

2023.

Q4. Industrialization is the backbone of the modern economic system and uplifts the standard of living of the masses. Elaborate causes for the hindrances of industrial development in Pakistan.

### Introduction

Pakistan's standard of living has consistently ebbed which can be blamed on ~~absence~~ dearth of industrial development. The country lacks basic facilitation mechanisms to propel industrialization and if industrialization does manage to show some signs of improvement - it is pulled back by faulty and risky policies, political ~~instability~~ instability and absence of essential human capital. The causes of for the hindrances of industrial development are manifold, some include: ~~low~~ load shedding, ~~inflation~~, absence of stable gas supply, among others. In this answer, the causes for the hindrances of industrial development in Pakistan will be discussed.

### Economic causes for industrial development hindrances

#### Frequent and unpredictable power outages

The industrial sector needs a consistent flow of electricity to ensure that industrial processes move smoothly. ~~for~~ This is absent in



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Pakistan. The industrial sector faces power outages particularly in the summer. The demand for electricity outweighs the supply and hence the power sector commences 'load shedding' which hampers the industrial process and presents bottlenecks and backlogs.

### Dearth of gas supply an added burden on industrial development

Gas supply reserves which were abundant a few decades ago have been used irresponsibly and are close to depletion. This means that the industrial sector is faced with an absence of indigenous and consistent supply of gas and cannot carry out industrial activities.

Add references/arguments against your arguments

### Price hike of electricity and gas

Due to low supply and high demand along with international price hikes, gas and electricity have exponentially increased in price. A recent protest on 4 December 2023 by the ~~factor~~ industrialists in Karachi ~~press~~ attempted to put pressure on the government to reduce price of gas from 2100-2600 mmbtu to 1320 mmbtu as the industrialists could not function with such high prices.



## General inflation in Pakistan

Inflation has warred the country where raw materials are now available at much steeper prices than previously. This ensures that industrial activity cannot flourish and the system is ~~kept~~ restricted and tied down by exorbitant prices (Niftah Ismail, Inflation and Devaluation, 2023).

## Decreasing value of Pakistani currency

Pakistan's currency has been on a downward trajectory which has hindered industrialization. While low value would entail more products being bought cheaply by other countries, this is not the case in Pakistan as it is import-dependent. Hence, a fault being ~~made~~ can not breed a healthy industrial sector and this has caused hindrances to it (Niftah Ismail, Inflation and devaluation, 2023).

## High interest rates discourage economic activity and growth.

Industrial sectors in ~~some~~ western countries largely function on credit and are given granted relatively favourable rates. In



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Pakistan, The under interest rate has been consistently high with it recently being 22%. This discourages borrowing and development of the industrial sector which has hindered it.

## Tied down by the IMF restrictions

Pakistan is now on its 23rd IMF programme program which has curtailed development of the industrial sector. The industrial sector has faced high taxation and austere economic policies that have discouraged growth of industry. While IMF is a good short-term relief mechanism that saves Pakistan from default, it is not a stabilisation tool which is needed for industrial development (Mushiq Khan, Much more is needed, 2023).

## Adoption of the begging bowl syndrome

According to Maleeha Lodhi, Pakistan has become comfortable with consistently and constantly seeking the help of the IMF which she terms as the begging bowl syndrome. This has hindered industrial development as Pakistan has not been able to achieve economic stability to



facilitate a healthy ~~and~~ industrial sector.

## Political hindrances of industrial growth

### Inconsistent government policies

Government policies have not advanced industrial development. The policies are changed with each new government and the industrial sector has to keep pace with rapid <sup>changes</sup> and volatile policies. As denoted by Riaz Riazuddin, policies are not the main problem but their constant changes are that uplash the industrial sector as the policies are not allowed to complete their term.

### Short-term agendas as opposed to long-term prosperity

Each new government comes with its own agenda that focuses on ~~short-term~~ short-term goals. Industrial development takes time and the ~~the~~ election cycle ending in 5 years ~~the~~ means that governments do not create an environment of sustainability in the industrial sector and often hinder it.



## Bureaucratic hurdles and corruptions

Industrialists frequently have to jump through bureaucratic obstacles that are unnecessary and hinder industrial development. Moreover, bribes and corruption are common practice as they have seeped into the system and ~~create~~ discourage industrial activity.

## Social factors of industrial sector hindrances

### Absence of practical skills for industrial development

According to Neda Mulji, the education lacks practical skills that can be utilised during employment. (Skills vacuum, 2023). The focus is on rote-learning and producing uniform content in schools, entrepreneurship, practical skills and vocational training is missing from the education sector which hinders industrial development.

### Death of human capital development

Human capital development is lacking in Pakistan which can be



deducted to the fact that 23 million children are out of school (World Bank). Of the working population, 60% is illiterate (Ministry of Federal Education and Professional Training). This has been the case since Pakistan's inception as the labour is not developed and utilised efficiently.

### Summary of causes of industrial misdeance in Pakistan

<u>Economic</u>	<u>Political</u>	<u>Social</u>
<ul style="list-style-type: none"> <li>• Inflation</li> <li>• Currency devaluation</li> <li>• IMF dependence</li> <li>• High interest rates</li> <li>• Non-utilisation of renewable energy</li> <li>• Import of power resources</li> <li>• Gas price hikes</li> <li>• Backlog in power distribution</li> <li>• Non-use of coal in Thar</li> <li>• Loadshedding</li> </ul>	<ul style="list-style-type: none"> <li>• Corruption</li> <li>• Short-term goals</li> <li>• Redtapism</li> <li>• Bureaucratic misdeance</li> <li>• Lack of economic expertise</li> <li>• Faculty policies</li> <li>• Industries moving to other enabling countries.</li> </ul>	<ul style="list-style-type: none"> <li>• Illiteracy</li> <li>• Women subjugation</li> <li>• Non-practical skills</li> <li>• Lack of motivation</li> <li>• Difficulty in upward social mobility</li> <li>• Harsh working conditions</li> </ul>



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## Critical analysis

The industrial sector can be developed through targeted policies and focusing on long-term goals instead of ad-hocism. The policies in place should be allowed to run their course and political parties should collectively form consensus on completing economic policy terms. Moreover, practical skills could be developed through vocational training, short courses and vocational training. Lastly, state-owned entities could be privatised in the industrial sector to enable market forces to lead it to profitability and foster industrial development (Ishrat Husain, Comment: Political risk and economic reforms, 2023).

## Conclusion

In conclusion, the causes for the underperformance of the industrial sector take root in economic, political and social causes. Economic causes include inflation, devaluation and high interest rates. Political causes include faulty government policies and ad-hocism. Lastly, social causes include lack of human capital development and lack of infrastructure.



practical skills. However, these can be remedied through adoption of efficient government policies and general consensus of adhering to market forces and privatisation.

Good answer!

