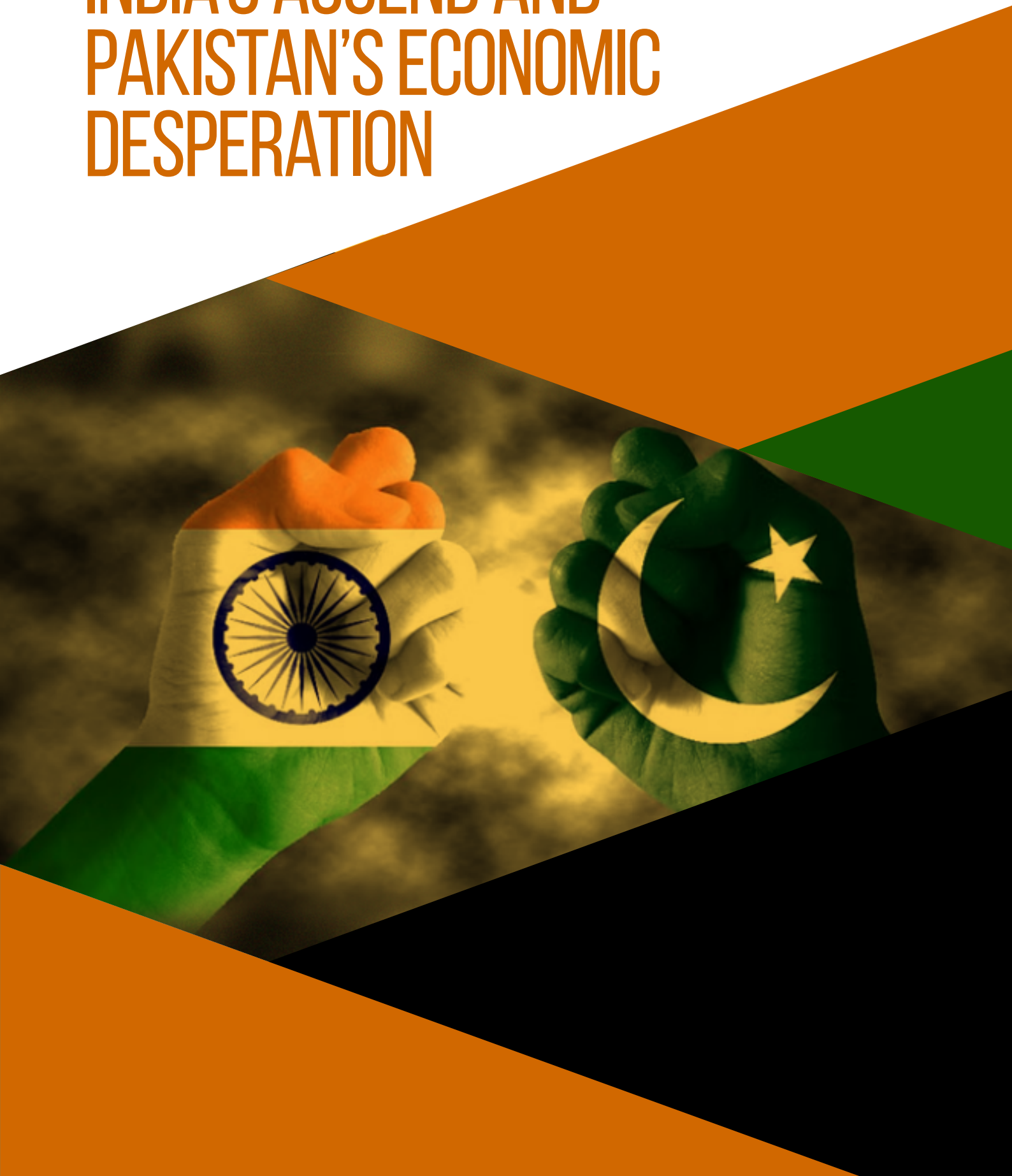


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THE GREAT ECONOMIC DIVERGENCE:
**INDIA'S ASCEND AND
PAKISTAN'S ECONOMIC
DESPERATION**



Author Note

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We have no known conflict of
interest to disclose.

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Introduction

The Pakistan-sponsored terror attack on tourists in Pahalgam is an act of economic desperation, aimed at diverting attention from the country's deepening economic crisis.

Faced with mounting internal challenges, Pakistan has once again resorted to strategic escalation with India, using cross-border terrorism not just as a tool of disruption but also as a calculated distraction from its politico-economic turmoil.

- While **India has doubled its GDP by 103% since 2015**, Pakistan remains trapped in a prolonged macroeconomic crisis—one that increasingly fuels its destabilising behaviour.
- In FY24, India recorded an impressive **8.2% GDP growth**, compared to Pakistan's modest **2.4%**. Over the last decade, **India's GDP per capita has surged by 74%**, while Pakistan's economic progress has remained muted and uneven.
- India's focus on growth, welfare, and structural reforms has earned it the position of the **world's fastest-growing major economy**.
- In contrast, Pakistan has repeatedly turned to external bailouts and IMF loans, lacking a coherent long-term development vision.

As India is increasingly seen as the voice of the Global South and is poised to become the world's third-largest economy, Pakistan remains entangled in domestic economic distress, turning to cross-border terrorism as a means to deflect global scrutiny.



Historical GDP Comparison- India Vs Pakistan

- Pakistan squandered its lead despite growing faster than India till the early 1980s, as shown in **Figure 1**.
- Pakistan's GDP growth surpassed India's until the early 1980s but declined sharply afterward, while India's growth stabilised and exceeded Pakistan's consistently after the 1990s.



Figure 1: Trends in Annual GDP Growth Rates (in %) for India and Pakistan



- Both India and Pakistan started with a GDP of \$0.004 trillion in 1960 as shown in **Figure 2**.
- India's GDP surged to \$3.88 trillion by 2024, while Pakistan's growth remained stagnant, reaching only \$0.37 trillion.

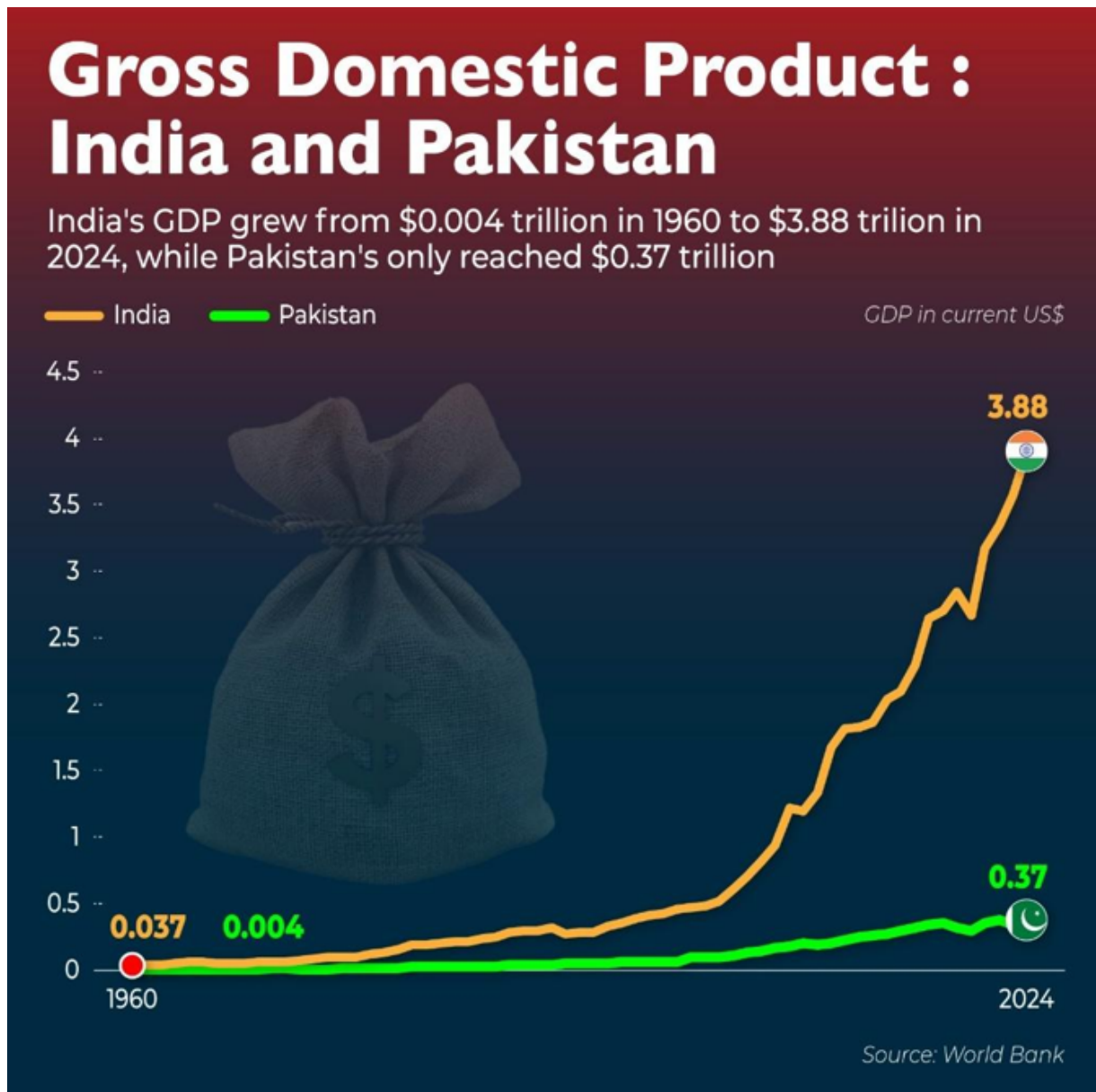


Figure 2: GDP Growth Trend for India and Pakistan (US\$ trillion)



Pakistan's Macroeconomic Distress

Inflation

- Consumer inflation in Pakistan has risen sharply after 2020, **surging to 29.2% in 2023 as shown in Figure 3.**
- Currency depreciation, rising energy costs, and import dependency have been the major drivers of inflation in the country.

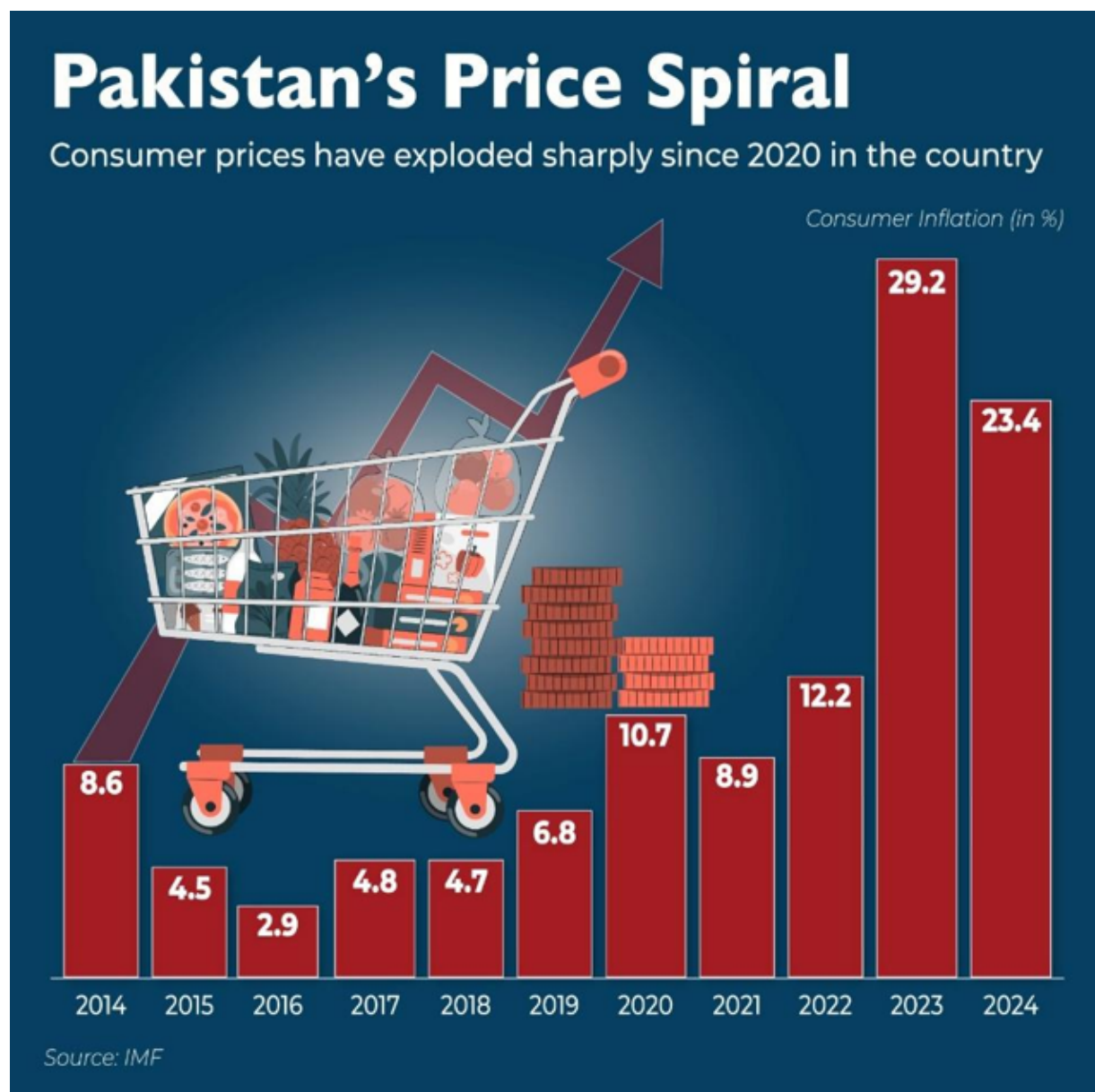


Figure 3: Inflation Impacts The Economy Adversely



Currency

- PKR depreciated by 170% from 2015 to 2025, reflecting a consistent long-term decline against the USD as shown in **Figure 4**.
- The currency's sharp depreciation reflects economic pressures and inflation differentials, as Pakistan's higher inflation eroded its currency's value against the USD.

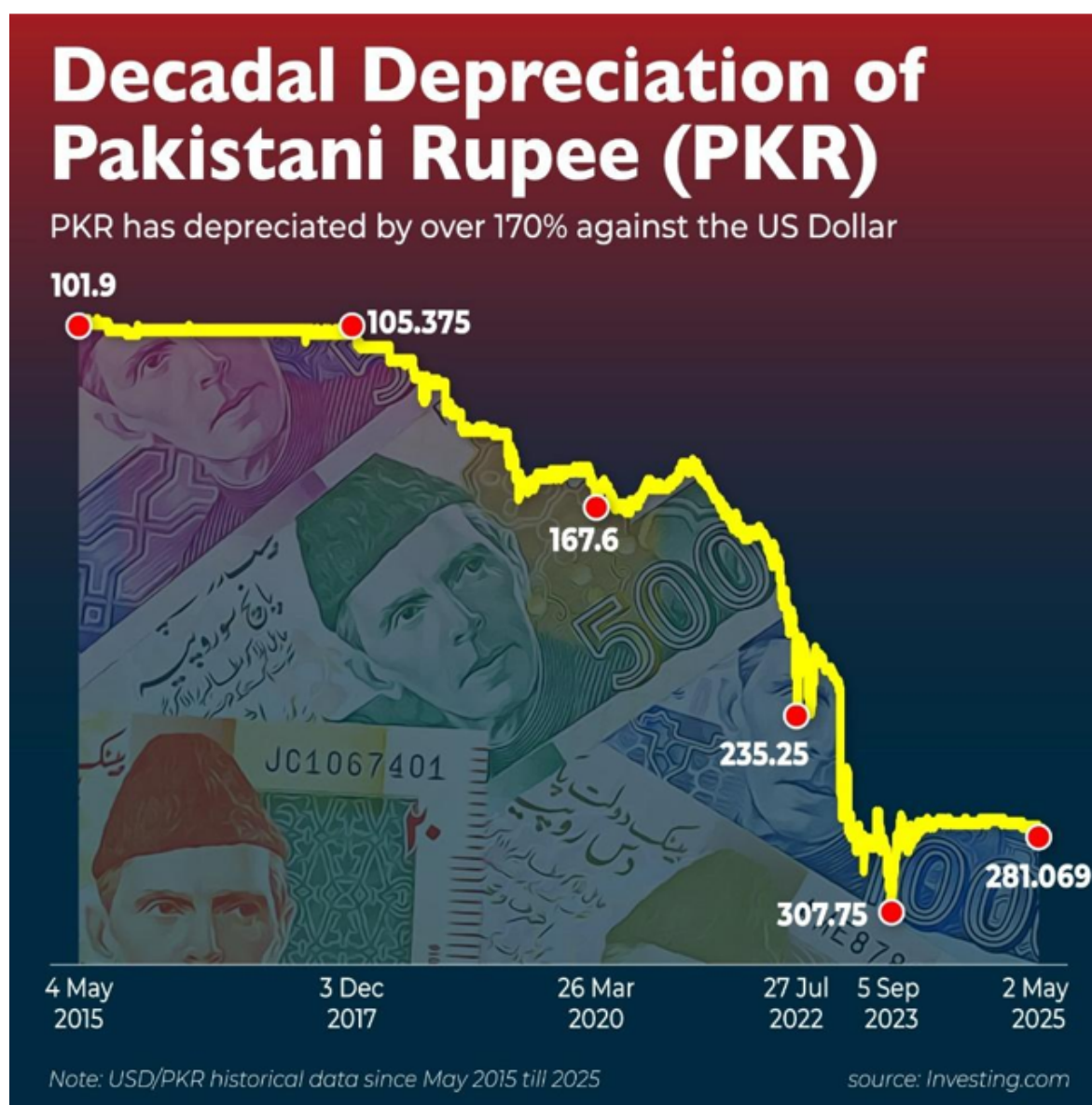


Figure 4: Depreciation of Pakistani Rupee (PKR) Against the US\$



Debt-GDP Ratio

- Pakistan's debt-to-GDP ratio has climbed steeply since 2016, reaching 80% in 2024. This is indicative of mounting fiscal pressure, as shown in **Figure 5**.
- A growing share of new borrowing is directed toward servicing existing debt, which reflects a cycle of dependence on external loans.

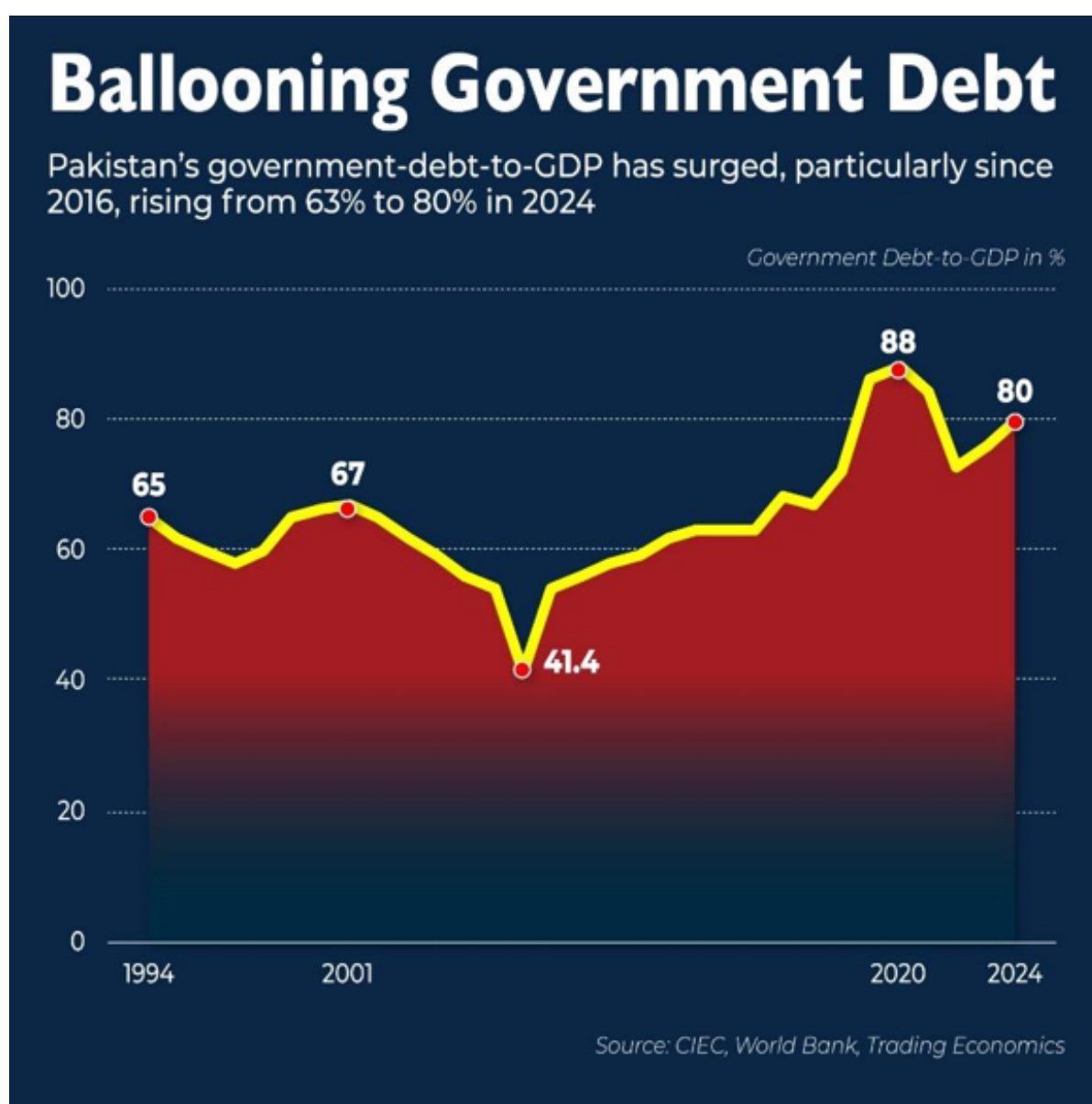


Figure 5: Trend in Pakistan's Government Debt-to-GDP (in %)



Foreign Exchange Reserves

- Pakistan's foreign exchange reserves have hardly stabilised, reflective of the country's weak economy, vulnerable to high debt and volatility, as shown in **Figure 6**.
- Massive loan repayments, particularly to international creditors and the IMF, have significantly drained its reserves, worsening the decline.



Figure 6: Pakistan's Forex Reserves (in US\$ billion) Over The Years



Bailout

- Pakistan has turned to the IMF over **20 times since 1980 for financial support, as shown in Figure 7.**
- Recent bailouts include \$7B in 2024—one of the largest in its history. These bailouts, meant for economic stability, have been used to support cross-border terrorism and to fund its military.
- The country has borrowed over and over again to service its external debt, falling in a debt-trap.



Figure 7: Year-wise Loans from the IMF to Pakistan (converted from SDR to US\$)



India's Economic Ascent

India's economic ascent up the GDP ladder since 2014 has starkly contrasted with Pakistan's economic trajectory. While **India seized every opportunity to redefine** its economic stature with strategic reforms, technological advancements, and inclusive growth, **Pakistan faltered** due to political instability, reliance on external aid, and failure to implement structural reforms, **allowing opportunities for growth to wither away**.

Since 2014, India has undergone a remarkable economic turnaround, driven by the Centre's **strategic and substantial investments in the tech and digital economy**. These investments have enhanced efficiency and productivity across key sectors, be it, the manufacturing, agriculture, healthcare, or services.

The ripple effects of this transformation have been profound, generating vast employment opportunities and rekindling India's irrepressible entrepreneurial spirit, which has collectively fostered inclusive growth.

Robust Performance of Indicators

- India's GDP per capita grew from \$1,560 in 2014 to \$2,711 in 2024, reflecting a **74% rise over the past decade**. Pakistan's performance has remained relatively stagnant, with per capita income rising from \$1,424 in 2014 to just \$1,581 in 2024 — **a modest growth of only 11% over the decade**.
- India kept inflation in check, from 5.8% in 2014 to 4.7% in 2024, with a **stable 10-year average of 5%**. **Pakistan's inflation jumped from 8.6% in 2014 to a staggering 23.4% in 2024**, signaling deep economic stress and price volatility.
- India has also solidified its position as the **world's third-largest startup ecosystem**, with 51% of its startups emerging from Tier II and III cities, underscoring the inclusivity of opportunity access.
- Furthermore, the decadal cumulative Foreign Direct Investment (FDI) from 2014 to 2024 **surged by 119% compared to the previous decade**, reflecting global confidence in India's growth story.



- Our IT sector's total and export revenue has more than doubled over the last decade, **registering growth of 140% and 124% respectively.**
- **The forex reserves** for India **exceed \$676 billion (April 2025)**, reflecting stronger external financial health, the ability to defend the currency, and a buffer against external shocks.
- The nation's advancements in space technology are equally notable, with over **393 foreign satellites launched between 2015 and 2024**, showcasing India's expanding role in the global innovation landscape.



Banking Sector Performance

- Pakistan faced persistent inflation and fiscal challenges, limiting the growth potential of banking. In contrast, India's stronger GDP growth **and a stable macroeconomic environment supported faster banking sector expansion and resilience.**
- India's NPAs are lower than Pakistan's, **reflecting stronger regulatory reforms and economic recovery, as shown in Figure 8.** Both countries improved asset quality. India's progress, however, **was more pronounced.**
- India is a global leader in digital banking, with high rural digitization and UPI's dominance. Pakistan's digital adoption is growing, but **it lags with a large unbanked population (36% as of 2023).**

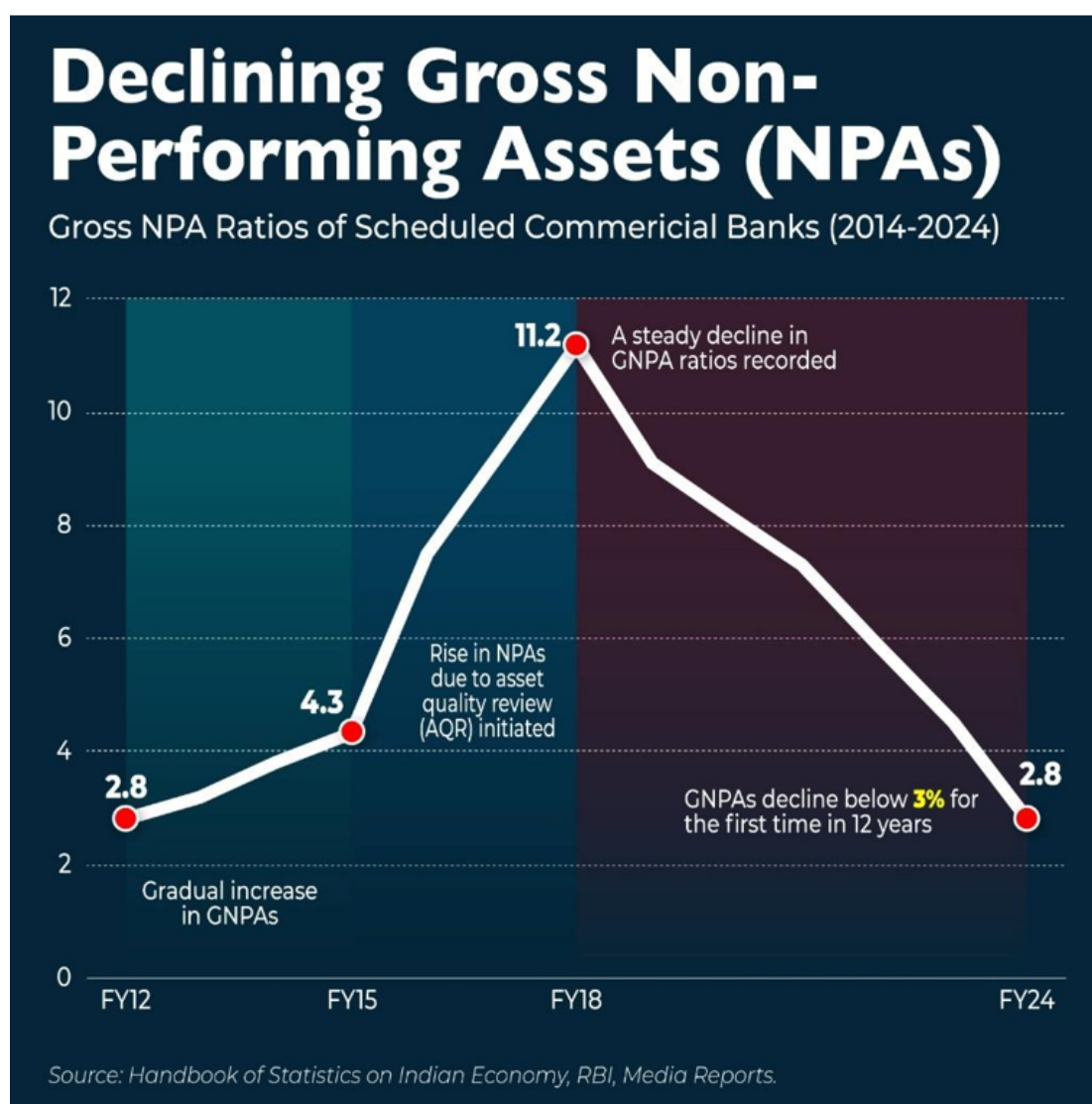


Fig 8: India's Banking Sector Revamp Enables Improve Asset Quality



Conclusion

India has implemented policies that have modernised India and supported its growth as never before. India's proactive policies have catalysed unprecedented growth and modernisation, bringing the vision of a developed nation within reach, while a decade ago it seemed unimaginable.

On the other hand, Pakistan's systemic challenges have exacerbated its decline, entrenching its status as a struggling state. Pakistan's challenges have deepened further, reinforcing perceptions of it as a rogue nation.

