

Introduction:

Industrial revolution was a transformative era, that transformed societies from feudal, agrarian economies to capitalist, industrialized systems.

It has become backbone of modern economic system that has strength to uplift standard of living of masses.

But Pakistan is facing hindrance to development in industrialization and also in already present industries.

It is facing multitude of problems most hitting of which are sick units of electricity.

A Glimpse of industrial sector of Pakistan:

The industrial sector contributes **18.4%** of **GDP** and contributes **40%** of total taxes.

It is divided into three tiers:

- a. Large Scale Manufacturing (LSM)
- b. Small Scale Manufacturing (SSM)
- c. Slaughtering

LSM dominates the overall sector as it contributes ~~8.2%~~ **8.2%** to overall GDP and accounts for **69.3%** small scale manufacturing and slaughtering accounts for **19.5%** and contributes **11.3%** of ~~total~~ GDP. Industrial sector. Industrial sector grew by **1.21%** in **FY 2024** as compared to contraction of **3.74%** last year.

Causes for hindrance in Industrial development:

Industrialization is playing crucial role in modern economic system and can significantly improve standard of living for masses. However, various factors hinder industrial development in Pakistan. Here are some of key causes:

i. Economic Hindrances Causes:

@- Disputable Industrial Strategy:-
Investors uncertainty:

It is a huge barrier in way of industrial advancement in Pakistan. Because of changing strategies, investors are always hesitant to make an investment in industrial sector of Pakistan. Following are strategies from different decades:

1950s	Era of rapid industrial growth
1960s	Era of Industrial Stabilization
1970s	Nationalization and its impacts
1980s	Pro-industry policies of Zia ul Haq
1990s	Decade of privatization
Post 9/11	Commercialization under Mushraff

⑥ Frequent Electricity Issues:
Pakistan has been grappling with consistent

energy crisis, characterized by widening demand supply gap. Frequent electricity breakdown and high energy costs have severely affected industrial productivity.

Due to energy crisis, more than 30 industrial units have been closed in Pakistan in last 5 years. (ISSI Journal)

Power outages not only hampers industrial production but also discourages potential investors from setting up manufacturing units.

© Trade deficits:

Trade imbalance and reliance on imports for critical raw materials and machinery can negatively impact industrial development. High import costs can make domestic production less competitive. The exports of

India and Indonesia were \$322 billion and \$183 billion respectively for FY 2020. And Pakistan exports for same fiscal year were only \$25.3 billion.

④ Water Scarcity:-

Pakistan faces water scarcity for industrial sector because of population growth, India dams on Pakistan rivers and inefficient irrigation practices. Industries that ~~are~~ rely heavily on water for their operations may face significant challenges.

Pakistan is among top 10 water scarce countries and 4th water insecure state in world.

(World Bank Report)

⑤ Inadequate Access to Finance:

Many small and medium sized enterprises in Pakistan face challenges in accessing affordable credit to expand or upgrade their

facilities. Limited access to finance constrains their ability to invest in new technologies and scale up their operations. Accessing a loan is a major constraint for SMEs (Small and Medium Enterprise) because commercial banks perceive it as too risky.

2 - Social Hindrance Causes:-

There are multifaceted social issues that have hindered industrial progress in Pakistan and these include:

① Lack of Skilled Labor:

The shortage of skilled labor and a mismatch between skills demanded by industries and skills possessed by workforce poses a significant challenge. This gap can lead to lower productivity and hinder growth of certain sectors.

⑥ Security Concerns:-

Pakistan has faced security issues and conflicts in certain regions, which can deter ~~potential~~ potential investors and disrupt industrial activities. Businesses need a stable and secure environment to operate effectively.

In last five months of 2023 year, more than 20 terrorist attacks have been committed in Pakistan, which shows threatened state of security in Pakistan.

(Al-Jazeera)

⑦ Infrastructure Deficiencies:

Inadequate infrastructure is a significant impediment to industrial development in Pakistan. Transportation network, including roads, railways and ports, is outdated and unable to handle demands of growing economy. This not only increase logistics costs but also leads to

delay in movement of goods,
affecting overall efficiency of
industries.

3. Political Dilemma:

The political crisis has been an Achilles' heel in history of Pakistan. It has also caused resistance to flow of industrial sector prosperity waves.

@ Political Instability:

Periodic political instability and frequent changes in government policies with changing regimes have created an uncertain business environment. No Prime Minister in Pakistan has yet completed its 5 years term. Investors are always hesitant to commit to long term projects when political landscape is volatile.

Due to recent political turmoil, industrial sector of Pakistan has faced a loss of

approximately 10 billion dollars

(IPRI Report)

(b) Poor Status of ease of doing business:-

Excessive bureaucracy, complex regulatory procedures and flawed taxation system has made it cumbersome for businesses to start and operate. Obtaining permits, license and paying huge taxes, discourage investment and hinder industrial growth.

Pakistan is ranked 108 among 190 countries in ease of doing business.

(World Bank Report)

(c) Technological issues:

(a) Inadequate Research and Development:

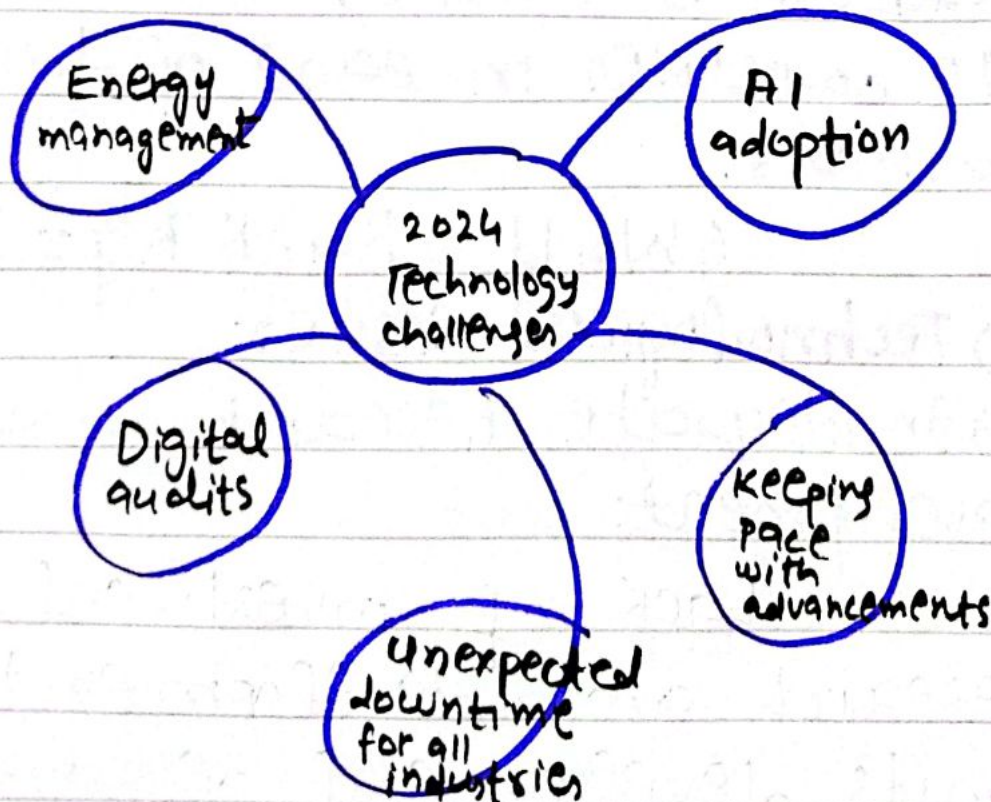
Lack of investment in research and development limits development of new technologies and innovative

solutions necessary for industrial growth. Lack of advanced machinery has also hindered industrial progress in Pakistan.

In Global Innovation Index, Pakistan was ranked 87th among 132 economies in 2022. It was ranked 88th in 2023 and 91st in 2024

(WIPO: "World Intellectual Property Organization" report)

(b) Five technology challenges manufacturing industry will face in 2024:



Conclusion:-

Industrialization serves as bedrock of a modern economic system, propelling nations toward progress and elevating living standards of their people. However, for Pakistan, a country rich in potential, the path to achieve robust industrial development has been hindered by a multitude of challenges. From Energy crises and inadequate infrastructure to political instability and bureaucratic inefficiencies, these obstacles have thwarted nation's aspirations for accelerated industrialization.