Date: ______ Day: ______

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

1. Introduction Lab
2. Causes of Hindrance in Industrial Development.
   - i Controversial Industrial strategy
   - ii lack of infrastructure
   - iii Political Instability.
   - iv- IPPs on BOT model.
   - v- Regional Instability doesn't allow FDI to come
   - vi Senctions by International organizations
   - vii- Low income and GDP to tax ratio
   - viii Frequent Power Breakdown.
   - ix- Education and Research is not updated
   - x- limited market and lack of specialization

Not required

3- Conclusion

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Introduction:-

Industrialization is a process of transformation of a predominantly non industrial community into a predominantly industrial community. Industrial sector, the second largest sector of the economy mainly comprises light and large scale manufacturing and medium sizes enterprises. According to report of Economic Survey of Pakistan 2025, industrial sector is projected to contribute 25.4% to Pakistan's GDP. The industrial sector has a larger potential to contribute but is on hold due to poor policy initiatives, lack of innovation and diversification in products for meeting the need of domestic and global consumer. The industrial sector experienced a contraction of 1.7 percent in FY2024, attributed to stabilization measures, a tight monetary policy, stance, elevated inflation rates, and

Restructure your intro

Overview of Industry situation in Pakistan

an unstable exchange rate (reported by Pak Economy 2025)

CAUSES :-

i Controversial Industrial Strategy:-

The slow growth in industrial sector is mainly ~~sector~~ due to rapid changes in the industrial development strategies. The planners have not yet been able to solve the central issues. such as

i- Sectoral balance between agricultural and industrial sector

ii Growth vs distribution strategy

iii- Small scale vs large scale

iv- Nationalization of industries

v- Capital intensive versus labor intensive

In FY2023-24, Pakistan's industrial sector grew by only 1.21% significantly below the target of 3.4%. This sluggish growth was attributed to high input costs, reduced government spending and increased taxation, which dampned industrial activity.

Make heading/subheadings Not points

Adequate
(Add any adjective)

2. Lack of Infrastructure:-

The lack of infrastructure remains a significant impediment to Pakistan's economic progress in 2025 as highlighted in a recent economic reports. Despite some stabilization efforts, the country's GDP growth fell short of expectations, reaching only 2.68% in FY205, below the target 3.6. The State Bank of Pakistan identifies infrastructure shortcomings, alongside political and economic instability and a burdensome tax regime, as major barriers to foreign investment. Frequent policy changes and disruptions in economic reforms further diminish investor confidence

Highlight important points

Rephrase

3. Political Instability:-

The political conditions remained unstable for a very long time after independence. Political turbulance, including protests, government - opposition deadlocks and regional unrest has led to inconsistent economic policies, adversely affecting investor confidence. The World Bank 2025 Development Update notes that Pakistan's economy continues to stabilize but emphasizes the need for structural reforms to achieve sustained and inclusive growth. Similarly, the Asian Development Bank forecasts a modest growth of 2.5% for FY2025, attributing the slow recovery to ongoing political and economic challenges.

IPPs on BOT Model:-

The higher cost of electricity, oil, gas and coal to run IPPs is burden on industrial buisness, potentially impacting their competitiveness, profitability and overall economic growth. Intially in first phase country has only to pay profit price, In second phase investor country has 80% share and after long time of agreement profit is 50/50. Giving more money to investor country than earn is the burden on the industrial sector

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V. **Regional Instability:-**

In 2025, regional instability remains a majority obstacle to Pakistan's industrial development. 2025 Balochistan protests and Babaklor sit ins have directly disrupted transportation routes and logistic networks. These regions are critical for resource extraction (coal, gas, minerals) and instability results in halted operations and blockage of export routes (e.g Gwadar port access)

VI. **Sanctions by Int Organizations.**

Sanctions imposed by international organizations, whether directly or indirectly pose a sustainable barrier to industrial development. Pakistan's inclusion on the FATF grey list (2018 - 2022) led to increased scrutiny of international financial transactions, discouraging foreign investment in industrial zones. Pakistan is not under broad sanctions, pressure from international financial institutions, conditionalities and prior grey listing have

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barriers to industrial expansion.

vii **Low income and GDP to tax ratio:-**

Pakistan's low GDP to tax ratio, one of the lowest in South Asia (hovering around 9-10% in 2025), presents a significant structural challenge to its industrial development. With limited revenue, the government is unable to offer tax incentives, subsidies or industrial rebates that help industrial scale, modernize. Special Economic Zones and industrial parks remain underfunded or poorly managed, reducing their attractiveness to investors

viii **Frequent Power Breakdown:-**

Frequent breakdowns reduce productivity, increase operational costs, and demage investor confidence, making it difficult for industries to grow and compete regionally and globaly. In early 2025, Pakistan experienced nationwide blackouts

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due to faults in the transmission system, causing billion in losses to textile and manufacturing units

IX. Education and Research is not updated:

Pakistan's population comprise of 64% youth (b. 15-29 age). When fresh graduates enter the professional life they are not able to match their syllabus with industrial designs and layouts. Researchers face serious problems in designing innovative process for a process. This ignorance and backwardness in educational sector is one the reason of downfall. In various cases due to improper knowledge machine efficiency decrease. In 2025, over 60% of industrial employers in Pakistan reported difficulty finding skilled labor, especially in IT, engineering and mechatronics

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limited Market and Lack of Specialization:-

limited domestic market increasing foreign competition is another obstacle in the way of industrial development. A limited domestic market discourages economic of scale, which are vital for lowering production costs and achieving competitiveness. Pakistan's acess to regional markets – especially India, Iran and Afghanistan is restricted due to geopolitical tensions, trade bans, and lack of infrastructure. Pakistan's exports are concentrated in low value ~~o~~ textiles and agriculture with limited diversification into engineering, pharmaceuticals or electronics

Conclusion:-

Pakistan's industrial development is seriously hindered by the factors mentioned above. Foreign policy plays a crucial role in industrial progress by being FDI and innovative ideas.

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Political stability can enhance industrial development because instability give rise to various seperatist groups which are obstacle to industrial growth. Seperatist groups like BLA and TTP attacked chinese workers of CPEC. These groups block the roads and stop the transport due to which market is limited and inflation arises. Modern Education and new infrastructure enhance the industrial growth but due to IPPs, the cost to operate them and ~~t~~ other terms and conditions are hurdle in the prosperity of industries

Concise your conclusion
You have got potential
Good luck