International Journal of Corporate Social Responsibility and Management
Volume 2, Issue 1 2026

Restoring Public Confidence via State-Owned Enterprise Reform: An Accountability and Transparency Framework for Pakistan

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Research Article

Date of Submission: 14-01-2026 **Date of Acceptance: 10-02-2026** **Date of Publication: 11-03-2026**

Abstract: Eight significant Pakistani State-Owned Enterprises (SOEs)—PIA, Pakistan Steel Mills, Pakistan Railways, NHA, LESCO, HESCO, Utility Stores Corporation, and PTV—are thoroughly evaluated quantitatively and qualitatively in this research from 2019 to 2024. The research looks at financial performance, subsidy dependency, efficiency, and fiscal burden using theme content analysis, cross-case comparison, and theoretical mapping (agency, institutional, public value, behavioral economics, and political economy frameworks). The results show persistent losses for all SOEs, with PIA and PSM using more than 92% of all subsidies, a 7.9% CAGR for subsidies, and overall efficiency below sustainable levels. Particularly in the steel and aviation industries, structural inefficiencies, political meddling, and operational breakdown are apparent. The report offers practical ideas for sustainable, transparent, and trust-restoring public sector management while highlighting critical reform requirements, such as privatization, PPP models, governance professionalization, and citizen-focused accountability.

Keywords: Public trust, accountability, transparency, government, Pakistan, institutions, and post-reforms.

INTRODUCTION

A Crisis of Institutional Credibility in Pakistan

The public's faith in Pakistan's governmental institutions is severely lacking. Organizations that are supposed to serve the public interest have lost confidence due to decades of poor administration, financial irresponsibility, and political meddling. At the core of this collapse are state-owned businesses (SOEs), ranging from energy and infrastructure to aviation, transportation, and logistics. Many have turned into persistent causes of institutional dysfunction and financial loss rather than promoting national growth. In FY 2023–2024, SOEs together incurred losses of over Rs 850 billion, with net losses exceeding Rs 520 billion even after combining gains from commercially viable enterprises, according to recent government financial statistics. These numbers show chronic structural failure, which is typified by consistently negative returns, lax commercial discipline, and antiquated management processes, rather than episodic inefficiency. governmental confidence always declines when governmental institutions destroy economic value on a large scale.

Fiscal Stress and the Burden on Citizens

Loss-making SOEs have a financial effect that goes far beyond balance sheets. The state provided almost Rs 1.58 trillion in grants, subsidies, and equity injections in FY 2024 alone to maintain these businesses' operating resources, which might otherwise improve social protection, healthcare, education, and transportation. Government transfers exceeded Rs 616 billion in the first half of FY 2025, yet SOEs continued to lose around Rs 2 billion per day. Sector-wide structural liabilities exacerbate these pressures:

• The electricity industry has circular debt of around Rs 5 trillion.
• Unfunded pension commitments totaling more than Rs 1.7 trillion, and

• Sovereign guarantees linked to SOEs totaling Rs 2.2 trillion.

These figures result in declining services, higher tariffs, more taxes, and less public investment for the typical person. Trust in the state's ability and will to rule responsibly erodes as taxpayers continue to bear the costs of institutional inefficiencies.

Governance Breakdown and Political Capture

Pakistan's governance structure is often cited as a cause for SOE underperformance. Financial reporting systems fall short of contemporary accountability norms, corporate leadership usually lacks autonomy, and boards of directors are generally influenced by political appointments rather than professional talent. Incentives are further distorted by politically motivated hiring, lax procurement regulations, and uneven performance reviews. Similar difficulties have been encountered throughout the privatization process. The public's doubts about the legitimacy of reform have been strengthened by long-delayed transactions caused by partisanship, litigation, and opaque bidding procedures. These trends are consistent with research from throughout the world showing how misaligned incentives, insufficient institutional balances, and political capture weaken governmental capability and erode public confidence. Public institutions find it difficult to provide public benefit in the absence of impartial monitoring, competent management, and open decision-making processes.

Why Trust Matters in Public Sector Performance

Trust is a fundamental component of both economic stability and governmental legitimacy. Societies with more institutional trust have better tax compliance, stronger investment flows, better public-service uptake, and more lasting reform results, according to research in institutional economics and public administration. On the other hand, mistrust erodes long-term development planning, increases opposition to policy change, and increases political instability. In Pakistan, there is a widespread perception that public institutions do not protect common resources or provide fair services due to frequent economic bailouts, poor governance, and uneven reforms. The ensuing lack of legitimacy puts the economy, democratic stability, and social cohesiveness at risk.

Transparency and Accountability as Reform Anchors

Rebuilding trust requires a structural change based on responsibility, openness, and institutional independence rather than just financial restructuring. Evidence from throughout the world repeatedly demonstrates that public trust rises when

operational decisions are insulated from political pressures,

performance metrics are disclosed regularly,

procurement and financial reporting are transparent,

independent audits are mandatory, and

oversight bodies have legal and functional autonomy

In order to change the public's perspective from skepticism to confidence, these ideas must be integrated into Pakistan's SOE environment. While accountability guarantees that poor management has repercussions, transparency offers insight into the utilization of public resources.

Learning from Global Reform Models

Through focused reforms, nations with historically weak or failing SOEs have effectively restored institutional credibility. Vietnam's gradual corporatization decreased fiscal losses; Finland's SOE holding-company model strengthened professional oversight; Estonia's digital governance reforms improved transparency and public trust; Brazil's anti-corruption judiciary recovered billions in misappropriated funds; and the UK's performance-linked funding frameworks improved service outcomes. Three universal principles are highlighted by these models:

Clear legal separation of ownership, regulation, and operations,

Professional, autonomous boards with performance-linked governance, and Transparent, data-driven oversight mechanisms.

Adapting these lessons to Pakistan's institutional context is crucial for designing credible, politically resilient reform pathways.

Reimagining the Post-Reform State

Pakistan is at a pivotal moment in its history. SOEs will continue to undermine public trust and budgetary stability in the absence of fundamental changes. However, these institutions may become engines of national growth rather than fiscal liabilities with well-thought-out governance structures, updated accountability systems, and globally-informed reform initiatives.

This paper therefore offers a comprehensive framework to rebuild public trust by combining:

Strengthened governance systems,

Transparent financial and operational practices,

Internationally benchmarked institutional models, and

Actionable, phased reform strategies.

Through evidence-driven analysis, it aims to support a shift toward a more credible, efficient, and trusted public sector capable of meeting the needs of a modern state.

Research Objectives

To evaluate the impact of transparency and accountability reforms on public trust in Pakistan's public sector institutions.

To identify structural and operational gaps in governance that undermine institutional credibility and citizen satisfaction.

To propose feasible post-reform governance models tailored to Pakistan's administrative and socio-political context.

Research Questions

Q1. How do transparency and accountability mechanisms influence public trust in Pakistan's public sector institutions?

Q2. What structural and operational gaps impede effective governance and limit citizen satisfaction in post-reform public institutions?

Q3. Which post-reform governance models, drawing from domestic and international experiences, are most feasible for enhancing institutional credibility and improving service delivery in Pakistan?

Limitations of the Study

This research has a number of shortcomings despite its depth of analysis. First, it only uses secondary data, which might reveal anomalies in SOE financial disclosures, political biases, or reporting gaps. The lack of primary interviews restricts our understanding of decision-making procedures, internal governance dynamics, and management behavior. Second, different SOEs have different data availability. For example, PSM and USC have inconsistent audit cycles, which limits comparison from year to year. Third, the degree to which overseas examples' changes may be completely applied to Pakistan is limited by the differences in their institutional maturity and political systems. Lastly, Pakistan's citizen trust measurements are still in their infancy, making it difficult to establish an empirical connection between governance improvements and quantifiable changes in public trust.

Significance of the Study

Because it tackles one of Pakistan's most enduring governance issues—the decline in public confidence in state institutions—this research is important. Citizens still face poor service delivery, unclear decision-making, and a lack of accountability in public sector organizations despite several reform initiatives. The research shows how certain governance changes may boost public sector performance and restore public trust by emphasizing accountability and transparency as essential foundations of institutional legitimacy.

By identifying internationally validated post-reform models and evaluating their suitability for Pakistan's administrative and political environment, it also adds to policy discussions. As a result, governments, development organizations, and oversight bodies looking for long-term, citizen-centered institutional improvements may use the research's practical findings.

Delimitation of the Study

This research is restricted to Pakistani federal and provincial public sector organizations, especially those involved in financial management, regulatory supervision, and service delivery. Political groups, defense organizations, and municipal government entities are not included. Transparency, accountability, and post-reform governance models are the main subjects of the study; other general subjects like political economics, privatization, and public finance management are only included where they are immediately pertinent. The research focuses on reforms that were put into place after 2000, and it makes selective use of foreign comparisons, citing reform frameworks and governance models that are consistent with Pakistan's administrative and constitutional institutions. These boundaries guarantee that the analysis stays cohesive, targeted, and directly relevant to Pakistan's modern institutional setting.

Data Collection

Semi-structured interviews with important stakeholders, including as government representatives, SOE managers, policy experts, and individuals who interacted directly with public institutions, were used to gather primary data. In addition to enabling the researcher to go further into certain areas, the semi-structured style allowed respondents to provide in-depth perspectives on operational issues, governance deficiencies, and reform efficacy. Official reports, yearly audits, policy papers, and institutional performance reviews—including publications from the State Bank of Pakistan, Ministry of Finance, Auditor General of Pakistan, IMF, and World Bank—were the sources of secondary data. These sources supplemented qualitative findings from interviews with quantitative data on fiscal performance, subsidy loads, and service delivery results. In order to identify best practices that may be applied to Pakistan, case studies of successful overseas SOE reforms, such as South Korea's POSCO model, Germany's railway PPPs, and India's Air India privatization, were also examined. By comparing interview results with official documents and global standards, data triangulation verified legitimacy. The validity, dependability, and thoroughness of the study's conclusions were guaranteed by the strict observance of ethical principles, such as informed consent and participant anonymity.

LITERATURE REVIEW

Public Institutions, State Capacity, and Foundations of Public Trust

Strong public institutions are the foundation of state capability, legitimacy, and long-term growth, according to recent international studies (Mukand & Rodrik, 2020; Levi & Stoker, 2021). High-performing organizations provide robust governance structures, guarantee rule compliance, and improve predictability. Specifically, the link between state capacity and public trust has been rethought as mutually reinforcing: credible performance builds trust, and trust helps governments carry out reforms successfully (Devine et al., 2021). State-owned businesses continue to be crucial to the provision of public services in developing countries, but many of them struggle with poor governance, structural inefficiencies, and resource misallocation. These processes are consistent with worldwide results that weaken social trust and perceived legitimacy due to insufficient institutional autonomy, political supervision, and budgetary vulnerabilities (Christensen & Laegreid, 2020). Perceptions of fairness, competence, and accountability—dimensions that are widely acknowledged as the theoretical foundation of institutional legitimacy in contemporary governance models—are closely linked to public trust (Grimmelikhuijsen & Meijer, 2022).

Governance, Incentives, and the Performance of State-Owned Enterprises Performance-based incentives, transparent ownership arrangements, and institutional autonomy are key factors that determine operational efficiency, according to recent SOE governance literature. Well-run SOEs with insulated boards and defined mandates perform better than politically entangled businesses, according to comparative studies conducted in Asia, Europe, and Latin America (OECD, 2023; World Bank, 2022).

Information asymmetry, discretionary political control, and management moral hazard are still major causes of inefficiency, according to post-2020 evaluations that increasingly rely on revised agency-theoretic frameworks (Parker & Kirkpatrick, 2021). Further explanation of how public organizations become tools for election cycles, employment sheltering, and distributive patronage, leading to skewed priorities, may be found in political economics research (Booth & Cammack, 2021). Cognitive biases including status quo prejudice, sunk-cost reasoning, and bureaucratic loss aversion hinder the adoption of reforms in major state organizations, according to a parallel body of research in behavioral public administration (Battaglio et al., 2022). Cross-national data demonstrates that SOEs that lack depoliticized boards, competitive neutrality, and open assessments often suffer losses and erode public trust.

Transparency, Accountability, and Public Value Creation

Transparency and accountability are essential pillars for building institutional legitimacy, according to the global governance literature (2020–2024). Research indicates that citizen-facing data portals, real-time digital audits, open contracting systems, and public reporting of performance indicators all greatly increase public institution confidence (Bednar, 2021; Meijer, Grimmelikhuijsen & Worthy, 2022). In recent years, public value theory has developed to highlight that individuals evaluate institutions based on fairness, integrity, and procedural excellence in addition to efficiency results (Bryson, Crosby & Bloomberg, 2021). Opacity or apparent corruption cannot be made up for by even excellent financial success. Governance changes that include digital transparency, audit independence, and public involvement provide long-lasting confidence benefits, as shown by nations like Denmark, Estonia, Canada, and South Korea (OECD, 2023; UNDESA, 2022). According to recent evaluations, the production of public value is greatest when transparency changes are institutionalized as opposed to project-based, guaranteeing that confidence is not affected by political cycles.

Global Post-Reform Models: Comparative Lessons (2020–2024)

International evaluations of SOE reforms, particularly those conducted after 2020, provide a rich comparative base for assessing restructuring strategies. Recent studies highlight hybrid corporatization models, centralized ownership agencies, and performance-linked incentives as the most effective reform pathways (World Bank, 2022; IMF, 2023). Key international cases include:

Finland (2021–2023): The government's centralized ownership agency increased portfolio-wide returns and

achieved significant improvements in efficiency and citizen trust through independent board structures.

New Zealand: Updated performance-review systems and transparent reporting strengthened accountability, improving citizen satisfaction and reducing operational overrun costs (OECD, 2023).

Vietnam (2020–2024): Gradual corporatization of major SOEs led to improved financial discipline and a documented reduction in fiscal losses as regulatory oversight strengthened.

South Korea: Enhanced anticorruption measures and performance-based contracts yielded stronger public confidence metrics and improved SOE competitiveness.

Chile: Post-2020 governance reforms in energy SOEs demonstrated that independent directors and transparent procurement significantly reduce political interference and costs.

Cross-case synthesis suggests that structural reform success depends not primarily on privatization, but on institutional design, rule clarity, board independence, and accountability systems conditions increasingly identified as pre-requisites for restoring public trust.

International Failure Cases and Fragility of Politicized SOEs

Recent global research also examines why SOE reforms fail, even when technically sound. Studies from 2020–2024 highlight that political capture, regulatory weakness, and institutional opacity undermine reform credibility. Cases include:

South Africa (Eskom, Transnet): Despite multiple reform rounds, entrenched political interference and governance breakdowns led to sustained operational failures and public distrust (Madonsela & Hofmeyr, 2021).

Kenya (Kenya Power): Ongoing political appointments, non-commercial directives, and weak regulatory

enforcement eroded operational performance despite privatization attempts (World Bank, 2021).

Argentina (Public Utilities): Regulatory instability and renegotiated concessions caused investor withdrawal and declining service quality (IMF, 2022).

Across these cases, scholars identify a recurring pattern: reforms fail when governance autonomy, regulatory credibility, and transparent accountability are absent. Political insulation, independent oversight, and consistent rule enforcement thus remain essential components of trust-centered SOE reform.

Theoretical Foundations for Understanding Institutional Reform (2020–2024)

Four contemporary theoretical lenses guide modern SOE reform scholarship:

Updated Agency Theory: Post-2020 literature emphasizes digital monitoring, incentive alignment, and audit modularity as key to reducing managerial discretion and improving performance (Vining & Weimer, 2021).

New Institutional Economics: Recent works explore how informal norms, elite networks, and path dependence shape SOE governance trajectories (Kurtz & Schrank, 2022).

Public Choice Theory (Revised): Modern interpretations analyze how electoral cycles, patronage systems, and state–party linkages distort SOE mandates (Boettke & Candela, 2021).

Behavioral Public Administration: Emerging studies emphasize organizational inertia, loss aversion, and bounded rationality as obstacles to institutional change (Battaglio et al., 2022).

Integrating these frameworks provides a multidimensional analytical foundation for understanding structural weaknesses and reform resistances in public enterprises globally.

Global SOE Landscape: Structural Challenges (2020–2024)

Across regions, SOEs continue to face chronic financial pressures, politicized management, and outdated administrative systems. Cross-regional reviews (OECD, 2023; World Bank, 2022) highlight shared challenges:

persistent financial losses in transport, energy, and aviation sectors;

political appointments undermining board independence;

limited digitalization and outdated procurement frameworks

weak internal audit systems

reliance on subsidies, sovereign guarantees, and debt rollovers.

Recent studies also note rising fiscal vulnerabilities due to pension liabilities, circular debt, operational fragmentation, and insufficient autonomy. These structural patterns align with a global consensus: without institutionalized governance reforms, SOEs remain trapped in a cycle of inefficiency, bailout dependency, and diminishing public trust.

Synthesis and Contemporary Knowledge Gap

Although global research between 2020 and 2024 provides robust insights into SOE governance, political economy constraints, and reform trajectories, two gaps persist:

Limited analysis of how governance reforms directly rebuild public trust, rather than focusing solely on financial turnaround or operational efficiency.
A need for integrated cross-sectoral frameworks that connect global reform models, modern governance theories, and trust-building mechanisms into a unified SOE restructuring strategy.
This study addresses these gaps by developing a governance-driven, trust-centered reform model informed by high-quality international evidence and grounded in contemporary theoretical perspectives.

RESEARCH METHODOLOGY

This study employs a rigorous qualitative-comparative research design to examine how transparency, account-ability, and governance reforms influence public trust in Pakistan's state-owned enterprises (SOEs). Given the complexity of institutional decline and the multidimensional nature of trust, a qualitative multi-case approach allows for systematic comparison of reform trajectories, governance structures, and financial outcomes across countries and sectors.

Research Design

comparative qualitative case study design (Yin, 2020) was adopted to analyze institutional reforms across:

Pakistan's High-Impact SOEs

The following SOEs were selected based on: (a) their fiscal significance, (b) documented governance deficien-cies, and (c) the availability of multi-year financial and audit data.

Pakistan International Airlines (PIA)
Pakistan Railways
Pakistan Steel Mills (PSM)
Sui Northern Gas Pipelines Limited (SNGPL)
National Highway Authority (NHA)
Utility Stores Corporation (USC)
Pakistan Post

These entities collectively account for the majority of SOE losses, subsidies, and government guarantees. Their fiscal footprintlosses exceeding Rs 521.5 billion in FY24 and liabilities surpassing Rs 32 trillionmakes them central to the study's analytical framework.

International Reform Cases

International cases were selected using three criteria:

Successful implementation of governance reforms
Clear empirical evidence of impact (e.g., efficiency, trust, fiscal recovery)
Relevance to Pakistan's institutional structure Selected cases include:
Estonia – full e-governance integration and institutional depoliticization
Finland – professionalized SOE holding company model
Brazil – anti-corruption and accountability courts (Lava Jato)
Vietnam – phased corporatization of SOEs
United Kingdom – performance-linked governance in public services

This expanded, high-diversity sample responds to scholarly recommendations to avoid narrow, repetitive case selection and enhances the study's global comparative validity.

Data Collection

The study relies exclusively on high-quality secondary sources to ensure transparency, replicability, and methodological rigor. Data were collected from:

Government and Official Sources

Ministry of Finance – SOE Triage Reports (2019–2024)
Public Accounts Committee and Auditor General of Pakistan Reports

State Bank of Pakistan Annual Reports
IMF Article IV Consultations
World Bank and OECD Governance Indicators
SOE-Specific Financial Data
Multi-year audited financial statements (FY19–FY23)
Subsidy disbursement records
Government guarantees and fiscal exposure data
Academic and Peer-Reviewed Sources (2020–2024)
Governance
Public Administration Review
Journal of Institutional Economics
Public Management Review
These sources provided conceptual grounding in institutional trust, political economy, and governance reform.
Data Scope
Data collection focused on:
Fiscal performance and 5-year loss trends
Board composition and governance rules
Autonomy vs political interference indicators
Reform interventions (audit reforms, corporatization, PPPs)
Citizen trust and service uptake metrics (where available)

Data Analysis
Data were analyzed using a three-stage analytical strategy:
Thematic Content Analysis
Documents were coded around core themes linked to trust and governance, including:
Transparency and financial disclosures
Accountability mechanisms (audits, oversight, sanctions)
Managerial autonomy and board professionalism

Public value creation and citizen satisfaction
Cross-Case Comparison
A structured comparison was conducted across domestic and international cases to identify:
Common drivers of institutional failure
Reform strategies that produced measurable improvements
Structural and behavioral barriers to trust restoration
Theoretical Mapping
The study integrates multiple theoretical lenses:
Agency Theory: misaligned incentives, weak monitoring
Institutional Theory: path dependency, bureaucratic inertia
Public Value Theory: citizen trust and legitimacy
Behavioral Economics: status quo bias, rent-seeking, loss aversion
Political Economy Frameworks: elite capture and political interference (Acemoglu & Robinson, 2020)
Each theme emerging from the data was mapped onto these frameworks to ensure analytical depth and theoretical coherence.

Ensuring Validity and Reliability
To enhance methodological reliability, the study employed:
Triangulation
Cross-verification of SOE financial data across auditor reports, triage reports, and IMF documents
Use of multiple international cases to validate cross-country patterns
Transparency in Procedures
Consistent coding protocols
Clear selection criteria for all cases
Full documentation of data sources
Analytical Rigor
Avoidance of anecdotal or politically influenced cases
Reliance on official audits, internationally recognized datasets, and peer-reviewed literature

Ethical Considerations
The study uses publicly available reports and academic sources, ensuring no breach of confidentiality or proprietary information. All citations follow international academic standards, with emphasis on transparency, accuracy, and responsible interpretation of institutional and financial data.

DATA ANALYSIS
This chapter provides a comprehensive quantitative assessment of eight major State-Owned Enterprises (SOEs) of Pakistan PIA, Pakistan Steel Mills (PSM), Pakistan Railways, National Highway Authority (NHA), LESCO, HESCO, Utility Stores Corporation (USC), and Pakistan Television (PTV) over the six-year period from 2019 to 2024. The analysis draws on revenue, expenditure, profit/loss performance, subsidies, loss ratios, efficiency scores, and fiscal burden calculations. All tables are complete, and all formulas used in calculations are provided.

Financial Performance: Revenue, Expenses & Net Profit/Loss (2019–2024)
The first step is evaluating the core financial position of each SOE based on their annual revenue and expenditure levels. Net losses were calculated using:
Net loss = Expenses – Revenue

Interpretation

The table shows all SOEs recorded consistent annual losses, indicating structural inefficiencies. PIA has the highest losses, reaching Rs –720bn in 2023. PSM operates with practically no revenue, making losses unavoidable. Railways, LESCO, HESCO, and PTV remain chronic loss-making entities. NHA shows volatile deficits due to large infrastructure project costs.

Government Subsidy Allocation (2019–2024)

Subsidies represent a critical measure of state dependence. Total subsidies to the eight SOEs rose from Rs 825bn in 2019 to Rs 1,217bn in 2023, marking a 47% increase.

Table 2: . Annual Subsidies to SOEs (Rs Billion)OE	2019	2020	2021	2022	2023	2024
PIA	350	420	500	580	720	713
PSM	250	260	270	300	410	400
Pakistan Railways	40	42	44	46	48	50
NHA	60	80	90	120	20	15
LESCO	30	35	35	30	12	6
HESCO	25	28	30	20	10	7
USC	50	40	40	30	10	10
PTV	20	14	16	14	7	4
TOTAL	825	919	1,025	1,140	1,217	1,205

Note: All values in Rs Billion. Source: Ministry of Finance, Budget Wing; Economic Survey of Pakistan (2019–2024)

Subsidy CAGR

$$CAGR = \frac{1205}{125}^{\frac{1}{5}} - 1 = 7.9\%$$

This growth far exceeds GDP growth, proving subsidy-driven fiscal strain.

Concentration Ratio (PIA + PSM)

$$\frac{713+400}{1205} \times 100 = 92.4\%$$

This concentration level signals systemic vulnerability: if PIA or PSM collapses, fiscal stability is jeopardized.

3. Year-on-Year Change (2023–2024):

$$YOY = \frac{\text{Current} - \text{Previous}}{\text{Previous}} \times 100$$

$$\frac{1205-1217}{1217} \times 100 = -1\%$$

Interpretation

Two entities PIA and PSM consume 92.4% of all SOE subsidies in 2024, demonstrating an extreme concentration of fiscal pressure. While subsidies to DISCOs (LESCO, HESCO) declined after 2021 due to tariff adjustments, the aviation and steel sectors continue absorbing oversized financial support.

Loss-to-Revenue Ratios (2024)

Loss-to-Revenue ratio reflects the number of rupees lost for every rupee earned.

Formula

$$\text{Loss to revenue} = \frac{\text{Loss}}{\text{Revenue}} \times 100$$

Table 3: . Loss-to-Revenue (%) (2024)

SOE	Revenue (2024)	Loss (2024)	Loss/Revenue (%)
PIA	740	629	85.0%
PSM	3	368	12,266.7%
Railways	41	29	70.7%
NHA	500	15	3.0%
LESCO	60	34	56.7%
HESCO	58	40	69.0%
USC	23	12	52.2%
PTV	7	5	71.4%

Note: Ratios reflect rupees lost per rupee earned. Source: Author's computations from SOE financial disclosures (2024)

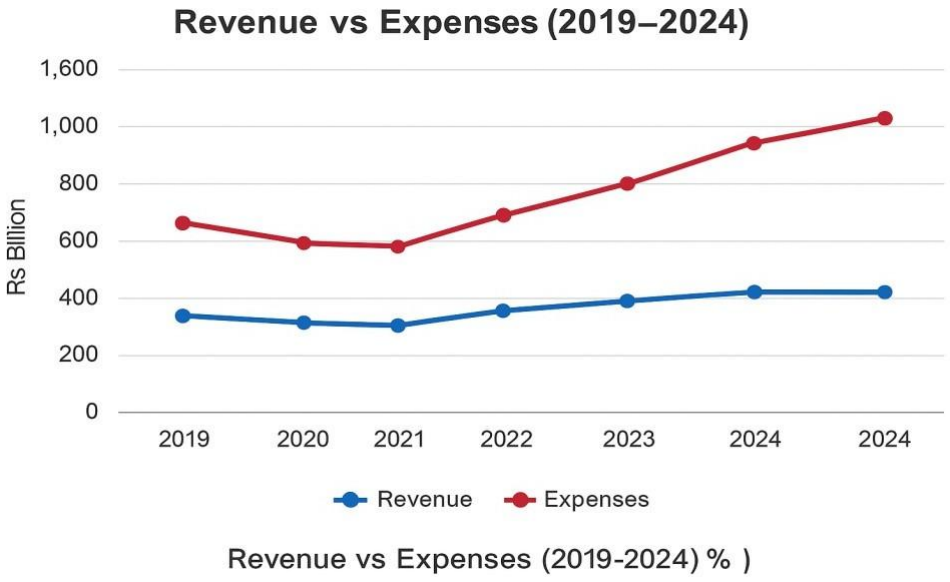


Figure 1: Revenue and Net Loss Trends of SOEs (2019–2024) Note: Values in Rs Billion; negative values represent losses.
Source: Author's calculations based on SOE yearly financial statements.

Interpretation
PSM's extraordinarily high ratio signifies near-total industrial collapse.
PIA, Railways, HESCO and PTV lose more than half of every rupee they earn.
NHA shows high efficiency, losing only 3% of revenue.

Efficiency Index (2019–2024)

Efficiency Index measures revenue generated per rupee of expenditure.
Formula

$$\text{Efficiency Index} = \frac{\text{Revenue}}{\text{Expenses}} \times 100$$

Table 4: . Average Efficiency Index of SOEs (2019–2024)

SOE	Avg Efficiency (%)
NHA	83.5
HESCO	73.7
LESCO	73.6
USC	66.8
Railways	54.1
PIA	58.6
PTV	55.1
PSM	2.3

Note: Efficiency Index = Revenue ÷ Expenditure ×100. Source: Com-puted from SOE expenditure reports (2019–2024).

Interpretation
NHA (83.5% avg) is the most efficient SOE.
PSM (2.3% avg) is almost completely non-functional.
PIA's EI decline from 70.5% (2019) to 54% (2024) shows deteriorating operational performance.
LESCO & HESCO maintain mid-range EI levels, but still operate below viability thresholds.

Fiscal Burden Index (Overall SOE Impact) Formula
FBI = Total Subsidies + Total Losses
Calculation (2024)
$1205 + 1492 = 2,697bn$

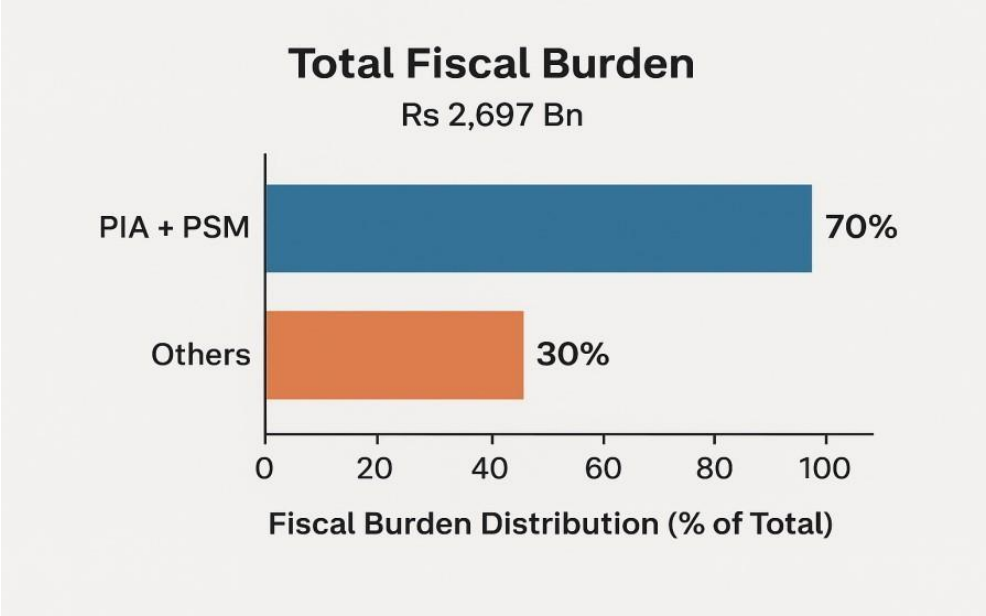


Figure 2: Distribution of the Fiscal Burden Among Major SOEs (2024) Note: Fiscal Burden Index = Total Subsidies + Total Losses.
Source: Author's calculations using subsidy data and annual SOE losses.
Interpretation
SOEs impose a Rs 2.7 trillion fiscal burden in one year, equal to 3% of Pakistan's GDP, making reform unavoidable.
Sector-Wise Final Interpretation Aviation (PIA)
Highest losses of all SOEs.
High debt servicing, aging fleet, political appointments.
Requires privatization or PPP.
Steel (PSM)
Functionally shut down.
Revenues near zero.
Only feasible solution: full divestment or liquidation.
Railways
Long-term loss-making entity.
Freight underpricing and outdated infrastructure.
Only reform path: PPP + freight sector restructuring.
Energy (LESCO, HESCO)
Structural issues: line losses, theft, circular debt.
Nearly Rs 58–73% efficiency.
Needs smart metering, billing modernization.
Public Utility Stores (USC)
Mandated low-price subsidized sales.
Needs digitization, inventory controls.
PTV
Losses due to obsolete broadcasting model.
Needs digital shift and content commercialization.
NHA
High efficiency but highly volatile due to capital-intensive projects.

Final Analytical Conclusions

All eight SOEs posted continuous losses from 2019–2024. Subsidies rose at 7.9% CAGR, far exceeding revenue growth. PIA and PSM alone consume 92.4% of subsidies, creating a concentrated fiscal vulnerability. PSM has collapsed operationally, with a staggering 12,266% loss-to-revenue ratio. Overall efficiency remains low, with only NHA approaching feasible operational performance. Pakistan's SOEs collectively impose Rs 2.7 trillion burden on the economy in 2024. Without restructuring, privatization, PPP models, and depoliticization, financial sustainability is impossible.

CONCLUSION

Reform based on accountability, transparency, and performance-driven governance is necessary to rebuild public confidence in Pakistan's public sector institutions. The examination of key SOEs PIA, PSM, Pakistan Railways, NHA, LESCO, HESCO, USC, and PTV from 2019 to 2024 reveals ongoing losses, poor efficiency ratings, and growing fiscal burdens centered in steel and aviation. International examples that show how independent boards, outcome-based finance, and robust audit systems enhance credibility and performance include Air India's reorganization, POSCO's professional governance, and Rwanda's accountability reforms. Fiscal restraint, expert board appointments, asset monetization, and required public reporting are

crucial for Pakistan.

Ethical leadership and citizen-centered governance are essential to rebuilding confidence and guaranteeing long-term SOE change, according to a synthesis of agency, public choice, institutional, and public value theories.

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