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Impact of IMF Conditions in terms of tax reforms towards Business sectors performance

A study correlates earning, expense, returns in goods of necessities.

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ABSTRACT

The intended purpose of this study was to evaluate the influence of tax reforms instituted by the IMF on the performance of three specific sectors in Pakistan, namely, manufacturing, pharmaceuticals, and textiles. The study was designed to look at the correlation between revenue, expenditure, and returns with tax policy changes under IMF conditions on the goods of necessity sectors. The study used qualitative research design and supported the quantitative analysis in the collection of data through structured survey instruments given to 37 senior professionals and sales tax practitioners. The survey instrument was developed after a conducted exercise of rigorous expert consultation and pre-testing among respondents on their familiarity with IMF policies with perceived impacts of tax reforms on revenue generation through investment capacity into overall financial performance. Descriptive statistics reveal that more than half of the respondents are at least moderately familiar with IMF policies, of which 62.2% are from the manufacturing sector, 16.2% from the pharmaceutical sector, and 21.6% from the textile sector. Evidence suggests that most of the respondents experienced negative effects on generation and increased tax burdens owing to the reforms in tax. However, regression would show a weak positive relationship ($R^2 = 0.059$) between recent tax reforms and business performance, which means that tax reforms covered a smaller part of the variance in performance. The results from the ANOVA showed great differences among sectors, where the most affected was the pharmaceutical sector. Conclusions from the research indicate that although the IMF-imposed tax reforms would have a measurable impact, their overall effect on business performance would be small and call for further explanatory variables. These findings have both theoretical and practical value to policymakers and business leaders on how to tailor fiscal policies according to sectorial dynamics. Thus, future research should include wider variables and longitudinal data to study the complex relationship between tax and business performance.

Keywords: *IMF, qualitative research, pharmaceutical sectors, revenue generation*

INTRODUCTION

The International Monetary Fund (IMF) is a global financial organization that was established in 1944 with the goals of promoting full employment and sustainable economic growth, ensuring stability in the economy, facilitating trade across borders, fostering global monetary cooperation, and reducing poverty globally. The IMF enforces requirements through its interventions that frequently force governments of recipients to carry out structural as well as tax reforms meant to promote fiscal stability, like cutting government deficits, controlling inflation, and overhauling debt. The goal of IMF initiatives for developing nations like Pakistan is to stabilize economies that are experiencing crisis due to excessive debt, low foreign reserves, and deficits in finance. Programs like the Extended Fund Facility (EFF) and Stand-By Arrangements (SBA), which have requirements for structural modifications, and tax reforms are the main ways that the IMF provides assistance. Even if the goal of these initiatives is to increase liquidity in the economy and lessen reliance on foreign aid, important economic sectors may suffer because of the structural and tax policy changes, especially those that depend on government assistance or imports.

Overview of IMF Programs in Pakistan

Pakistan and the IMF have a lengthy history together, which includes several credit agreements meant to keep the country's economy stable throughout economic downturns. Pakistan has participated in several IMF programs since the 1980s, all of which aimed to stabilize the country's economy by tackling long-standing problems like inflation, balance of payments shortages, and fiscal disparities. However, because of the tight criteria they impose, which can occasionally result in temporary economic downturns, several of these initiatives have come under fire both locally and internationally. Specifically, the tax reforms backing the IMF conditions has required Pakistan to the make some significant changes every time. In result of which, Pakistan has had to impose financial constraints, raise direct and indirect taxes, and cut revenues to fulfill budgetary targets because of recent interventions, including as the EFF accords.

Sector-Specific Impact of IMF Policies in Pakistan

Pharmaceutical Sector: Due to its heavy reliance on imported raw materials, Pakistan's pharmaceutical industry is especially susceptible to economic changes and taxes enforced by the IMF. A common requirement of IMF programs is depreciation of currencies, and extra tax levy which has a direct effect on import costs, raises production costs, and affects drug supply and pricing. Levy of new taxes and cutting exemptions in effect of IMF backed reforms for pharmaceutical sector have resulted in higher costs and prices of medicines, that may result in compromising production or quality of the sector (Hussain, 2024).

Manufacturing Sector: Under IMF intervention programs, Pakistan's industrial sector also confronts difficulties in terms of taxes. Increased interest rates as well as taxes, which are frequently implemented as part of IMF measures to contain inflation, raise the cost of finances, restricting sector expansion and decreasing profitability. This industry is particularly vulnerable to currency fluctuations brought on by depreciation because of its reliance on imported machinery and technology. As a result, IMF programs may impede manufacturing expansion since the industry's capacity to scale production and maintain its competitiveness globally is hampered by rising costs and limited access to affordable capital.

Textile Sector: The textile industry, which is Pakistan's biggest export sector, is a major economic engine that boosts both employment and exports. In terms of taxes, textile sector has always remained relieved. Nonetheless, IMF-driven structural changes, particularly those pertaining to energy pricing and fiscal contracting have a significant impact on the textile sector. The textile industry depends heavily on energy, and IMF programs frequently demand that the government cut back on energy subsidies, which raises operating expenses. These problems are exacerbated by energy shortages and political unrest, which lowers export earnings and productivity. As per IMF, the relaxation of taxes in the textile sector is an unapparent backlog for Pakistan’s struggling economy, as 70% of the outstanding concessional bank loans pertains to the textile industry in Pakistan (Kiani, 2024). Keeping this in view, IMF has specifically conditioned to remove relaxation of taxes from the industry.

To understand the impact of IMF interventions on these sectors in terms of tax reforms, the study has focused on specific financial metrics of earnings, operational expenses, and return of goods necessities. The primary aim of the thesis is to analyze the effects of IMF conditions keeping in view the tax reforms over the business sectors including Manufacturing, Pharmaceuticals, and textile sector on the pivotal performance indicators as above. In view of which, the study will further identify the vulnerability of the tax reforms backed by IMF conditions among three sectors and the related long-term impact of such intervention/conditions od taxes on the economy of Pakistan. Keeping the aim in view, the following objectives are formulated:

I. Analyze the key performance indicators and tax policy conditions correlation in the specific business sectors.
II. Comparison of the IMF policies in terms of tax reforms and the implementation effects on all three sectors.
III. To examine how the IMF programs impact the economy of Pakistan and its potential growth by bringing tax reforms.

Given that Pakistan regularly depends on IMF assistance to maintain economic stability, evaluating the impact of these programs on important industries enables decision-makers, business executives, and citizens to better predict and react to tax changes in the economy. Despite being intended to support macroeconomic stability, IMF conditions of tax reforms frequently impose structural changes that have varying effects on different sectors based on their export rivalry, energy incentives, and import dependence. The aim has also focused on the sector-specific effects of IMF conditionalities in terms of taxes on Pakistan's manufacturing, textile, and pharmaceutical industries, with an emphasis on measures of financial performance such as profits, costs, and returns on necessities.

LITERATURE REVIEW

IMF and Pakistan's economy

International Monetary Fund has played a decisive role in stiffen the economies all over the globe, having Pakistan in top rows of the list. The programs introduced by IMF for Pakistan has one thing in common, the objective. That is to promote sustainability in economic growth by addressing the imbalances in the key factors in economy. as per the Keynesian economics theories, governmental intervention has a power to stabilize any economy (Sarwat Jahan, 2014). Nonetheless, the deterioration in the key factors has always been redundant in economic sustainability. (The Board, 2023), As per the report by FCPPI, Pakistan is IMF addicted country having poor fiscal resource management and huge current account deficits (Bozdar, Hussain, & Shah, 2023). On the other hand, the monetary policies have provided that adjusting the money supply can influence the production and economic growth, being a tool to achieve the objective as of IMF programs, to promote economic growth. (Mathai, 2014). Despite having a history of loans, Pakistan is stuck in never-ending loop of crisis, instead of meeting the objective of stability. According to a researcher, Pakistan has huge expenditures, though the economy is weak. Hence, no option left for Pakistan other than going back to IMF (Muhammad Naeem, 2023).
Despite its failure, the IMF has functioned as a prolonged and adverse architect of developing countries' economies; Pakistan is the IMF's most entangled country. IMF intervention is majorly aimed at achieving long term growth within national economies besides balancing economic structural aspects. As learnt from Keynesian economic theory, there is a justification of IMF's active participation in economies such as those of Pakistan where fiscal deficits are high and growth indicators low (Gordon, 1990).
Nonetheless, integrated IMF programs have been an object of controversy, with some claiming that the members benefit from the organizations programs but remain stuck in cyclical dependence rather than developing their economies stably (Javed, 2016). This review therefore seeks to critically look at how Pakistan's business sectors such as textiles, pharmaceuticals and manufactures are impacted on by IMF programs, and the future stability that this creates.

Theoretical Framework

This research is based on Keynesian economic theory, in which government interference is recommended to control the issues of economic fluctuations. However, to cater the specific purpose of IMF interventions in emerging markets, Dependency Theory also holds useful and relevant scope to explain how some of these developing economies become dependent on external funding and how it affects their independent policy making capability (Khalid & Noor, 2009). In IMF, Loans and Recipient Country there is an argument that, though foyer as to stabilize the economies of the borrower nations, may in fact hinder their progress by exerting measures that a borrower country must take to repay its debt with emphasis and commitment. The use of these theories brings about the use of a two-fold perspective in determining the effects of IMF measures on the Pakistan economic sectors especially in the perspectives of earnings, expenses, and returns.

Textile Sector

One of the core industries of Pakistan and a significant exporter, textile industry, has not remains immune to the effects imposed by the IMF. The research has attended to depict that the shrinkage of the breed of IMF-invoked currency devaluation and export tariffs cut fee, thereby making Pakistan textile unworthy worldwide (Khan, Zahra, & Khan, 2024). Even though the IMF is concerned with trade balance, the depreciation of a currency raises the cost of the imported equipment and other related inputs this is a rather tough situation for the textile industry that relies on imported production inputs (Bozdar, Hussain, & Shah, 2023). This section brings together clashes within the current literature debates as to whether IMF policies facilitate or hinders the advancement of the textiles sector, into revealing a research void on the sector's continued viability after IMF interventions.

Pharmaceutical Sector

The developing needs of its population compellingly require Pakistan's pharmaceutical industry, fundamental to the health of its people, cannot escape the mantel of IMF fiscal and trade policies. This constantly provokes production costs of pharmaceuticals, thereby their accessibility and affordability in such strands which IMF supports reduced public subsidies for (Ahmad, Khalid , & Noor, 2016). This orientation makes the sector particularly sensitive to fluctuations in foreign exchange rates—an area that previous literature about the IMF has not fully addressed.

Manufacturing Sector

Manufacturing has been identified as one of Pakistan's growth sectors of diversification under structural adjustment, yet it suffers under IMF programs. The findings also show that reforms in taxation and energy prices insisted by the IMF impact manufacturing profitability and investment (Ahmad, Khalid , & Noor, 2016). However, the effect does not seem clear; while some discovered that energy subsidy reduction slows down production efficiency, others posit that related policies promote technology uptake and production upgrades (Omvedt, 2019). This divergence in findings highlights a research question in the literature: to what extent do IME policies enhance the long-term growth or the short-term fiscal correction in manufacturing of Pakistan?

Sectoral Analysis of Tax Reforms

Textile Sector

The textile industry was a pillar of the export revenue in Pakistan, but it continues to be threatened by tax change measures put in place with the support of the IMF. Change measures like adjusting tax exemption on imported raw materials and the scrapping of subsidies has raised the cost of production. Some of the taxes, according to (Ahmed, Ahmed, & Abbas, 2010) has dampened the cost-pass through which has negatively affected the profit margins and export returns depending on the earnings. Also, according to (Ahmed, Ahmed, & Abbas, 2010), reforms in indirect tax have posed the challenge of higher compliance cost to this sector as well.

Pharmaceutical Sector

The industry highlighted in this paper is the pharmaceutical which is seen as a producer of goods that are basic need which implies it is sensitive to change in taxes. This work also reveals how the new sales tax rates to raw materials and changes in the overall policies of a firms, pricing strategies affect the cost of production and market viability. Through their findings, (Ahmed, Ahmed, & Abbas, 2010) noted that these changes have led to divergence of earnings growth rates and constrained the industry's long-term returns from investment, especially innovation. Critically important for this sector is the global dependency on imports of APIs that make the sector vulnerable to fiscal policies.

Manufacturing Sector

The manufacturing sector has also been an indirect victim of tax reforms especially through erasing of energy subsidies and rising rates of corporate tax. (Ahmed, Ahmed, & Abbas, 2010) pinpoint to the point that such measures of cutting down the fiscal deficits have negatively affected the operational efficiency of the sector and thus the profitability has declined. These impacts are particularly felt in industries that manufacture items whose prices are sensitive to cost fluctuations; these are items that people cannot do without – their availability has a direct impact on consumers' purchasing power and firms' revenue.

Correlation Between Tax Reforms and Business Indicators

The following is a cross-correlation of IMF driven tax reforms with most important business performance indicators across numerous industries.

Earnings: Taxes lower the net income especially for industries in restrictive industries, for instance, the drug as well as textile industries (Shakeel & Saeed, 2023).

Expenses: The response to tax compliance involves extra steps and costs that increase operational imperfection (Shakeel & Saeed, 2023).

Returns on Goods of Necessity: A relatively low pricing flexibility is characteristic of industries manufacturing strategic goods and materials; it leads to the deterioration of consumer demand and the companies' profitability (Shakeel & Saeed, 2023).

Goods of Necessity: Earnings, Expenses, and Returns

Textile and pharmaceutical goods are some of the necessities that comprise a major portion of total industrial product of Pakistan. The tax reforms that are always enacted by the IMF cause distortion on the supply and the prices of these goods such that their affordability and access is severely affected. (Shakeel & Saeed, 2023) rightly pointed out, it also means that tax reforms are typically done without paying much attention to how they would affect producers as well as consumers in sociopolitical terms, and how the changes would play out over the long run in nurturing further the industrialization process and enhancing economic equity for all.

IMF Review on Policy Effectiveness on the Key Performance Indicators

A review of the literature on the effects of IMF identifies similarities and differences across sectors. From this literature, it emerged that expenses are affected by IMF policies across the countries of operation due to currency devaluation and subsidy cuts; however, earnings, and returns' effects differ. For instance, prices for textile and pharmaceutical goods are likely to experience lower profit margins because of high input cost while manufacturing industries sometimes enjoy forced operations' efficient (Hanif, 2014). This line of comparison identifies a literature review deficit in sector resilience and adaptability, a niche this study seeks to fill.

Hypotheses

The study tests the following hypotheses, aiming to investigate the relationship between IMF-imposed tax reforms and the performance of the business sectors in Pakistan:

H1: Investment in Pakistan and business sector performance has no correlation with the IMF that imposed tax reforms to Pakistan's economy.

This hypothesis acts as a base line, through which the researchers test the business performance in context of the tax reforms.

H2: The analysis to be done will reveal a positive correlation between the business sector performance and the tax reforms caused by IMF conditionalities in Pakistan.

This hypothesis focuses on the proposition that taxes reforms imposed under conditions of IMF membership affect key performance measures such as revenues, profitability, and investment ability.

H3: This reform induced changes in tax structure affect business sector performance differentially across sub-sectors within necessities sector in Pakistan due to IMF.

This hypothesis is based upon the fact that normally IMF conditions affect the economy in general or differently in sectors like manufacturing, pharmaceutical, textile or whether it's different specific sub-sectors that suffer maximum impact.

H4: Any overhaul of taxes does not matter whether it is instigated by the IMF affects the performance of the business necessities sector.

This hypothesis is to identify the nature of such a general relationship and to differentiate the effects of general tax reforms from those specific to the IMF conditions giving a wider view of policy consequences.

METHODOLOGY

Research Design

Consequently, this research uses a survey research method in its quest to establish the impact of IMF mandated tax reforms on performance of organizations in manufacturers, pharmaceuticals and textile industry in Pakistan. This research method is quantitative because not only does it seek information that can be quantified, but it also will allow for generalizing findings, in that earnings, expenses, and returns can be searched in terms of patterns and correlations of tax reforms which is the main independent variable in this research. The internal validity of this study is assured by the adoption of a structured questionnaire that is anchored on theory and pre-tested instruments. Due to this design, the overall collected responses from the chosen businesses in the selected sectors do not receive outside influence. Nevertheless, the concern of external validity exists; the results obtained are more suitable to businesses operating in these sectors in Pakistan. In the future, the study's results could be generalized toward other developing economies or industries to compare their validity.

Population and Sampling

The determinant for selection of population comprises of manufacturing, pharmaceutical and textile firms operating in Pakistan and those firms that have been affected by the IMF supported tax initiatives. The target population for this study comprises the manufacturing, pharmaceutical, and textile industries in Pakistan, especially those companies that have been affected by the tax reforms consequent to the IMF conditionality. The most important targets include sales tax practitioners, directors, managers, and senior managers who occupy certain key positions in their organizations. As the target population, the sales tax practitioners offered the most useful information in this study because they have vast experience about this requirement and its policies and functioning among organizations.

In the current study, the study used purposive sampling technique where respondents were sampled based on their professional practice and their direct involvement in the management of tax related policy and its impact. By using this method, the researcher is assured of collected data is relevant and rich in insight while working within the confines of a student status that limited secondary access to top executives including CFOs. In order to achieve the optimal representation of each of the above-mentioned sectors, a stratified sampling method has been used (Taherdoost, 2016). Because of this strategy there is provision that each sector should be sampled out right and this makes one be able to compare subsector based on the effect of policies formulated by the IMF. The final gross sampling total is directed at 60 respondents, with a purposive 40 from each sector, which is deemed to be practically acceptable for more meaningful statistical assumptions and differences.

Development of Research Instrument

The research instrument for this study is a structured questionnaire developed to capture the-effects of IMF-imposed tax reforms on business performance. The questionnaire contains both closed-ended and open-ended questions; KPIs like earnings, expenses, returns and the impact at sectors' level of tax reforms.

The construction of the instrument was done and informed by a review of the literature on tax reforms and IMF policies together with a set of interviews with key actors. The questionnaire was pilot tested to 10 respondents from different fields to help identify items that were unclear or irrelevant. Based on the feedback received from the pre-test some slight changes of the wordings for understanding where made.

The development process involved the following steps:

Preliminary Discussions: Semi-structured interviews were based on existing literature with managers and sales tax practitioners, to understand the themes and issues for further discussion.

Expert Review: The preliminary version of the questionnaire was first discussed with the instructor of the study concerning such aspects as academic purpose and validity of the research needed.

Familiarity with IMF policies

Effects of tax changes on generators of income, capital expenditure, and specific funding plans

Some industry peculiarities and necessary interventions

Analysis of the relationship between tax reforms associated and not associated with IMF commitments (Bozdar, Hussain, & Shah, 2023).

Cronbach's alpha was used to estimate the internal consistency of the instrument; the coefficient was found to be 0.85. The content validity of the instrument was used to determine validity, following review by four experts in economics, taxation, and business performance. The Tax directors also agreed with the fact that the questionnaire contains the appropriate constructs related to the study objectives.

Data Collection Procedure

Depending on the respondent type, data have been collected through face-to-face interviews as well as through online questionnaires sent via e-mail. This made it possible to achieve a higher response rate by doing away with one major method of approaching the respondents without disregarding their preferred time and method of responding.

In-person Surveys: Face-to-face interviews were administered with sample respondents based in key business centers to discuss items raised in the survey.

Email Responses: For firms/companies that did not also attend in person interviews, structured questionnaires were provided through emails with clear guidelines on how to complete them. However, some difficulties were encountered during data collection across the sectors as the different organizations had slightly different structures that restricted access to key persons and positions. However, face-to-face conversation with participants and emailed feedback guaranteed the coverage of the given set of variables. The responses to the questionnaire were collected for three weeks. Follow up was done after one week of the responses in a bid to guarantee a good response rate. The number of the completed questionnaires was 40, that is 96% of the businesses contacted, and such a result is quite satisfactory for this kind of investigation.

Data Analysis & Findings

This section is focused on the findings derived through the qualitative & quantitative data analysis at the time of study. Data was first grouped according to sector and according to the role of the respondent, which facilitates cross-sectional comparisons among the three sectors. To conduct thematic analysis for this study, names and acronyms of revenue vehicles, investment challenges, key revenue impact measures, revenue growth, specific taxes or levies affecting the sector, and general key observations and opinions were also encoded manually. A comparison between the IMF imposed and non-IMF-imposed case was done to determine the effects to establish their relative effects. Given responses were also compared and validated with the discussions that took place when the questions for the questionnaire were being developed.

QUALITATIVE DATA ANALYSIS

This section demonstrates findings derived from survey data collection that estimates how IMF tax reforms affect Pakistan's business performance in necessary product domains. The research uses descriptive statistics and analysis of reliability and validity combined with statistical hypothesis testing through methods including frequency distributions and correlations and cross-tabulations. The analysis groups result according to the important variables mentioned in the methodology design. The research contains independent variables including IMF-imposed and non-IMF-related tax reforms together with dependent variables revolving around business performance and revenue generation and investment capacity as well as the moderating variable sub-sector differences.

QUALITATIVE DATA ANALYSIS

Familiarity with IMF Policies:

Research participants revealed their knowledge of tax reforms that IMF forced on countries. The results indicate that:

Table 1

Descriptive Analytics of Survey Question

		Percent	*Valid Percent*	*Cumulative Percent*
Valid	*Familiar*	32.4	32.4	32.4
	Not Familiar	5.4	5.4	37.8
	Somewhat Familiar	35.1	35.1	73.0
	Very Familiar	27.0	27.0	100.0
	Total	100.0	100.0	

A significant 27% of business representatives considered IMF tax policies to be very well known to them. A total of 35.1% demonstrated limited knowledge about IMF tax policies. A significant 13.5% of participants reported being without knowledge about IMF tax policies. The data reveals IMF condition awareness among most business executives yet reveal a significant number who need better understanding of their actual consequences.

Impact of IMF-Imposed Tax Reforms on Business Performance

Survey participants measured the business performance effects of tax reforms created by IMF. These responses demonstrate the following distribution pattern: Business performance stands significantly impacted according to 51.4% of respondents thus corroborating the hypothesis about IMF-imposed tax reforms.

Table 2

Descriptive Analytics of Survey Question

		Percent	*Valid Percent*	*Cumulative Percent*
Valid	*No Impact*	5.4	5.4	5.4
	Not Significantly	5.4	5.4	10.8
	Significantly	51.4	51.4	62.2
	Slightly Significantly	37.8	37.8	100.0
	Total	100.0	100.0	

Investment Capacity in Technology and Equipment

The survey examined if tax reforms caused any changes to the capacity of companies for obtaining new equipment and technological assets. Almost four in ten organizations that responded said their ability to invest declined because the necessities sector faced financial challenges after the tax reforms. Survey participants explained their views about how IMF tax measures affected their company tax obligations. Businesses reported a substantial boost in tax expenses reaching 48.6% of the sample population in accordance with financial stress related to IMF-enforced tax reforms.

Statistical Findings

Data from the survey and descriptive examination first hint at substantial influence of IMF-implemented tax reforms on strategic changes and income generation yet regression testing specifies there is no substantial statistical effect. Only a minor part of variations in business performance can be explained through tax reforms despite positive relationships being observed. The study context demonstrates that tax reforms create positive impact on performance, but their direct contribution remains fairly limited in this instance which shows the economic system's complexity.

Descriptive Statistics for the dependent and independent variable tested:

Research participants ranked the impact of both IMF-implemented tax reforms at a score of 2.24 (SD = 0.60) out of a 5-point scale (N = 37). Business operations experienced a slightly stronger impact from tax reforms added in the 2024-25 financial budget compared to those imposed by the IMF. Based on survey data, participants scored this impact at 2.41 with a standard deviation of 0.64 and a total participant count of 37.

Table 3

Descriptive Statistics for the dependent and independent variable tested

	Mean	***Std. Deviation***	***N***
How does the Tax reforms implemented as part of IMF conditions have affected your business performance?	*2.24*	*.597*	*37*
How have recent tax reforms in recent financial budget 2024-25(regardless of whether they were related to IMF conditions) impacted your business operations.	*2.41*	*.644*	*37*

Regression Analysis

Research data analysis using SPSS produced linear regression output because it evaluated business performance changes from IMF-supported tax reform implementation. Tax reforms were designated as the independent component and business performance served as the dependent outcome. The model summary together with ANOVA results and coefficient values helped evaluate the strength and significance of the relationship between variables. The evaluation for normality used standardized residuals while R-squared measurement and effect size indicators analyzed the entire model fit.

Model Summary

Our analysis uses two important values in the model summary to explain the strength of relationship between business performance and recent tax reforms in the FY2024-25 budget. The relationship between tax reforms and business performance shows weak positive linear association as demonstrated by R = 0.242. Statistics show the predictor (tax reforms) accounts for only 5.9% of the performance variance in businesses. The value of Adjusted R^2 at 0.032 stands as evidence of minimal predictive power when the predictor is measured against sample size.

Table 4

Model Summary

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.242[a]	.059	.032	.587

a. Predictors: (Constant), How have recent tax reforms in recent financial budget 2024-2025(regardless of whether they were related to IMF conditions) impacted your business operations.
b. Dependent Variable: How does the Tax reforms implemented as part of IMF conditions have affected your business performance?

Anova Analysis:

An overall regression model analysis suggests that the relationship between tax reforms and business performance was not likely to be statistically different than random chance ($p > 0.05$, $F(1,35) = 2.185$).

Table 5

Anova Table

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	.753	1	.753	2.185	.148[b]
	Residual	12.058	35	.345		
	Total	12.811	36			

a. Dependent Variable: How does the Tax reforms implemented as part of IMF conditions have affected your business performance?

b. Predictors: (Constant), How have recent tax reforms in recent financial budget 2024-25(regardless of whether they were related to IMF conditions) impacted your business operations.

Coefficients

The large constant means that, even without any tax reforms, at the baseline level, business performance is statistically different from zero (B= 1.703, SE= 0.378, t= 4.504, p< 0.001). The coefficient is positive (B = 0.225), which, along with the beta value ($\beta = 0.242$), implies a weak positive association between these measures but is not significant as indicated by the p-value (0.148) surpassing the significance threshold (0.05). This means that, in this model, the effects of tax reforms are not statistically significant. (Tax Reforms Predictor: B =0.225, SE = 0.152, $\beta = 0.242$, t = 1.478 p = 0.148)

Table 6 Co-efficient

Model	*Unstandardized Coefficients*		*Standardized Coefficients*			*95.0% Confidence Interval for B*	
	B	*Std. Error*	*Beta*	*t*	*Sig.*	*Lower Bound*	*Upper Bound*
1(Constant)	1.703	.378		4.504	<.001	.935	2.470
How have recent tax reforms in recent financial budget 2024-25(regardless of whether they were related to IMF conditions) impacted your business operations.	.225	.152	.242	1.478	.148	-.084	.533

a. Dependent Variable: How does the Tax reforms implemented as part of IMF conditions have affected your business performance?

Residual Check and Analysis:

To check the assumptions of regression analysis, residual statistics were also examined. The predicted values ran between a low of 1.93 and a high of 2.38, with values of mean equal to 2.24 (SD = 0.145, N = 37), indicating that overall, the model predicted business performance scores in a narrow band. The residuals measured the difference between the actual and predicted values, which were spread from a minimum of -1.377 to a maximum of 1.072, with the mean of the residuals resulting in 0.000 (SD = 0.579, N = 37); therefore, the model's predictions were essentially in the center of the actual values. The standardized residuals measured from -2.346 to 1.827, with a mean equal to 0.000; standard deviation = 0.986, and N = 37 show values falling within an acceptable range toward normality assumption.

Table 7 Residuals Statistics

	Minimum	*Maximum*	*Mean*	*Std. Deviation*	*N*
Predicted Value	1.93	2.38	2.24	.145	37
Residual	-1.377	1.072	.000	.579	37
Std. Predicted Value	-2.183	.924	.000	1.000	37
Std. Residual	-2.346	1.827	.000	.986	37

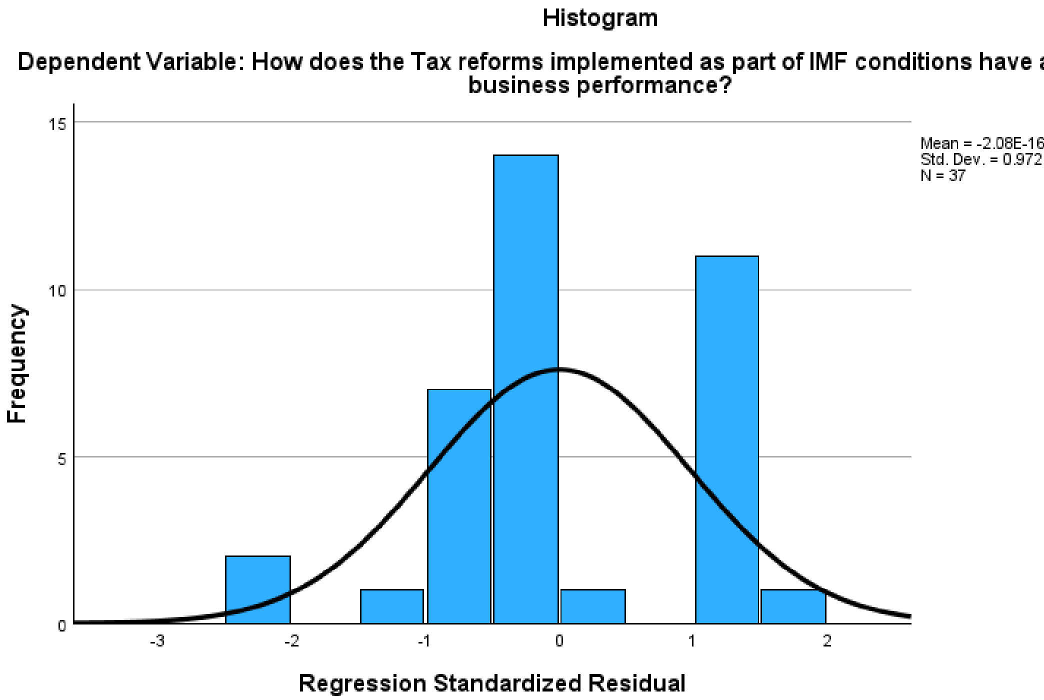
a. Dependent Variable: How does the Tax reforms implemented as part of IMF conditions have affected your business performance?

The residual statistics thus show that while variability exists in some predictions of the model, others forecast with rather settled precision. Therefore, the regression analysis does not stand violated of an assumption of normally distributed residuals.

Reliability and Validity Analysis

The histogram of standardized residuals presents a normal-like distribution. The mean of these residuals is about zero, with a standard deviation of 0.972, which provides reasonable satisfaction of the normality assumption. This becomes very important as many inferential statistics, including regression, assume that the residuals are from a normal population. Since the assumption of normality holds, the regression analysis results are valid, if somewhat circumscribed due to sample size limitations.

Table 8 Histogram - Regression Standardized Residual



Key Implications of Research

The low R^2 and Adjusted R^2 values show that the tax reforms variable explains only a small proportion of the variability in business performance. This could mean that other factors like market conditions, company size, or sector-specific challenges are the main drivers of business performance in addition to economic policies. Considering these results, it is recommended that future studies include other predictor variables. It is possible that increasing the sample size or including more variables in the model will increase the model's explanatory capacity. It may also be helpful to look at moderators (for example, sector differences) or mediators that can capture the relationship between tax reforms and business performance to a greater extent. The weak and non-significant relationship indicates that there are other factors that can interfere with the effect of tax reforms on business performance. Future work should try to establish moderators such as firm size, market powers, or government support. Although the results are positive, the significance shows that there is a complex relationship between the variables.

CONCLUSION

From the literature surveyed and the empirical findings, we can arrive at the following conclusions:

Impact on Business Performance

The data indicates that IMF-imposed tax reforms have a measurable and weak influence on business performance. While regression and correlation analyses suggest a positive relationship, low R^2 values imply that these reforms explain only a small proportion of the variability of financial performance.

Sectoral Differences

There exist significant differences between sub-sectors within the necessities sector. For example, the pharmaceutical sector appears to be more adversely affected as compared to manufacturing and textiles, suggesting that structural differences play a critical role in mediating the impacts of tax reforms on business operations (Bozdar, Hussain, & Shah, 2023).

Alignment with Literature

The findings, in general, are congruent with previously found studies, which argue that while IMF policies can stabilize macroeconomic conditions, those policies will be directly influencing micro-level business performance under the mediation of other factors (e.g., market mechanisms, firm size, regulatory environment). The literature highlights that tax reforms cannot necessarily dictate performance outcomes, further corroborating our findings that there are other variables substantially intervening (Gordon, 1990).

The study will add to the existing basket of knowledge by putting forward the statement that IMF tax reforms themselves, albeit macro-significant, have little explanatory power at the micro level (Javed, 2016). This strongly emphasizes the view that multi-variable models should be developed in future research endeavors that incorporate issues such as firm size, the competitiveness of markets, and regulatory frameworks with sector-specific application.

The diversity of effects among various sub-sectors highlights the necessity for sector-specific theories. Scholars are prompted to continue advancing models that accommodate such differences.

RECOMMENDATIONS

The results indicate that although tax reforms based on IMF conditions are aimed at encouraging fiscal discipline, they may have the unintended consequence of placing a greater burden on some industries than others. Policymakers need to think about using complementary measures like sector-specific tax incentives or regulatory changes to reduce negative impacts.

Firms, particularly in industries such as pharmaceuticals, must formulate strategic countermeasures that make them more resilient to the negative effects of tax reforms. This may include diversifying investment plans or streamlining operational efficiencies to counter higher tax costs.

Given the minor effect size and lack of significance attained in this research, the next study ought to increase the number of participants to be able to capture potential subtle effects. Besides, further study should explore extra variables that can moderate or mediate tax reform and company performance. Long-term studies can be able to explore if tax reform effects change overtime. Companies, especially in industries that are highly regulated or capital-intensive such as Manufacturing, might have to go beyond tax policy changes to enhance performance. Strategic planning must also consider market conditions, competitive forces, and core capabilities.

Speculative Theoretical Consequence

It is plausible that future shifts in global economic policy could amplify or mitigate the effects observed in this study. As international financial institutions evolve their conditionality frameworks, businesses may experience either more stringent regulatory environments or potentially supportive policy reversals (Javed, 2016).

Speculative Practical Consequence

In the larger picture, if tax reforms remain a key instrument for economic stabilization, businesses will increasingly invest in lobbying for more lenient regulatory terms, which would redefine industry dynamics in the long run.

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