Question:

Highlight the problems of industrial sector in Pakistan and suggest remedial measures.

Answer:

Introduction:

According to Pakistan Bureau of Statistics, industrial sector contributed approximately 21% to the country's GDP. Various sub-sectors also contribute to the GDP with manufacturing industry alone contributing for 14.5%. This is followed by a 2.8% share of construction, 2.18% of mining and quarring and 2.08% of electricity, gas and water supply. Despite its immense importance for economy, the industrial sector in Pakistan is plagued and remains unproductive. Numerous issues have undermined its growth including energy crisis, ineffective policies, low human capital, low exports, weak infrastructure etc. If these issues remained unaddressed, Pakistan's industrial sector would collapse.

Industrial Sector

Hurdles/Problems	Recommendations
1. Energy crisis	1. Invest in renewable energy sources
2. Ineffective industrial policies	2. Consistent policies and implementation
3. Lack of diversification	3. Invest in production of value added goods
4. Low human capital development	4. Basic technology education promotion.
5. Lack of modern technology	5. Modernising technology

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Problems of industrial sector:

Pakistan's industrial sector has potential to reform and stabilize its economy yet it is fragile and weakening day by day due to many structural issues and inefficiency in implementing reform policies. Following are the persisting challenges in combating the hurdles in which industries growth is trapped.

⇛ Energy Crisis:

Energy plays an important role in development and progression. Industries heavily rely on continuous supply of energy suppy. Any disruptions in this supply adversely effects productivity.

In Pakistan, this problem can be traced back to 1990s, when supply-demand imbalance imbal, was experienced, since then industrial sector has been plagued coupled with a high cost of electricity.

According to World Bank Enterprise survey, low supply of electricity is a constraint to doing business for approximately 25% of large industries and 12% of medium industries.

⇒ Industrial Policy Distortions:

A sound industrial policy is an imperative for economic development. It acts as a catalyst for thriving industry sector. Unfortunately, Pakistan's current policies are reactive than proactive that have made the it uncompetitive in global demand.

Furthermore, Pakistan has been oscillating between different approaches to industrialization. with shifting its focus to other sectors. Instead of increasing growth, these policies are contributing to inefficiency in profitability and productivity, leading to minimized exports.

⇒ lack of diversification:

Statistics show that Pakistan 80% of Pakistan's industrial exports consists of only textiles, carpets, cotton and rug. Pakistan has not made any progress in electronics, machinery and metal production. This over reliance sheds light on the lack of diversification with limited demand of Pakistani goods in ~~lo~~ global markets. According to Economic Complexity Index, Pakistan's ranking is ~~104~~ 101 out of ~~193~~ 145 which shows its limitations in diversity of goods.

⇒ Low human capital development:

Pakistan faces an acute deficiency of skilled human resources. The industrial sector employs only 16% of labor force. According to Human capital Index, Pakistan ranks at 164 out of 194 which shows Pakistan lacks basic quality education and lacks emphasis on technology education.

⇒ Lack of modern technology:

Another major problem for fragile industrial sector is that it lacks modern technology which is vital for modern-technology induced products. It constitutes to low production of good quality products leading to decrease in exports.

Policy Recommendations:

Here are some policy recommendations which can be adopted to foster industries:

⇒ **Energy reforms:**

Pakistan should shift towards renewable energy sources like wind, hydro, solar and thar coal. It will help in reducing burden or export bill and thar coal would a great substitute for reducing dependency on hydrocarbons.

⇒ **Industrial policy reforms:**

It is an urgent need to formulate a policy aimed at rationalizing and reducing electricity costs. The collaboration between federal and provincial governments is

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essential to tackle these issues and form a effective policy that will ensure industrial sustainable growth.

⇒ Investment in human capital:

Launching human skilled programes is essential to meet labor demands. It can be done by combining education and industrial sector. Technological education should be integrated at secondary level to enhance knowledge about new and modern skills. Furthermore, integrating women and marginalized groups into workforce can leverage untapped human capital and enhancing exonomic inclusion and resilience.

⇒ Investment in infrastructure:

Investment in modern transport, energy and communication infrastructure must be prioritized to support industrial productivity.

⇒ Reduction in tariff rates:

Reducing tariff rates is essential to lower production costs and increase competitiveness in global markets.

Conclusion:

Pakistan's industrial sector has the potential to (reform) transform economic crisis into economic stability. However, some hurdles persist in its way and these problems should be addressed by an efficient policy that ensures its growth and

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productivity rate, not just formulating but implementation of policy is crucial such that it directly tackles the major issues in this sector.