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Pakistan still stands at a weaken spot in terms of financial stability. How the stagnant industrial sector contribute to death of economic depth in Pakistan? Delineate a way forward to boost the industrial set-up?

Introduction

"From boom to bust": Country's stagnant industrial sector contribute to economic crunch of Pakistan

Despite strategic location, immense natural resources and large work-force, Pakistan continue to face financial instability. Industrial sector which had been envisioned as engine of economic growth, contribute only 20-24% of GDP. This low industrial contribution is significantly attributed by energy crisis, lack of diversification weak regulations among many others. As result, its impacts on economic growth are looming large including high inflation, poverty, unemployment etc. The country need to adopt more pragmatic measures to strengthen and stabilize the industrial sector for sustainable economic growth.

Key indicators demonstrating financial instability of Pakistan

Pakistan stands at the weak spot in term of financial stability. A cursory glance shows multi variant indicator which have been summarized below.

Key indicators demonstrating Pakistan's financial instability

Debt Dependency → Pakistan's consistent reliance on IMF.

Depleting foreign reserve → Increased depreciation of rupee against dollar

High inflation rate → inflation rate in each fiscal year rise to 27%.

Never ending unemployment and poverty → Pakistan has 44% ~~[illegible]~~ population living below poverty lines

Restricted contribution of industrial sector is culminating economic crunch of Pakistan

There are number factors highlighting low contribution by the industrial sector of country.

Remarkably reduced contribution of industrial sector to economic growth

It has been reported that industrial sector of Pakistan contribute just 20-24 of GDP. This rate is below the regional competitors including India and Bangladesh. The country's manufacturing sector grew by only 0.2% in 2023 [Pakistan Bureau of Statistics]

Energy crisis remains major impediment in growth of industry

Industrial sector, which require continous supply of energy, is facing shortfall of not only electricity but also gas. As result industries face closure for hours and even days.

Lack of diversification

A diverse industrial sector is essential to exploit opportunities offered by globalization, But

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Pakistan lacks this diversification. Country is over reliant on textile industry which make 60% of total exports. In dynamic areas like machinery, electronics and metal products, Pakistan has hardly made progress. Moreover, engineering area depends on assembling of imported parts or produce very simple manufacturing components.

Consumption based economy of Pakistan

Another factor restrict industrial output is consumptions based economy. As consumption is 88.3% of GDP, while investment to GDP is 15%. As result textile industry more focus on indigenous market, hence export suffer to great extent as result industrial base is much weak in country.

Regulatory and legal environment has inherited weaknesses

Although, government is working to create business — friendly climate but still the weaknesses in regulatory and legal framework is damaging industries. Most of the power is in hand of law enforcement agencies, which often leads to harassment of enterprises, bribery and corruption. Moreover, Bureaucratic inefficiencies is also contributing to weak legal environment.

Smuggling is impeding industrial productivity

Smuggling is another factor restricting industrial growth, which is being faced by country through rampant goods smuggle in and out of country. These smuggled

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goods are restricting normal trade pathways. Domestic producers cannot compete with smuggled goods.

outmoded technology and lack of innovation

Industrial sector is being faced with outmoded machinery, outdated production methods and lack of innovations. Pakistan lacks strong engineering foundations and loss of skilled labours. There is weak connection among academia, research, technology and industries. Hence lack of technological inclusion is restricting industrial growth.

Key measures to boost the industrial set-up in Pakistan

Diversification of industrial base

Pakistan needs more

diversified industries with moderate reliance of on textiles, by promoting high valued electronics, Pharmaceuticals IT industry. Pakistan should setup automobile manufacturing. All these industries would multiply the current export of country.

Encouraging SEMS

Pakistan needs to learn lessons from emerging economics about the importance of SEMs in economic growth. As economic stability in Japan is essentially contributed by Small Medium Enterprises. China, South Korea and Hong Kong have also applied the same method. Pakistan must develop finance mechanism, legal framework specifically for SEMs

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Remedies for energy crisis

Energy crisis has been draining capital out of country. Government should prioritize energy projects, which are already underway under CPEC. Moreover, Solar energy and net metering has become more viable options. The transfer of industries from non-renewed to renewed sector would increase product availability and reduce production cost.

Development of infrastructure

The government should setup industrial estates and economic zones. As 5 economies are required to set up under CPEC. These economic corridors would lead to revamp and constructions of roads, highways for industrial sector.

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Promotion of FDIs

Another major step to be taken by government is to strengthen the business environment to boost foreign direct investments. This including promoting political stability, one-window operation to avoid over-regulations and bureaucratic red-tapism.

In-put related remedies

The availibility of raw material and ease of access to input is highly crucial for production and reduced cost of industrial sector for this, government should subsidize these raw material and enhance its production for its used by industrial sector.

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Conclusion

Pakistan, after decades of her existance and abundance of resources still stands at weaken point in term of financial stability. This stagnated economic growth is primarily contributed by main driver of economy; Industrial sector. This sector is grappling with high production cost owing to sociopolitical factors. Numbers of industries including local and foreign investors has closed their operations in Pakistan. **Nishat industry**, **Proctor and Gamble** are prime example as they have closed their operation due to ecnomic hurdles. Government needs to develop more sustaining and resilient measures to protect its industrial sector for inclusive growth.