

Muhammad Zeeshan

Industrial Development and Poverty Reduction. A Case Study of Pakistan

Thesis (M.A.)

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Chapter # 1

Introduction

Industrial Development and Poverty reduction (A case study of Pakistan)

Introduction:

Rising inflation and great surge in unemployment are causing poverty in Pakistan. The development in the industrial sector has been very minor. That is the reason that this sector is employing less labor, increasing unemployment and ultimately causing poverty. Economic growth is a major determinant in reducing poverty as it increases employment. In Pakistan, almost 40% of the people are living under the poverty line. That is the clear evidence that Pakistan's industrial sector is not growing. The studies have shown the relationship between growth and poverty reduction. By Oxfam, one percent increase in the economic growth decreases the poverty by 3% in the East Asian countries, the figure is 2% for Africa and 1% for the Latin American countries.

In 1959, there was a great poverty in Singapore, people used to have gambling and had have opium. But within the period of three decades Singapore has industrialized itself and it is one of the major economic powers of the East Asian countries {Zaherddin, 1998}. Industrial revolution is a dramatic change in the nature of production in which machines replaced tools, steam and other energy resources replaced human and animal power. Industrial revolution was first observed in England. It developed in 1740, mainly concentrated on textile units. The 1stly industrialized countries are UK, France and USA.

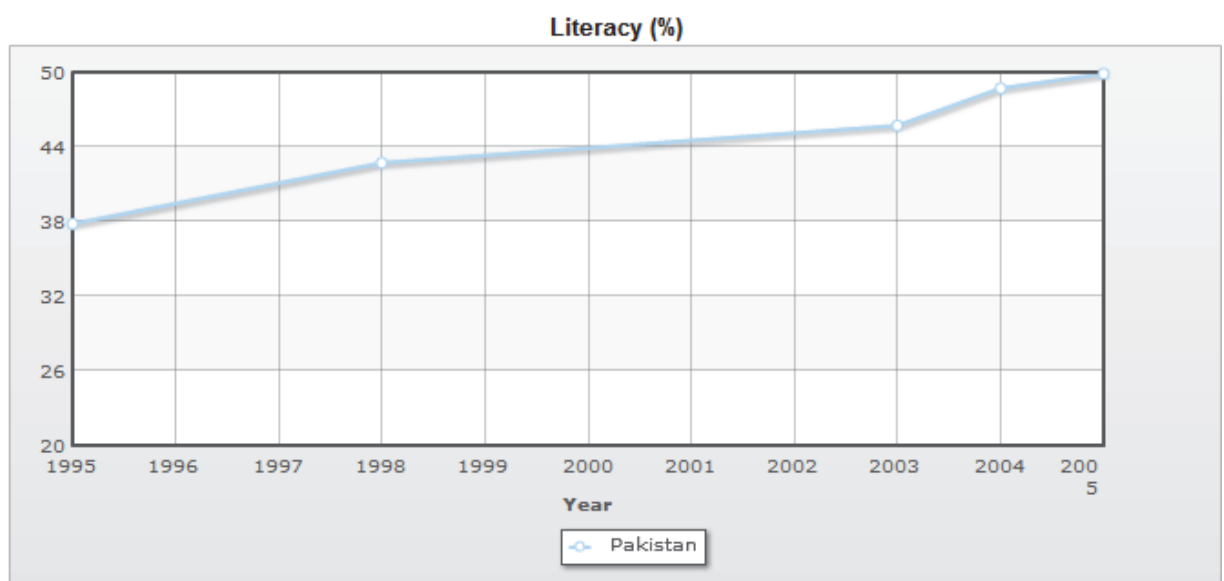
Over the last decades, the economy of Pakistan has seen significant changes. The share of industrial sector in the years of 1960-61 was 15.1% in GDP, which has increased to 25.2% of GDP in 2009-10. Coming to the agriculture sector, the contribution of agriculture sector in GDP in years 1960-61 was 43.6%, which has decreased to 21.5% of GDP in 2009-10. Coming to the largest contributor of GDP of Pakistan, the services sector, this has increased from 39% of GDP in 1960-61 to 53.3% of GDP in 2009-10. The stats show that industrial sector is the second largest contributor to the GDP of Pakistan. In Pakistan, small and medium enterprises have a very significant share in the GDP. By, economic surveys and SMEDA, the share in GDP is 40% with SMEs generating a number of employment opportunities for skilled labor and entrepreneurs. Small and Medium Enterprises represents nearly 90% of all the enterprises in the country and it employs more than 80% of the non agri. labor of the country.

The 1st reason for the sick industrial units is the use of out dated technology, they can produce up to a very low limit, unable to get deals, have to shut down the unit, causing unemployment that leads to poverty. Lack of investment and non-provision of financial assistance, high tax rates, unskilled workers, black marketing, labor unrest and political instability, shortage of electricity and marketing problems for the local produced goods are the main reasons for the sick industrial units, which in turn is a main reason for unemployment and poverty.

Industrialization helps to raise the general level of education for the masses, which increases the skilled labor force {Kerr, 1962}. Maizels (1963) found that industrialization plays an important role in raising the income of the labor, by generating employment opportunities, by increasing trade and commerce, surge in capital formation and the technology changes.

The figure 1.1 shows the literacy rate of Pakistan

The Figure 1.1: Literacy rate of Pakistan



Source, *Index Mundi* 2010

The process of industrialization in a region not only affects the economic sphere of human beings by increasing employment opportunities and income, but it also affects the social and cultural life with increased opportunities for housing, education and