

Pakistan Affairs

Q: Industrialization is the backbone of the modern economic system and uplifts the standard of living of the masses. Elaborate causes of the hindrance of industrial development in Pakistan.

Introduction

Industry is an important sector of Pakistan next to agriculture. It is the backbone of the modern economic system as it is a major source of consumer goods, and employment in the country and accounts for almost 20 percent of country's annual Gross Domestic Product (GDP). However, Pakistan's industrial sector is at a decline at present due to numerous challenges confronted by it. But if the governments take initiatives to improve the sector by implementing investment and regulatory reforms, the and effective policies, the industrial sector in Pakistan can become a great source of economic growth development.

Role of Industrialization in the economy of Pakistan:

Industry occupies a key position in the development of Pakistan. Its development raises national income, creates opportunities and improves the balance of payments position by both by producing exportable goods and by sustaining imports, but also supports and stimulates development in other sectors of the economy.

Industrialization increases the production of goods and services. The labour receives higher wages. The income of workers increase and their living standard also improves.

According to the Finance Division, Fiscal Year 2024, Growth's Domestic Product (GDP) growth rate of Pakistan is 2% where 12.79% is contributed by manufacturing sector. Moreover, this sector employs 16.1% of country's labor force.

On the behalf of above statistical information, it is clearly evident that industry contributes a significant part in the economy (GDP) of a country and thus, provides labour force the employment and opportunity.

ties for sustainable development.

Causes of hindrance of Industrial Development in Pakistan:

As industrial sector is an integral part of economic sphere, it is facing a myriad of challenges and in its effective functioning in Pakistan. It faces a number of political, economic and social ~~etc~~ hurdles due to which it is unable to increase the growth rate of the country.

The causes of challenges include:

1. Frequent short Fall of Power:

Energy crisis in Pakistan are due to insufficient power capacity, outdated, outdated power plants, and limited financial capabilities. The frequent shortage of power ~~in~~ increases the cost of production and then the power is not equally distributed among all the provinces. Thus, industry fails to produce more power and a small-scale manufacturing is the reason behind industrial incompetence.

2. Administrative Challenges:

The unstable political progress and will in the country serves to be

a hurdle. Moreover, the policy framing and implementation is at its weakest; lacking the insight of the delicacy of the matter. Tax procedures is also complex, and multiple tax procedures ~~to~~ create challenges for investors. The refund procedures are ~~com~~ overly regulated. Pakistan has 47 different types of taxes, whereas India has only 13, and Hong Kong has only one (Hera et al, 2017).

3. Lack of innovation:

The transition of companies from smaller to large size is dependent upon technological upgradation. The industries will generate employment for the young labor force in this process. The World Bank report identifies that innovation in high-growth firms will generate 50% of new jobs (World Bank report 2023). If companies incorporate innovation, the export will also increase an advantage for local firms to be more competitive.

According to Global Innovation Index (GII), Pakistan was 23.32 in 2023 which shows that the country is still lacking in innovation and technology adoption.

4. Financial Access to Industries:

Less availability of finance hinders investment in the industrial sector.

In Pakistan, only 8% of the firms are approaching banks for investment purposes, whereas 57% of the firms did not require loans for investment in Pakistan.

Loans are a prerequisite as they ~~are~~ ultimately lead to investment in manufacturing and production, which in the long run benefits the state. But in Pakistan, this ratio is minimum in comparison to other countries which is one of the causes of its backwardness.

5. Lack of Industrial Infrastructure:

The industrial infrastructure in Pakistan is near to none. There are no industries of communication, technical skills, research labs or any other opportunities for industry to enhance its productivity.

6. Natural calamities as a constraint:

At present, calamities such as monsoon flooding serves to be a constraint. As flood damages have resulted in losses for the cotton industry which constitutes

half of the industry's required ~~in~~ cotton input.

Due to these calamities growth declined by 8.11% as compared to growth of 10.6% in the same period last year (Pakistan Economic survey 2022-23).

7. Lack of Industrial Research:

Lack of industrial research is a ~~cause~~ that blocks the path to industrial boom. Industrial research is responsible for high production cost. This research discovers new techniques of production and introduces new varieties of products.

Due to lack of industrial research, improvement in production techniques has not been made possible and as such production costs of our industrial products are high and we are unable to compete with producers from other countries.

8. Lack of Education undermining ^{ing} industrial expansion:

Due to lack of education and techno-vocational skills, the people have no will and know-how of the ~~ben~~ burgeoning crisis in this sector, to promote such

fields where they can contribute for industrial ~~to~~ progress and stability in the region.

According to Annual Status of Education report, ^(ASEER) Pakistan stood 138th in educational attainment in 2023.

Such causes gives rise to decline in the industrial blooming in Pakistan.

Conclusion:

Industrial sector in Pakistan is the one of the top contributors in the economic system of the country. It also holds the potential to generate resource and income to uplift the living standard by providing opportunities of employment. However, it is facing myriad challenges which are caused due to socio-political and economic obstacles in its way. Defeating these challenges would ultimately pave way for Pakistan's progress and sustainability.