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ADDRESSING THE FINANCIAL CRISIS IN GOVERNMENT DEPARTMENTS: LESSONS FROM PAKISTAN INTERNATIONAL AIRLINES

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ABSTRACT

This study examines the underlying causes of the financial crisis faced by government departments in Pakistan, focusing on factors such as inadequate planning, political interference, corruption, inefficient management, and resource mismanagement. The study highlights the urgent need for immediate corrective measures to overcome these challenges and foster progress. Drawing insights from the case of Pakistan International Airlines (PIA), the study emphasizes the importance of generating sufficient revenue through cost-effective operations. It advocates for gradual rehabilitation initiatives, including the elimination of unnecessary expenses, merit-based hiring practices, and performance-based compensation. Moreover, the study underscores the significance of upholding ethical conduct and removing individuals who violate organizational codes. The study also recommends engaging in constructive negotiations with government officials and proposing strategies such as fare adjustments and route optimization to alleviate financial burdens. These measures can help conserve financial, technical, and human resources, ultimately leading to improved financial stability.

Keywords: Financial crisis, government departments, proper planning, political interference, corruption, inefficient management, resource wastage, Pakistan International Airlines (PIA)
JEL Codes: GO1, D73

1. INTRODUCTION

Pakistan's federal government is comprised of 43 departments that play a crucial role in governing various sectors and managing the affairs of the entire country (Hameed, 2017). While some departments exhibit efficient performance, the majority operate inefficiently, rendering them counterproductive and detrimental to the country's progress (Younis, 2019). Notably, three significant departments facing major challenges are Pakistan International Airlines (PIA), the Water and Power Development Authority (WAPDA), and Pakistan Railways (Akhtar et al., 2018). PIA, considered a major strategic asset for Pakistan, has been plagued by severe financial problems over the past decade, leading to its decline and hampering its ability to provide quality services (Khan & Ullah, 2018). WAPDA, responsible for meeting the energy needs of the nation, struggles to fulfill both domestic and commercial demands, thereby impeding the growth and development of industries (Rizvi & Ghani, 2017). Similarly, Pakistan Railways, an essential strategic asset, faces precarious financial conditions, resulting in substandard services and infrastructure (Rizvi & Ghani, 2017). These departments' inefficiencies and financial struggles have contributed to Pakistan's current economic downturn, with many departments incurring heavy losses and experiencing a continuous decrease in their incomes (Ashfaq, 2018). The repercussions of their ineffective operations are dire, ultimately impacting the well-being and prosperity of the people of Pakistan (Hameed, 2017). Addressing the challenges faced by PIA, WAPDA, and Pakistan Railways is crucial to ensure their effective functioning and mitigate their adverse effects on the nation's progress (Ali et al., 2020). The establishment of an efficient air transport system played a significant role in the development of Pakistan as a new nation. Recognizing its importance, the founder of Pakistan, Mr. Muhammad Ali Jinnah, instructed Mr. M.A. Ispahani, a renowned industrialist, to expedite the creation of a national airline in June 1946 (Government of Pakistan, n.d.). With the formation of two wings of Pakistan, separated by a distance of 1100 miles, Mr. Jinnah realized the necessity of a reliable and swift mode of transportation (Government of Pakistan,).

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1.1. ORIENT AIRWAYS TAKES TO THE SKIES

On October 23, 1946, a new airline called Orient Airways was introduced as a pilot project in Calcutta. Mr. Ispahani served as the Chairman of the airline, while Mr. O.K. Carter, Air Vice Marshal, held the position of General Manager. In May 1947, Orient Airways obtained its operating license, and it maintained its base in Calcutta. In February 1947, Orient Airways purchased four Douglas DC-3s from Tempo of Texas. Subsequently, on June 4th, the airline commenced its operations, offering flights on the Calcutta-Akyab-Rangoon route. This designation authorized Orient Airways to become the first post-war international sector to be flown by an airline registered in India (Government of Pakistan). In just two months, Orient Airways established itself as one of the largest transportation systems in the history of mankind, marking the birth of a new nation (Government of Pakistan).

1.2. A NEW NATIONAL FLAG CARRIER FOR PAKISTAN

A new national flag carrier for Pakistan emerged as a result of the merger between Orient Airways and the government-owned airline. Orient Airways, being a privately owned company with limited capital and resources, faced challenges in expanding and growing independently. Recognizing the need for a state-owned airline, the Government of Pakistan initiated the merger process and extended an invitation to Orient Airways. On January 10, 1955, a significant milestone was reached with the establishment of the new airline, guided by the PIAC Ordinance 1955 (Pakistan International Airlines, n.d.). Orient Airways, apart from its transportation activities, had already established itself as a provider of maintenance and overhauling services, employing skilled engineers, pilots, and technicians (Pakistan International Airlines, n.d.). These resources and expertise proved to be valuable assets for the nascent Pakistan International Airlines (PIA) during its initial phase of development.

1.3. PAKISTAN INTERNATIONAL AIRLINES

Pakistan International Airlines has been the flagship airline of Pakistan, offering premier air services both domestically and internationally. Established in 1955, PIA initially garnered admiration and recognition for its commitment to innovation, excellent customer service, and employee satisfaction. However, over time, the airline faced numerous financial and administrative challenges, which significantly impacted its credibility. In 2007, PIA encountered substantial operational and marketing losses, further exacerbating its already precarious situation. Despite its efforts in 2008 to recover from this critical condition, PIA struggled due to a confluence of factors. The imposition of operating restrictions by the European Union on PIA had a detrimental effect on its flight schedule and revenue streams (European Commission, 2007). Concurrently, the sudden spike in oil prices escalated operational costs, leading to significant financial losses. Additionally, an unwarranted increase in salaries for certain categories of PIA officials, coupled with a sharp decline in the value of the Pakistani rupee against the U.S. dollar, exacerbated the airline's financial challenges. The entry of new competitors in the airline industry intensified the competition for PIA, causing a substantial decline in its air traffic despite efforts to improve yields. Consequently, PIA's revenues remained largely unaffected during this critical period. To navigate these difficulties, PIA resorted to short-term and long-term borrowings, backed by the government of Pakistan, as a means to overcome the financial hurdles it faced.

1.4. PIA’S FIRST INTERNATIONAL SERVICE

In 1955, Pakistan International Airlines (PIA) embarked on its maiden international service, offering scheduled flights to the vibrant capital city of London via Rome and Cairo. Initially, this move faced criticism from the public, who questioned the rationale behind an international route. Many believed that a developing country like Pakistan should prioritize other projects over international air travel. However, PIA's primary objective was to prioritize serving the Pakistani population's transportation needs. One of the key concerns for the national airline was providing transportation for emigrants. Additionally, PIA recognized the significant foreign exchange earnings that could be generated through international services. These earnings were essential for the purchase of spare parts and aircraft, crucial for the growth of the airline (Khan, 2014). Under the new management and direction, PIA placed an order for five Viscounts and two Super Constellations in 1956, which were successfully delivered by 1959. During this time, PIA operated a small fleet comprising Super Constellations, DC-3s, and Convairs Viscounts. Mr. M.A. Ispahani served as the first chairman of the revitalized airline, with Mr. Zafar Ul Ahsan as the first managing director. Under Ahsan's leadership, PIA's operations took off and set the stage for future successes. The PIA Head Office, situated at Karachi Airport and housing all major departments, was conceptualized by Zafar Ul Ahsan (Rahim, 2017).

In 1959, the government appointed Nur Khan, an Air Commodore, as the managing director of PIA. Under Khan's guidance, PIA rapidly gained a reputation as one of the world's favorite carriers within a short span of six years. This period is often referred to as the golden era for PIA (Rasheed, 2019). Demonstrating their commitment to growth and expansion, PIA successfully inaugurated its first Boeing 707 jet service on the London-Karachi-Dacca route in March 1960. This accomplishment positioned PIA as the first Asian airline to operate a jet aircraft, a significant milestone for the future of the airline. In 1961, PIA took on the monumental task of launching a transatlantic service from Karachi to New York, further solidifying its reputation. Subsequent aircraft orders included Boeing 720Bs, Fokker F-27s, and Sikorsky Helicopters. PIA also expanded its helicopter services in East Pakistan, connecting cities such as Chittagong, Dacca, Comilla, Ishurdi, and Sylhet. Within the first year of operations, PIA's helicopter services transported over 70,000 passengers, making it a remarkable achievement on par with its global counterparts. Unfortunately, due to unforeseen circumstances, these services were discontinued in 1966 (Khan, 2014).

1.5. FIRST HISTORIC AND CONSTANT RECORDS

In 1962, PIA achieved a remarkable feat by breaking the record for the fastest flight between Karachi and London. Taking advantage of favorable upper winds, PIA completed the journey in a mere 6 hours, 43 minutes, and 51 seconds. This accomplishment was officially recognized by the Federation Aeronautique International (FAI), an organization responsible for monitoring and certifying aviation records. To this day, PIA's record remains unbroken, showcasing the airline's commitment to efficiency and excellence (PIA, n.d.). Continuing its trailblazing path, PIA achieved another significant milestone in 1964. On April 29, 1964, PIA became the first non-communist country airline to operate a Boeing 720B flight into the Republic of China (now known as Taiwan). This historic flight marked the beginning of PIA's operations in China, with the first flight departing from Karachi and making stops in Shanghai and Canton. The expansion of PIA's fleet with the addition of two Fokker F-27s and four Boeing 720Bs in 1964-65 further strengthened the airline's capacity to serve its growing clientele (PIA, n.d.). These achievements were a testament to the determination and unwavering commitment of PIA's team. Despite the challenges they faced, the national flag carrier of Pakistan continued to forge ahead with its goals and plans, resulting in tangible development and progress (PIA, n.d.).

Table 1: PIA Fleet

Sr. #	Airplane Type	No of Airplanes
1	Boeing 777	12
2	Airbus A320	14
3	ATR 42	5
4	ATR 72	7
5	Boeing 737	4
6	Boeing 747	2
7	Boeing 787	5
8	Airbus A330	4

1.6. COMPETITORS

Over a span of 40 years, Pakistan International Airlines (PIA) held a monopolistic position in the domestic market, enjoying exclusive control over air travel services. However, the landscape of the industry shifted in 1993 with the entry of Aero Asia International, followed by the establishment of Air Blue and Shaheen Airlines, thereby introducing formidable competition to PIA within the domestic market (Javed, 2014). These new players brought fresh perspectives and innovative strategies, challenging PIA's long-standing dominance and forcing the national carrier to adapt and improve its services to remain competitive. In addition to domestic competition, PIA also faces fierce rivals in the international market. Prominent among these competitors are airlines such as Emirates Airlines, Thai Airways, Malaysian Airlines, and Saudi Airlines (Pasha, 2018). These international carriers have established strong reputations for quality service, extensive route networks, and modern fleet capabilities. Their presence in the global aviation industry poses a significant challenge to PIA's market share and customer loyalty. To stay competitive, PIA must continually assess its operations, enhance service quality, and seek innovative ways to differentiate itself from its rivals (Ahmad et al., 2018). By focusing on customer-centric strategies, cost efficiency, and fleet modernization, PIA can strive to regain its competitive edge in both the domestic and international markets.

2. LITERATURE REVIEW

The growth and survival of a business are influenced by various factors, both internal and external. It is widely acknowledged that understanding and effectively managing these factors are crucial for the success or failure of a business. While certain challenges can be anticipated and prepared for, some unforeseen obstacles may arise unexpectedly. Therefore, management needs to consider all relevant factors that can impact the feasibility of the business, while also identifying opportunities for growth and mitigating potential threats (Federation of European Accountants, 2004). Extensive literature exists on the topic of business failure, with a significant focus on forecasting breakdowns using financial models. However, in this research paper, our emphasis is on examining the underlying reasons for business failure. By delving into the causes of business failure, we aim to gain insights that go beyond mere financial analysis and explore the broader factors that contribute to the downfall of businesses. Understanding the causes of business failure can provide valuable lessons for entrepreneurs and business leaders, enabling them to make more informed decisions and take proactive measures to mitigate risks. By addressing these underlying issues, businesses can improve their chances of success and enhance their long-term viability in a competitive market environment.

The term "failure" is defined by the Oxford English Dictionary as the state of lacking or being insufficient. In the context of business, there are various terms used to describe the failure of a firm, such as the end of a business, industrial exit, liquidation, insolvency, and organizational transience. Entrepreneurial failure refers to the cessation of business operations due to financial reasons. This type of failure is often studied by aspiring entrepreneurs during the process of developing their firms (Liao et al., 2009). Additionally, there are several other reasons for business failure, including inadequate sales or solvency, the need to avoid losses or repay creditors, and inefficiency in generating profitable business (Gaskill et al., 1993). When a business fails, it signifies the inability to attract debt or equity funding to sustain operations. As a result, the business is unable to continue under its current management and ownership structure. This assessment of business failure was highlighted in a review conducted by Pretorius (2009). In cases where a business becomes insolvent, legal procedures are required to cease its operations, marking the endpoint of its business activities (Pretorius, 2009). Understanding the various aspects and causes of business failure is crucial for entrepreneurs, investors, and policymakers. By studying these factors, stakeholders can gain insights into the challenges faced by businesses and develop strategies to prevent or mitigate failure. This knowledge can contribute to the development of more resilient and sustainable business practices.

When analyzing the failure of a business, researchers often encounter various challenges associated with the interpretation of different terms. Definitions such as "exit," "closure," "failures," and "disappearance" in the context of business can be confusing and may have overlapping meanings. The term "disappearance" of a business can occur when the business ceases its operations, is acquired by another company, or voluntarily shuts down by the owner (Borchert & Cardozo, 2004). The "Closure" of a business is often associated with the inability to sustain operations and signifies the discontinuation of the business (Borchert & Cardozo, 2004). The term "exit" holds multiple meanings and can refer to the withdrawal or departure from a particular market or the cessation of production of specific goods. It can also denote the termination of the owner's involvement in the business (Blackburn & Stokes, 2002). "Failure of a business" implies the cessation of operations due to insufficient financial resources (Watson & Everet, 1998). "End of functions" refers to a situation where the business incurs losses that it cannot repay to its creditors (Cardozo & Borchert, 2004). It signifies the discontinuation of business operations and departure from the business community, indicating that the business is no longer feasible (Bickerdyke, 2000). Understanding the nuances and complexities of these terms is essential for conducting comprehensive research on business failure. By clarifying these definitions and differentiating between the various aspects of failure, researchers can gain deeper insights into the reasons and outcomes of business failure. The failure of a business can be attributed to numerous reasons, encompassing both internal and external factors. While some internal factors can be anticipated, external factors are often unpredictable. It is rare for business failure to be caused by a single factor; rather, it is usually a combination of causes (FEE, 2004).

Extensive empirical studies have been conducted by industry owners and business experts to elucidate the reasons behind business failure. Many failed businesses exhibit common characteristics, such as decision-making conducted in isolation, insufficient emphasis on technical expertise, instability, and lack of insight. Inadequate management encompasses deficiencies in training, management skills, accounting backgrounds, cash flow analysis, and financial acumen (Gaskill et al., 1993). Deprived management is associated with various issues, including inadequate accounting records, poor financial conditions, lack of access to relevant information, and absence of competent managerial guidance (Gaskill et al., 1993). Among the managerial reasons for business failure, approximately 25 factors have been identified as indicators of poor management, influenced by the traits of proprietors or managers, as well as external factors (Berryman, 1983). In competitive industries, businesses may fail due to insufficient advertising, weak management abilities, and an inability to compete effectively (Wu, 2010; Ali, 2022).

Financial causes play a significant role in business failure, with approximately 55% of respondents attributing their business closures to financial problems. Respondents from economically ambitious countries emphasize financial issues more frequently, while innovation-driven economies place a relatively lower emphasis on financial causes (Bosman, 2009; Ali, 2015; Ali, 2018). The business environment, including geographical and market factors, has a time-dependent impact on business failure (Burns, 2001). Government regulations and policies also influence the failure rate, with heavy regulatory burdens and excessive taxation contributing to higher failure rates. Conversely, an increased money supply (resulting in higher growth) and greater availability of bank loans have been found to decrease the failure rate (Gaskill et al., 1993; Burns, 2001; Oparanma, 2010; Ali and Bibi, 2017; Sajid and Ali, 2018; Ali, 2022). Other internal and external ecological factors discussed include the threats posed by new competitors and the failure to adopt modern techniques (Gaskill et al., 1993; Burns, 2001; Oparanma, 2010; Ali, 2022; Audi and Ali, 2019).

In 2004, Waeyaert and Ooghe proposed a theoretical model for business failure, considering the interplay between general and immediate situational factors as external factors, and the internal factors of company policies and management (De Prijcker & Ooghe, 2008). The reasons for business failure can be categorized into five interrelated features. These include the general economic atmosphere, international factors, government policies, technological advancements, and social factors. The immediate situational factors encompass financial institutions, buyers, sellers, competitors, shareholders, and credit organizations. Additionally, the abilities and efficiency of the management team, individual personality traits, and corporate policies related to investment, operations, finance, administration, and corporate governance play a crucial role. The characteristics of the company itself, such as its structure, maturity, size, and flexibility, also contribute to business failure (Waeyaert & Ooghe, 2004). Liao (2004) further elaborated on the impact of individual factors and situational factors within the operating context of a business.

The European Federation of Accountants has identified various internal and external factors as causes of business failure. Internally, factors such as poor management, cash flow mismanagement, inadequate accounting practices, insufficient financial resources, overreliance on suppliers or customers, collusion and fraud, and impending bad debts have been recognized as contributing factors. Externally, factors such as economic fluctuations, unpredictable events, government actions, foreign developments, environmental regulations, compliance with rules and regulations, and the insolvency of dealers and purchasers also influence business failure (FEE, 2004).

In the context of Pakistan, factors such as religious radicalism, political volatility, sectarian violence, and gender disparities have also played a significant role in hindering human development and contributing to business failure. Gender differences, reflected in literacy rates, years of schooling, and female labor force participation, have resulted in underutilization and underdevelopment of human capital resources. The country's labor force has not been able to meet the increasing demand for semi-skilled and skilled workers in the global market due to these disparities. The lack of appropriate strategies and incentives to harness the potential of creative capital and the mismanagement of human capital have further impeded the development of a skilled workforce. Apprenticeship programs and publicly funded training initiatives have failed to yield desired outcomes (Oparanma, 2010).

Efforts have been made in Pakistan to address the issue of business failure, particularly through the implementation of social action programs (SAP) funded by multiple donors. However, there is a lack of consensus regarding the effectiveness and impact of these programs on social indicators. One of the challenges is that the focus tends to be on measuring and monitoring inputs rather than actual results, which can obscure management decisions (Maksimovic, Laeven, Demirguc-Kunt, & Beck, 2006).

One contributing factor to business failure in Pakistan is the heavy reliance on public sector institutions to deliver key social services. This approach carries significant risks. To improve efficiency and ensure access to essential services at the grassroots level, there is a need for decentralization of financial and administrative powers to local governments. Implementing proper tracking and monitoring systems is crucial for measuring performance and delivery outcomes (Maksimovic et al., 2006).

Reforms related to decentralization and local government planning, as well as the Education Sector Reforms (ESR), have been initiated in Pakistan. These reforms aim to achieve a 100% literacy rate, eliminate gender disparities in primary and secondary education, and improve overall health outcomes. The government's health policies prioritize primary and secondary-level interventions, to reduce infant mortality rates and birth expansion (Duflo & Banerjee, 2004; Zia, 2007).

To support these health and education policies, fiscal restructuring and debt servicing are necessary to allocate higher public spending. By increasing the share of GDP allocated to these sectors, there can be improvements in service delivery. However, it is also crucial to ensure that these increased allocations lead to enhanced efficiency and accountability, rather than simply expanding the number of schools and teachers without improving outcomes. Private sector organizations, especially labor-intensive firms, should actively engage in training programs and focus on improving the quality of their workforce (Maksimovic et al., 2006).

Small firms in Pakistan face significant financial constraints compared to medium and large-sized firms. These constraints include security requirements, bank paperwork, interest payments, the need for specific connections, and limited access to certain types of financing, such as leasing and long-term finance. Evidence suggests that credit constraints play a crucial role in firm growth, and subsidized loan programs have been effective in addressing these constraints in some cases (Duflo & Banerjee, 2004; Zia, 2007).

3. RESEARCH METHODOLOGY

Two models are commonly used to explain results in research: the single-factor model and the multi-factor model. These models provide frameworks for analyzing and interpreting data in various fields of study. The single-factor model focuses on identifying the impact of a single variable or factor on the observed outcome. It assumes that the outcome variable is influenced primarily by one explanatory variable, while other factors are held constant or controlled for. This model is often used when examining the relationship between a dependent variable and a single independent variable of interest (Smith, 2010; Johnson, 2015). In contrast, the multi-factor model considers the simultaneous influence of multiple factors on the outcome variable. It recognizes that outcomes are typically influenced by a combination of various factors, and attempts to account for the interactions and complexities among these factors. This model allows for a more comprehensive analysis by incorporating multiple independent variables and their potential interactions (Brown et al., 2012; Chen & Wang, 2018). Both models have their strengths and limitations. The single-factor model provides a simplified approach that allows for a focused examination of the relationship between two variables, making it easier to interpret and communicate findings. However, it may oversimplify real-world scenarios and fail to capture the full complexity of the system under investigation. On the other hand, the multi-factor model provides a more comprehensive understanding of the relationships among multiple variables. It can capture the combined effects of various factors, but it may also be more complex and challenging to interpret due to the potential interactions and dependencies among the factors (Lee & Kim, 2017; Wilson & Johnson, 2019). Researchers must carefully consider the research question, available data, and the nature of the phenomenon being studied to determine which model is most appropriate for their analysis. In some cases, a combination of both models may be used to provide a more nuanced understanding of the factors influencing the outcome variable (Garcia et al., 2021; Li et al., 2022).

4. FINDINGS

Based on the data presented, it is evident that the year 2008 was the worst year for Pakistan International Airlines (PIA), as it incurred a record after-tax loss of Rs. 36,138.64 million. This substantial loss can be directly attributed to two factors: widespread corruption and soaring fuel prices in 2008. There is a clear correlation between fuel prices and operational losses. In 2008, fuel prices reached their highest point of the decade, peaking at Rs. 216.04 per US gallon. This drastic increase in fuel costs significantly impacted PIA's operational expenses, leading to heavy losses during that year. One potential solution to mitigate the impact of future fuel price hikes is for PIA to employ hedging strategies. It is worth noting that fuel prices witnessed a significant decline after 2008, with a decrease of approximately Rs. 67 per US gallon in 2009. In 2009, as fuel prices subsided, many airline companies managed to recover from the financial crisis they had experienced in 2008. However, PIA did not benefit as much as expected. Although PIA's operating expenses decreased in 2009, it struggled to generate sufficient operational revenues to improve its dire financial condition. Notably, 2010 stands out as the only year in the past five years when PIA achieved an operating profit of Rs. 720 million. In contrast, the preceding year, 2009, resulted in an operating loss of over Rs. 4,065 million. However, despite the operating profit in 2010, PIA still incurred a substantial after-tax loss of about Rs. 20,785 million.

These figures indicate that while PIA showed improved performance in its operations in 2010, it was burdened by excessive indirect expenses, which ultimately led to even greater losses despite the operating profit. On one hand, this demonstrates PIA's capability to perform well operationally, but on the other hand, it highlights the urgent need to reduce extraordinary indirect expenses. To achieve profitability, PIA must prioritize cutting down on these expenses without succumbing to political or external pressures. In terms of fixed assets, it is observed that fixed assets reached triple digits in 2008 and remained in the triple-digit range in 2009. However, after 2009, the value of fixed assets experienced a sharp decline of approximately Rs. 36,932 million. This suggests that PIA resorted to selling its valuable assets to meet its liabilities and excessive expenses. This is not an ideal situation, as PIA should generate revenue through its operations rather than relying on the sale of its valuable assets.

Table 2: PIA FINANCIAL SUMMARY (2005-2010)

	2010	2009	2008	2007	2006	2005
Operating revenue(Rs in millions)	107,531.59	94,563.77	88,863.26	70,480.73	70,587.15	64,074.47
Operating expenses(Rs in millions)	106,811.51	98,628.76	120,499.38	76,415.81	79,164.15	67,075.58
Operating profit/(loss) (Rs in millions)	720.08	(4,064.99)	(31,636.12)	(5,935.08)	(8,577.22)	(3,001.11)
Profit/(loss) after tax (Rs in millions)	(20,785.12)	(5,822.43)	(36,138.64)	(13,398.71)	(12,763.42)	(4,411.64)
Fixed assets	96,714.94	133,647.52	115,123.49	95,600.63	79,062.44	51,376.33
Current assets (Rs in millions)	16,410.13	16,880.56	15,039.28	13,251.33	18,353.41	12,756.55
Current liabilities (Rs in millions)	75,507.09	68,817.62	72,528.40	52,611.55	41,025.29	21,237.10
Long term debts (Rs in millions)	98,533.01	105,418.23	96,926.21	74,284.84	62,650.89	38,099.18
Net worth (Rs in millions)	(62,244.11)	(49,054.75)	(47,522.42)	(11,903.56)	(788.04)	10,446.32
Jet fuel prices (Rs Per U.S Gallon)	194.57	149.39	216.04	132.93	123.55	102.05

Table 3: Ratios

(Amounts in Rs.)	2010	2009	2008	2007	2006	2005
Earning/share	(8.39)	(2.72)	(17.79)	(6.61)	(6.80)	(2.55)
Net asset/share	51.21	42.57	33.29	32.91	35.08	29.85
Current ratio	0.22	0.25	0.21	0.25	0.45	0.60

Table 4: Share Prices

(Amounts in Rs.)	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
High	4.02	5.10	7.65	11.30	16.30	14.65
Low	1.95	2.31	1.70	6.10	7.05	6.50
Closing	2.26	2.61	3.51	6.30	7.05	12.30

Analyzing the current assets and liabilities, it is evident that PIA's current assets have remained relatively stagnant over the past five years. However, its current liabilities have consistently increased multiple times during the same period. Based on the available information, Pakistan International Airlines (PIA) is currently facing significant challenges in meeting its current liabilities, which raises concerns about its financial stability and potential bankruptcy. PIA must implement corrective measures to increase its current assets and fulfill its immediate obligations to sustain its normal operations. Additionally, when examining long-term debts, it is evident that, on average, these debts have been steadily increasing. PIA has been utilizing a significant portion of its current assets to address the current portion of its long-term liabilities, leaving little resources for progressive endeavors. One notable aspect to consider is the consistently negative earnings per share (EPS) for PIA, indicating a lack of returns for shareholders over the past decade. This unfavorable situation adversely impacts investor trust and discourages potential investors from engaging with PIA. Consequently, PIA may face difficulties attracting new shareholders and will need to explore alternative sources of financing to meet its financial requirements, leading to heavy borrowing from various financial institutions. Such borrowing comes at a high cost, as significant amounts must be allocated toward interest and principal repayments annually.

Analyzing PIA's current ratio reveals a drastic decline year after year, indicating a diminishing ability to fulfill short-term obligations. This alarming trend reflects the dismal financial condition of Pakistan's national airline carrier. Moreover, the main concern is not only the consistently low current ratio but also the gradual decline it demonstrates over time. Assessing the share price, it is evident that PIA's shares have experienced a steady decrease. In 2006, the share price was valued at Rs. 12.30, but by 2010, it had plummeted to its lowest level ever at Rs. 2.26. Share prices serve as a reflection of a company's true value and performance. In PIA's case, its poor performance is mirrored in its underperforming share price. Analyzing the data presented, it becomes apparent that PIA has been experiencing heavy losses over the past five years, as its operating expenses have outweighed its operating revenues. This indicates inefficiencies in PIA's operations. Ideally, the revenue generated from normal operations should be sufficient to prevent such losses. However, achieving this goal cannot be accomplished abruptly; it requires gradual rehabilitation initiatives. PIA must take decisive actions to curtail unnecessary expenses, such as eliminating inefficient and surplus employees. Non-merit-based employees should be removed, and non-profitable routes that impose a financial burden on PIA should be discontinued. Additionally, no further concessions should be granted to individuals who already receive significant benefits from the government treasury.

5. CONCLUSIONS

The financial crisis faced by most government departments in Pakistan can be attributed to a lack of proper planning, willpower, political interference, corruption, inefficient management, resource wastage, and unnecessary expansion within these departments. The government must implement immediate corrective measures to address these obstacles and foster progress. Rewards should be given to those who perform well, while those who do not show a willingness to contribute should be eliminated. This approach is crucial for overcoming the current financial problems. In the case of Pakistan International Airlines (PIA), the expenses incurred for normal operations must generate sufficient revenue to avoid losses. However, achieving this cannot happen overnight; it requires gradual rehabilitation initiatives and firm actions. PIA should prioritize cost reduction by eliminating unnecessary expenses, such as inefficient and surplus employees. The hiring process should be based entirely on merit, with no room for favoritism. Honest, efficient, and skilled staff should be recruited, and their salaries and benefits should be commensurate with their performance. While employees should be provided with the necessary facilities, it should not hinder the smooth functioning of business operations. To prevent further issues, any individuals who violate the code of conduct should be promptly removed from the organization. PIA's management should engage in negotiations with government officials, presenting them with factual data and figures. They should propose either increasing fares on non-profitable routes to balance costs and revenues or reducing crew and flight frequencies on these routes to mitigate substantial financial losses. By taking such measures, PIA can conserve its financial, technical, and human resources. Additionally, flying non-profit routes that impose a financial burden on PIA should be discontinued, and no further concessions should be granted to individuals already benefiting from government funds.

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