Regulators Turn Facilitators for Reviving Industry

Necessity is the mother of invention. This saying was made true during 1750, when the Industrial Revolution started, and thereafter, with no looking back, evolution continued—from the steam engine to electrical-based mass production to the digital age to smart factories with AI, and still counting. Countries with innovative, hard-working, and sincere people have a strong industrial base, making them progressive, developed, rich, and vice versa. Industry remains the backbone of any economy to help it flourish. Pakistan could not focus well on its factories and missed the benefits of its multiplier effects. The country now carries a huge debt burden of over Rs. 80.0 trillion by the end of June 2025.

During the 16-month period from March 2024 to June 2025, the government borrowed Rs. 13.1 trillion. On the other hand, budget revenues for FY 2025 were Rs. 17.8 trillion— not enough to meet rising expenditures—and the government borrowed Rs. 7.4 trillion during the year to cover the gap. Debt servicing costs during FY 2025 stood at Rs. 8.3 trillion. Total debt has reached around 80% of GDP, which legally must be brought down to 50%. All this shows a very depressing financial situation. Such being the financial health of the country, economists have kept warning that for a sustainable economy, forceful and vigorous reforms were inevitable to increase revenue collection and curtail expenditure.

The government has claimed early debt repayment, interest savings, and improvement in debt maturity, bringing the debt trajectory to a more sustainable level. Conversely, for FY 2026, the government has planned to borrow Rs. 22 trillion for repayment of due loans and to meet the budget deficit *(Jang, 8th October 2025)*. This shows the adoption of an easy course of action instead of demonstrating some grit, resilience, and endurance by pursuing some out-of-the-box ideas to turn around the ailing economy.

Industry Scenario

Pakistan has been through many ups and downs in its industrial sector. Speedy growth occurred during 1958–69, especially in heavy industries like steel, cement, chemicals, and textiles, with infrastructure improvements. The 1970s witnessed a downfall due to the nationalization of banking, textiles, cement, and steel sectors, which gave rise to inefficiency and low private investments.

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Some stability returned during the 1980s, but again, the 1990s observed a slowdown due to political issues, external deficits, and low remittances. Then, during 2005–08, the GDP growth rate touched up to 8%, and industry grew by 12.5%, mainly due to large-scale manufacturing and textile production. Thereafter, the sector faced continuous challenges, bringing the growth rate down to 2.5%. The steep decline has been caused by poor governance, lack of vision, political chaos leading to varied policies, high energy costs, a rising dollar, investors losing trust, overall high input costs, and corruption being at the top.

Industry plays a significant role in any economy through job creation, especially high-paying positions, its role in exports, ease on the balance of payments, technological innovation, infrastructure development, and utilization of local raw materials for value addition and facilitating import substitution. No doubt, the services sector contributes the highest (57%) to GDP, and the agriculture sector also has its substantial portion, yet these sectors are grossly dependent on industries as the total physical facilities are provided by the manufacturing sector— be it buildings and fixtures, machinery, equipment, computers, mobile phones, transport, and so on.

Reforms

It is a process aiming at a positive change for improvement. For success, it must be backed by willpower and commitment; otherwise, it is a futile, expensive exercise tantamount to reinventing the wheel. It is observed that the majority of reforms involving huge expenditure have remained far from fruitful.

The government has been conducting reforms for almost every institution—be it FBR, which has remained under constant reformation for the last over 20 years, or the police department, yet efficiency and elimination of corruption remain a big challenge, as no noticeable improvement is perceived in the most important key indicators, viz. total debt, corruption, and governance. Nonetheless, some procedural improvements are visible in view of new technology adoption. Generally, reforms are recommended by committees or consultants who prepare voluminous reports. Just a few officials read these reports, which tell what to do but hardly how to do it.

Ease of Doing Business

Any potential investor, local or foreign, is interested in investment safety, official formalities, decision-making processes, input costs, corruption levels, and tariff policies, etc. The list is not complete, but these are a few important questions one would like to know before making an investment. Unfortunately, answers to most of these queries may not be encouraging, as even the existing business community is mostly not comfortable. Many international companies are closing down or selling major shares and leaving Pakistan. Obviously, there cannot be a complete laissez-faire system, but government interference should be kept to a minimum and, above all, be business-friendly.

The most developed countries like Singapore, Switzerland, Norway, Denmark, and New Zealand face minimal government interference. Arguments for government interference are to safeguard consumers, promote social welfare, encourage competition, and ensure security. On the other hand, arguments against government interference are that it discourages research and development, causes inefficiency, obstructs competition, discourages investment, and promotes corruption. Many reforms have been introduced in Pakistan for ease of doing business, including online registration systems, speeding up construction permits, property registration, digitalization of regulatory processes, simplification of procedures, one-window facilitation, tax reforms, and specialized courts.

Civil Service Reforms

Civil servants are the main regulators of business affairs and are apparently the main bottlenecks in the development of industry. Many reforms have been introduced time and again, but mostly these dealt with service matters, not providing support to industry or trade. There are mainly two important issues: one, manipulation and interpretation of regulations, and two, delay in decision making. Therefore, it is necessary that regulations be simplified and the decision-making process be linked with a time frame, remember time is money. Delayed decisions not only breed corruption but also add to cost. Almost every project in the public sector has suffered inordinate delays with colossal cost overruns.

Governance and Anti-Corruption Reforms

Good governance is a matter of leadership involving honor and efficiency. Honor inculcates commitment, putting public interests before personal longings, and efficiency is brought by the writ of law. Anti-corruption is a byproduct of good governance. Under the present precarious financial situation, some immediate measures are unavoidable, like only regular appointments through due selection processes, no contract appointments after the age of 60 years, and timely decision-making. There is no good governance without good people. This may sound harsh, but such special actions are necessary under the prevailing special circumstances where every citizen is indebted by Rs. 350,000 for no fault of his.

Promoting Local Production to Replace Imports

The customer is king. He goes by the product, not the producer. He goes for quality vis-à-vis the price tag. Just go around the local market; one is shocked to see the market overloaded with "Made in China"—be it a car or a bathroom bucket. During FY 2025, Pakistan imported goods worth USD 20.2 billion and exported merely USD 2.5 billion to China. To combat the trade deficit, Pakistan created 20 new trade posts in China during November 2024 to boost exports to and investments from China. Countries adopt different industrial and trade policies with different approaches. For example, China is generally price-conscious, keeping prices low, whereas Germany prefers quality irrespective of price. Both are doing very well, as the world has buyers of both low and high-priced products. The industry in Pakistan is not in a position at present to provide sufficient import substitution due to high production costs and inefficiencies, shortage and costly energy, lack of research work, labor issues, inconsistent policies, poor infrastructure, and corruption.

Trust

There is a vivid lack of trust in businessmen, who are construed as tricksters. Most businessmen have every intention to strictly follow rules and regulations, but at times, they are constrained to behave otherwise. The government must put complete trust in them by accepting whatever they say, even on a trial basis. Mistrust creates mistrust, and trust begets trust. Mutual trust creates wonders.

Avoid Raids

By putting trust in traders, raids must be avoided; instead, they may be informed before any such surprise visits for any purpose. This will exert moral pressure and a positive impact, and they would correct lapses, if any. The aim is to improve and not to harass. Things would improve for obvious reasons.

Source of Money

This is a very tricky phenomenon. In the present scenario, people do have grey income, as the country's grey economy constitutes around 40% to 65% of the GDP. Has anyone ever given serious thought to it? This is caused mainly by a complex, overregulated, manipulated system. There could be two ways to handle the situation: one, let the status quo continue and the economy collapse, or two, let people use grey money productively without fear of justifying the source. The usage may include setting up new factories, modernizing existing plants and machinery, and expanding production capacities. This would surely give a chance to revive industry; otherwise, this money keeps flying away to other destinations without any added investment in our own country.

Reviving Manufacturing

This area in the country is hard hit by inconsistent, unreliable, and costly power supply, brain drain, costly raw materials, expensive technology changes, and low investment for expansion and replacement of facilities. All these things boil down to a creeping economy.

Regulation Awareness

Many times, even an educated person cannot comprehend how to fulfil the requirements of the regulations. The income tax annual return form is the best example, where mostly these are filed through income tax advisors. It is, therefore, imperative that regulatory requirements be made widely known through media, displayed boldly in offices, and applications be invited on standardized formats made available along with the list of required documents. A proper receipt should be issued to the applicant indicating the date of completion of the process. All shortfalls observed should be intimated for compliance. This would definitely ease the process and create confidence among the business community.

Conclusion

Businessmen put a lot of their money into any trade and expect a good return on their investment, sustainability, and peace of mind. Generally, they don't intend to cheat or flout regulations. However, during various eras, they faced despotic treatments and uncontrollable situations, bringing difficulties to their smooth business processes. Such situations made them depressed and caused losses, adversely affecting proper expected growth. At present, things are rather distressing, with the cost of production getting out of control. Good governance, rule of law, mutual trust, and a friendly business environment are some of the aspirations of the business network for revival.

Good governance is the name of the game. Whatever is said is only possible if leadership takes care of nepotism and delayed decision-making, as the human factor alone is responsible for the plight. Otherwise, gloom cannot be converted into bloom.

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