقی حکومت کو تجویز دی گئی ہے کہ مالی سال 2026-27 کے فنانس بل میں "قومی بچت متحرک سازی پیکیج" متعارف کرایا جائے، جس کے تحت طویل المدتی بچتوں، رضا کارانہ پنشن اسکیموں، لائف اور ہیلتھ انشورنس، فیملی تکافل اور دیگر مالیاتی مصنوعات کے لیے ٹیکس مراعات فراہم کی جائیں۔ ماہرین نے زور دیا ہے کہ خواتین، بزرگ شہریوں، شہداء کے خاندانوں اور کم آمدنی والے بچت کنندگان کے لیے خصوصی مراعات متعارف کرائی جائیں، جبکہ بچت اسکیموں میں سرمایہ منتقل کرنے پر کسی قسم کے اضافی ٹیکس عائد نہ کیے جائیں۔ ڈاکٹر ایس ایم نعیم نواز نے کہا کہ پاکستان گزشتہ 30 برس سے اپنی ترقیاتی ضروریات بیرونی قرضوں کے ذریعے پوری کرتا رہا ہے، جس کے نتیجے میں بار بار مالیاتی بحرانوں کا سامنا کرنا پڑا۔ ان کے مطابق پائیدار معاشی ترقی کے لیے ملکی بچتوں کے نظام کو مضبوط بنانا ناگزیر ہے۔ رپورٹ میں یہ بھی خبردار کیا گیا ہے کہ صرف ٹیکس مراعات کافی نہیں ہوں گی بلکہ قیمتوں میں استحکام، بہتر منافع، صارفین کے تحفظ اور حکومتی مالیاتی نظم و ضبط کو بھی یقینی بنانا ہوگا تاکہ جمع شدہ بچتوں کو پیداوار اور سرمایہ کاری کی طرف منتقل کیا جا سکے۔

THE NATION
June 08, 2026

PIDE urges to launch national savings drive

FAWAD YOUSAFZAI
ISLAMABAD

Pakistan's gross domestic savings have collapsed from 17.4 percent of GDP in 1992 to just 6.4 percent in 2024, the weakest in a generation and far below every regional peer, PIDE noted in its latest policy viewpoint and urged to launch a national savings drive in the upcoming budget before the next crisis hits.

A new policy viewpoint of PIDE, titled Mobilizing Domestic Savings: A Finance Bill and Institutional Reform Agenda for Pakistan has urged the Finance Bill FY2026–27 to launch a targeted National Savings Mobilization Package before the country's shrinking savings base triggers yet another external financing crisis.

The report delivers a pointed diagnosis: behind almost every balance-of-payments emergency and IMF programme of the past three decades lies the same structural failure, a nation that has progressively stopped saving and is now compelled to finance its future with borrowed foreign money. With Pakistan's thirty-year savings average standing at just 10.9 percent of GDP, the gap with regional peers is stark. Over the same period, Bangladesh saved nearly 21 percent of GDP, India over 28 percent, and Vietnam close to 30 percent. As the paper observes, these countries were not wealthier at the outset, several began poorer than Pakistan. They made saving safe, rational, and rewarding. Pakistan, the report argues, did the opposite.

The policy paper traced the collapse to a self-reinforcing inflation-consumption trap. With 93.6 percent of national income now absorbed by consumption and inflation repeatedly outrunning bank deposit returns, formal saving has become a guaranteed slow loss. Households respond by hoarding cash, buying gold, and investing in property, assets that finance no factory and create no employment. Compounding the damage, the government has itself become a net dissaver, borrowing so heavily from domestic banks that little credit remains available for productive private investment.

The policy viewpoint calls for the Finance Bill FY2026–27 to address this through a structured National Savings Mobilization Package. At its core is a proposal to restore and redesign savings-related tax incentives, including a capped tax credit for approved long-term savings instruments under a redesigned Section 62 of the Income Tax Ordinance, a provision withdrawn through the Finance Act 2022, subject to minimum holding periods and clawback provisions to contain fiscal cost. Voluntary pension incentives under Section 63 should be strengthened with targeted additional support for first-time contributors, women, and self-employed and informal-sector workers. A reintroduced protection-linked savings credit under Section 62A should cover health insurance, life insurance, and family takaful to build precautionary savings and reduce distress financing.

A central concern of the report is the protection of vulnerable savers. It recommends capped concessions under the Second Schedule of the Income Tax Ordinance for approved products serving pensioners, widows, Shuhada families, women, and senior citizens, ensuring fiscal support reaches genuine small savers rather than large passive income holders. The authors also caution firmly against reintroducing transaction or entry-point taxes on transfers into approved formal savings instruments, noting that such levies have historically driven households toward cash and informal channels.

The report further argues that a significant stock of household wealth currently locked in cash, gold, real estate, committees, and foreign currency must be redirected into regulated financial channels. Expanded retail access to Sukuk, Shariah-compliant savings instruments, voluntary pension schemes, takaful, micro-insurance, REITs, regulated gold funds, and digitised National Savings products, with simplified Know Your Customer requirements for small-balance accounts, can begin to close this gap.

Daily Islamabad POST
June 08, 2026

PIDE for national savings drive to strengthen eco resilience

ISLAMABAD: The Pakistan Institute of Development Economics (PIDE) on Sunday suggested launching a targeted 'National Savings Drive' through the upcoming Finance Bill 2026-27 aimed at strengthening domestic resource mobilization and enhancing the country's economic resilience. Authored by PIDE, Professor of Economics Dr S. M. Naeem Nawaz and Research Economist Wajid Islam, the policy viewpoint titled "Mobilizing Domestic Savings: A Finance Bill and Institutional Reform Agenda for Pakistan" highlighted the importance of increasing domestic savings to support sustainable economic growth and reduce reliance on external financing. The study revealed that Pakistan's gross domestic savings stood at 6.4 percent of GDP in 2024, compared with 17.4 per cent in 1992, stressing the need for measures to encourage household and institutional savings. According to the report, stronger domestic savings can provide a stable foundation for investment, economic expansion and financial stability. It was observed that several regional economies have achieved higher savings rates through policies that promote secure, accessible and rewarding savings mechanisms. The policy viewpoint identified inflationary pressures, high consumption patterns and limited incentives for formal savings as factors affecting savings mobilization. It mentioned that households often prefer alternative assets such as gold and real estate, underscoring the need to strengthen confidence in formal financial instruments The study proposed a comprehensive National Savings Mobilization Package under the Finance Bill 2026-27. Key recommendations include restoring and redesigning savings-related tax incentives, introducing a capped tax credit for approved long-term savings instruments under a revised Section 62 of the Income Tax Ordinance, and strengthening voluntary pension incentives under Section 63, particularly for first-time contributors, women, self-employed individuals and workers in the informal sector. It also proposed reintroducing a protection-linked savings credit under Section 62A covering health insurance, life insurance and family takaful to encourage precautionary savings and support household financial security. The report highlighted the importance of supporting vulnerable savers through targeted concessions for pensioners, widows, Shuhada families, women and senior citizens, ensuring that benefits are directed towards genuine small savers. The authors further recommended expanding access to Sukuk, Shariah-compliant savings products, voluntary pension schemes, takaful, micro-insurance, REITs, regulated gold funds and digitized National Savings products. –**APP**

DAWN
June 08, 2026

PIDE urges tax incentives to revive national savings

Says Pakistan saves only Rs6 of every Rs100

By Our Staff Reporter

ISLAMABAD: The state-run Pakistan Institute of Development Economics (PIDE) has urged the government to launch an urgent national savings drive through budgetary measures later this week to reverse a sharp decline in the country's savings rate over the past three decades.

In a policy note issued ahead of the federal budget, PIDE said the drive should be launched immediately before the next crisis hits Pakistan, where national savings have fallen to just Rs6 out of every Rs100 of income, contributing to an investment crisis.

"Pakistan's gross domestic savings have collapsed from 17.4pc of GDP in 1992 to just 6.4pc in 2024, the weakest in a generation and far below every regional peer," wrote PIDE's Professor of Economics Dr S.M. Naeem Nawaz and Research Economist Wajid Islam.

The policy note, titled "Mobilising Domestic Savings: A Finance Bill and Institutional Reform Agenda for Pakistan", urged that the Finance Bill 2026-27 should launch a targeted National Savings Mobilisation Package before the country's shrinking savings base triggers another external financing crisis.

The report argued that a significant stock of household wealth currently locked in cash, gold, real estate, committees and foreign currency must be redirected into regulated financial channels.

It said expanded retail access to sukuk, Shariah-compliant savings instruments, voluntary pension schemes, takaful, micro-insurance, REITs, regulated gold funds and digitised National Savings products, along with simplified know-your-customer requirements for small-balance accounts, could help close the gap.

"For 30 years, we have financed our ambitions with other people's money, and paid for it with recurring crises," Dr Nawaz said.

"The choice is no longer austerity versus growth. It is whether we keep renting our future from foreign creditors, or finally rebuild the domestic savings base that every successful economy has relied on," he added.

"This is not about advising households to be frugal; it is about changing incentives and nudging them to save," said Wajid Islam.

The authors cautioned that tax incentives alone would not be sufficient. Sustained progress, they said, would require price stability, credible after-tax real returns, stronger consumer protection and disciplined public expenditure management.

They warned that unless public-sector dissaving and fiscal crowding-out were addressed in parallel, mobilised savings could be absorbed by recurrent budget deficits rather than channelled into productive investment.

To ensure accountability, the report recommended an annual Savings Mobilisation Dashboard to track domestic savings rates, formal savings uptake, voluntary pension participation, retail sukuk investment, women-owned accounts and private-sector credit allocation.

June 08, 2026

پاکستان کی مجموعی قومی بچت 3 عشروں میں 17.4 سے کم ہو کر 6.4 فیصد رہ گئی

خطے کے تمام ممالک سے پاکستان کی بچت میں نمایاں کمی، گزشتہ 3 برسوں کی اوسط قومی بچت 10.9 فیصد رہی

اسی عرصے میں بنگلہ دیش نے 21، بھارت 28 اور ویتنام نے 30 فیصد جی ڈی پی کے برابر بچت کی، پائیڈ رپورٹ

اسلام آباد (رپورٹ، تنویر ہاشمی) پاکستان میں مجموعی قومی بچت 1992 میں جی ڈی پی کے 17.4 فیصد سے کم ہو کر 2024 میں صرف 6.4 فیصد رہ گئی ہے، جو خطے کے تمام ممالک کے مقابلے میں نمایاں طور پر کم ہے، جبکہ گزشتہ 3 برسوں کی پاکستان کی اوسط قومی بچت جی ڈی پی کا صرف 10.9 فیصد ہے جبکہ اسی عرصے میں بنگلہ دیش نے 21 فیصد، بھارت نے 28 فیصد سے زائد ویتنام نے 30 فیصد جی ڈی پی کے برابر بچت کی ہے، انکشاف پاکستان انسٹی ٹیوٹ آف ڈیولپمنٹ اکنامکس کی پاکستان کی مقامی بچت سے متعلق پالیسی

بقیہ 6.4 فیصد رہ گئی 1

رپورٹ میں کیا گیا، رپورٹ کے مطابق گزشتہ تین عشروں کے دوران بیرونی ادائیگیوں کے توازن کے بحران اور آئی ایم ایف پروگرام کے پیچھے ایک ہی بنیادی خرابی کارفرما رہی ہے، ایک ایسا ملک جس نے بتدریج بچت کرنا چھوڑ دی اور اب اپنے مستقبل کی مالی ضروریات بیرونی قرضوں کے ذریعے پوری کرنے پر مجبور ہے، رپورٹ کے مطابق قومی آمدنی کا 93.6 فیصد حصہ صرف کھپت پر خرچ ہو رہا ہے، جبکہ افراط زر اکثر بینکوں کی جمع شدہ رقوم پر ملنے والے منافع سے زیادہ رہی ہے، جس کے باعث رسمی بچت ایک یقینی مالی نقصان بن چکی ہے، اس صورتحال میں گھرانے نقد رقم جمع کرنے، سونا خریدنے اور جائیداد میں سرمایہ کاری کو ترجیح دیتے ہیں، جو نہ تو صنعتوں کے قیام میں مدد دیتے ہیں اور نہ ہی روزگار پیدا کرتے ہیں، یہ خالصتاً منفی بچت کی حیثیت اختیار کر چکی، پالیسی دستاویز میں تجویز دی گئی کہ فنانس بل 2026-27 کے ذریعے ایک منظم قومی بچت متحرک سازی پیکیج متعارف کرایا جائے۔ اس پیکیج کا بنیادی جزو بچت سے متعلق ٹیکس مراعات کی بحالی اور ازسرنو تشکیل ہے اس مقصد کیلئے انکم ٹیکس آرڈیننس کی ازسرنو ڈیزائن کردہ دفعہ 62 کے تحت منظور شدہ طویل مدتی بچت سکیموں میں سرمایہ کاری پر محدود ٹیکس کریڈٹ دینے کی سفارش کی گئی ہے، یہ سہولت فنانس ایکٹ 2022 کے ذریعے ختم کر دی گئی تھی۔ تجویز ہے کہ ان مراعات کو کم از کم سرمایہ کاری مدت اور قبل از وقت رقم نکالنے کی صورت میں واپسی کی شرائط سے مشروط کیا جائے تاکہ حکومتی مالی بوجھ محدود رہے، اسی طرح، دفعہ 63 کے تحت رضاکارانہ پنشن سکیموں کے لیے مراعات کو مزید مضبوط بنانے، پہلی بار سرمایہ کاری کرنے والوں، خواتین، خود روزگار افراد اور غیر رسمی شعبے کے کارکنوں کے لیے اضافی سہولتیں فراہم کرنے کی سفارش کی گئی ہے۔ رپورٹ میں دفعہ 62A کے تحت صحت بیمہ، زندگی کے بیمہ اور تکافل مصنوعات پر مبنی بچت مراعات کو بھی بحال کرنے کی تجویز دی گئی تاکہ احتیاطی بچت کو فروغ دیا جا سکے اور ہنگامی حالات میں قرض لینے کی ضرورت کم ہو۔ رپورٹ کا ایک اہم نکتہ کمزور اور حساس بچت کنندگان کا تحفظ ہے، اس مقصد کیلئے انکم ٹیکس آرڈیننس کے سیکنڈ شیڈول کے تحت پنشنرز، بیواؤں، شہداء کے خاندانوں، خواتین اور بزرگ شہریوں کے لیے منظور شدہ بچت مصنوعات پر محدود ٹیکس رعایتیں دینے کی سفارش کی گئی ہے۔

INTERNATIONAL THE NEWS

June 08, 2026

'Low savings, high consumption putting economy at risk'

By Rasheed Khalid

ISLAMABAD: Dr SM Naeem Nawaz and Wajid Islam from Pakistan Institute of Development Economics (PIDE) have warned that Pakistan's gross domestic savings collapsed from 17.4 percent of GDP in 1992 to just 6.4 percent in 2024, the weakest in a generation and far below every regional peers.

In a policy viewpoint titled "Mobilising domestic savings: a finance bill and institutional reform agenda for Pakistan" they urge the Finance Bill FY2026–27 to launch a targeted National Savings Mobilisation Package before the country's shrinking savings base triggers yet another external financing crisis. The report delivers a pointed diagnosis: behind almost every balance-of-payments emergency and IMF programme of the past three decades lies the same structural failure, a nation that progressively stopped saving and is now compelled to finance its future with borrowed foreign money.

With Pakistan's thirty-year savings average standing at just 10.9 percent of GDP, the gap with regional peers is stark. Over the same period, Bangladesh saved nearly 21 percent of GDP, India over 28 percent and Vietnam close to 30 percent. As the authors observe, these countries were not wealthier at the outset, several began poorer than Pakistan. They made saving safe, rational and rewarding. Pakistan, the report argues, did the opposite.

The authors trace the collapse to a self-reinforcing inflation-consumption trap. With 93.6 percent of national income now absorbed by consumption and inflation repeatedly outrunning bank deposit returns, formal saving has become a guaranteed slow loss. Households respond by hoarding cash, buying gold and investing in property, assets that finance no factory and create no employment. Compounding the damage, the government has itself become a net dissaver, borrowing so heavily from domestic banks that little credit remains available for productive private investment.

Voluntary pension incentives under Section 63 should be strengthened with targeted additional support for first-time contributors, women and self-employed and informal-sector workers.

A reintroduced protection-linked savings credit under Section 62A should cover health insurance, life insurance and family takaful to build precautionary savings and reduce distress financing.

INTERNATIONAL THE NEWS
June 08, 2026

PIDE calls for launching national savings drive in upcoming budget

Savings collapse from 17.4pc of GDP in 1992 to 6.4pc in 2024

Mehtab Haider

ISLAMABAD: Pakistan's gross domestic savings have collapsed from 17.4 per cent of GDP in 1992 to just 6.4 per cent in 2024, the weakest in a generation and far below every regional peers, warns a new policy viewpoint titled "Mobilising Domestic Savings: A Finance Bill and Institutional Reform Agenda for Pakistan", authored by Dr SM Naeem Nawaz, Professor of Economics, and Wajid Islam, Research Economist, both at the Pakistan Institute of Development Economics, and published by PIDE.

The paper urges the Finance Bill FY2026-27 authorities to launch a targeted National Savings Mobilisation Package before the country's shrinking savings base triggers yet another external financing crisis.

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The policy viewpoint calls for the Finance Bill FY2026-27 authorities to address this through a structured National Savings Mobilisation Package. At its core is a proposal to restore and redesign savings-related tax incentives, including a capped tax credit for approved long-term savings instruments under a redesigned Section 62 of the Income Tax Ordinance, a provision withdrawn through the Finance Act 2022, subject to minimum holding periods and clawback provisions to contain fiscal cost. Voluntary pension incentives under Section 63 should be strengthened with targeted additional support for first-time contributors, women, and self-employed and informal-sector workers. A reintroduced protection-linked savings credit under Section 62A should cover health insurance, life insurance, and family takaful to build precautionary savings and reduce distress financing. A central concern of the report is the protection of vulnerable savers. It recommends capped concessions under the Second Schedule of the Income Tax Ordinance for approved products serving pensioners, widows, martyrs families, women, and senior citizens, ensuring fiscal support reaches genuine small savers rather than large passive income holders.

The authors also caution firmly against reintroducing transaction or entry-point taxes on transfers into approved formal savings instruments, noting that such levies have historically driven households toward cash and informal channels. The report further argues that a significant stock of household wealth currently locked in cash, gold, real estate, "committees", and foreign currency must be redirected into regulated financial channels. Expanded retail access to Sukuk, Shariah-compliant savings instruments, voluntary pension schemes, takaful, micro-insurance, REITs, regulated gold funds, and digitised National Savings products, with simplified "Know Your Customer" requirements for small-balance accounts, can begin to close this gap. "For 30 years we have financed our ambitions with other people's money, and paid for it with recurring crises," said Dr SM Naeem Nawaz. "The choice is no longer austerity versus growth. It is whether we keep renting our future from foreign creditors, or finally rebuild the domestic savings base that every successful economy has relied on," he said. "This is not about advising households to be frugal, it is about changing the incentives and nudging them to save," said Wajid Islam. "Make formal saving safe, rewarding, and tax-efficient, and Pakistanis will save. The Finance Bill is the single best tool we have to start that shift this year."

The authors caution that tax incentives alone will not be sufficient. Sustained progress requires price stability, credible after-tax real returns, stronger consumer protection, and disciplined public expenditure management. Unless public-sector dissaving and fiscal crowding-out are addressed in parallel, mobilised savings risk being absorbed by recurrent budget deficits rather than channelled into productive investment.

To ensure accountability, the report recommends an annual Savings Mobilisation Dashboard tracking domestic savings rates, formal savings uptake, voluntary pension participation, retail Sukuk investment, women-owned accounts, and private-sector credit allocation. PIDE is Pakistan's premier public policy research institution, established in 1957 and headquartered in Islamabad. PIDE conducts independent, evidence-based research on the country's economic, social, and development challenges and regularly advises policymakers through publications, conferences, and policy dialogue.

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اہم خبر
لوگ سونا، جائیداد اور
نقد رقم کو ترجیح دے
رہے ہیں، پائیڈ رپورٹ
10.9% of GDP
Legal Entry Points
Allocation test
93.6% of GDP
3-year link
Reduce reliance
1. Why Savings Should Be a Budget Priority
Pakistan's budget debate is dominated by revenue mobilization, debt servicing, development spending, and subsidy reform. These are legitimate preoccupations. However, they often overshadow a more important aspect of savings, which are too low to finance the economy's investment needs.
The relationship between domestic saving and long-run growth is well documented in the literature. Carroll and Weil (1994) argue that sustained income growth tends to increase saving, implying that a stronger savings base cannot be separated from the broader growth environment. Similarly, domestic saving rates are significantly associated with per capita income growth, financial depth, and macroeconomic stability (Loayza, Schmidt-Hebbel and Servén, 2000). Domestic savings remain an important source of financing for capital formation, particularly in economies where sustained reliance on external financing creates macroeconomic vulnerability. In developing Asia, the ability to raise domestic savings depends importantly on income levels, demographic structure, and financial-sector development (Horioka and Terada-Hagiwara, 2012). However, Pakistan is lagging behind this trajectory, given low household savings and the government's dissaving.
The life-cycle framework of Modigliani (1970) links aggregate saving to income growth, population age structure, and confidence in future returns. The low saving rate in Pakistan reflects a failure on several of these dimensions simultaneously. First, the real income growth is sluggish. Second, it is facing adverse demographic pressures. Third, there is persistent macroeconomic instability, and lastly, real returns on formal financial instruments are weak.
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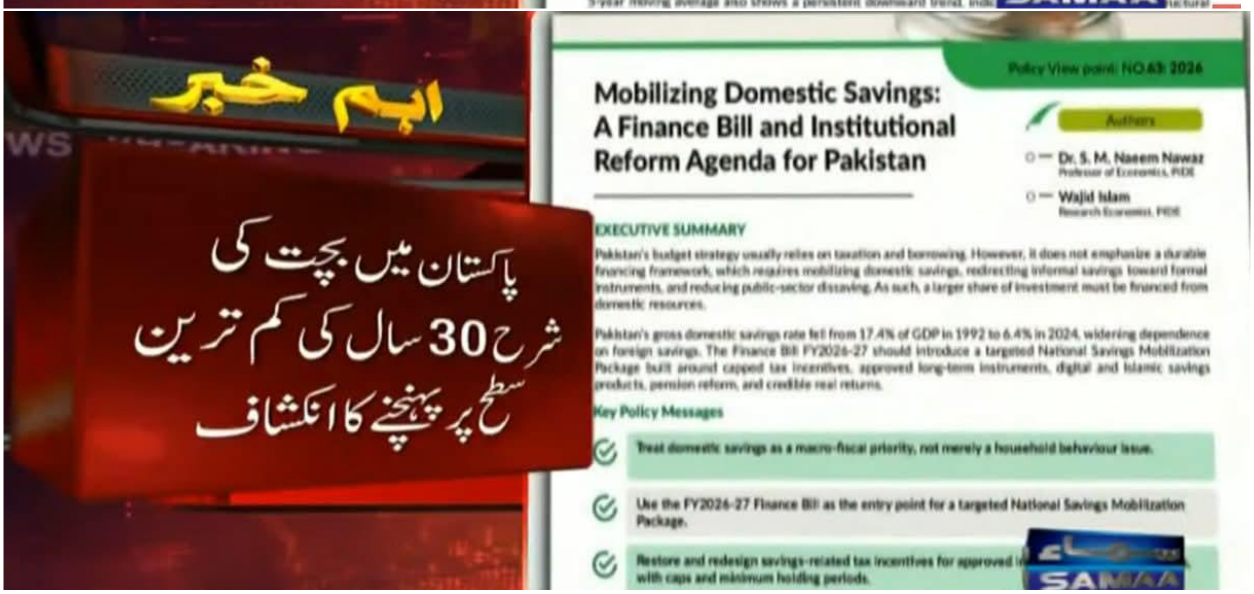
اہم خبر
پاکستان میں بچت کی
شرح 30 سال کی کم ترین
سطح پر پہنچنے کا انکشاف
Policy View point: NO.63: 2026
Mobilizing Domestic Savings:
A Finance Bill and Institutional
Reform Agenda for Pakistan
Authors
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Professor of Economics, PIDE
Wajid Islam
Research Economist, PIDE
EXECUTIVE SUMMARY
Pakistan's budget strategy usually relies on taxation and borrowing. However, it does not emphasize a durable financing framework, which requires mobilizing domestic savings, redirecting informal savings toward formal instruments, and reducing public-sector dissaving. As such, a larger share of investment must be financed from domestic resources.
Pakistan's gross domestic savings rate fell from 17.4% of GDP in 1992 to 6.4% in 2024, widening dependence on foreign savings. The Finance Bill FY2026-27 should introduce a targeted National Savings Mobilization Package built around capped tax incentives, approved long-term instruments, digital and Islamic savings products, pension reform, and credible real returns.
Key Policy Messages
Treat domestic savings as a macro-fiscal priority, not merely a household behaviour issue.
Use the FY2026-27 Finance Bill as the entry point for a targeted National Savings Mobilization Package.
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پاکستانی صرف 6روپے
بچاپارہے ہیں، رپورٹ
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کم کرتے ہیں، رپورٹ
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