

# **The Economy of Sindh<sup>1</sup>**

**1972/73 – 2012/13**

**ISHRAT HUSAIN**

I am grateful to the Organizing Committee of the Conference for inviting me to deliver the Keynote address at this concluding session. As a young CSP officer working as Additional Finance Secretary in the Government of Sindh I had the privilege of presenting a paper on “The Economy of Modern Sindh” at the First International Seminar on ‘Sindh through centuries’ held in March 1975. This paper was subsequently expanded into form of a book which was published by the Institute of Sindhology, Jamshoro in 1981.

The question I wish to explore this afternoon is what has happened to economic and social indicators and living standards of the people of Sindh during these last four decades.

The record is mixed. While per capita incomes have risen several fold, living standards have moved upwards, incidence of poverty is lower the social indicators remain dismal. Adult Literacy and Net Enrolment ratios are still low. Health and Nutritional Standards have not seen much progress. Rural-Urban Disparities have become more acute creating social tensions. Energy and water shortages have stunted the growth potential of the province. Poor Governance and weak institutions have made the delivery of basic services to the poor almost inaccessible. Deteriorating Security and law and order situation and increased violence have stalled the level of economic activity from its optimal level.

Forty three years ago the country had gone through a cataclysmic upheaval in the form of separation of the Eastern Wing of the country, detention of 92,000 soldiers in the Indian campus, breakup of West Pakistan as one unit , nationalization of industries, banks and educational institutions, radical reforms of Civil Service Structure and so on. These non-economic factors had created a host of difficulties for orderly and smooth operation of the economy. But the newly established province of Sindh with a popularly elected government marched along.

Sindh’s population in 1972 was 14 million but it had the fastest rate of population increase. During 1961-71 almost 5.5 million were added to the population recording annual

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growth rate of 4.6 percent. Sindh formed about 21.5 of Pakistan's population in 1972, Karachi had 3.6 million inhabitants or one fourth of the province's population. The provincial income was only Rs. 13.8 billion and per capita income around Rs. 1000. The labor force consisted of 4.1 million people (2.6 million rural and 1.5 million urban) and the cultivated area was 5.6 million hectares of which area under crops was 3.6 million hectares.

We produced 1 million ton of wheat, 1.3 million tons of rice, 2.8 million tons of sugarcane and 1.1 million bales of cotton. Canal withdrawals at the three barrage head amounted to 33. MAF in Kharif and 12 MAF in Rabi. Agriculture sector contributed 34 percent to the provincial economy while mining and manufacturing about 19 percent. The share of Sindh province in the national economy was around 25 percent. Land ownership was skewed despite the land reforms by General Ayub Khan and Mr. Zulfikar Ali Bhutto. About 20 percent of the farm area was owned by 2 percent of land owners and 68 percent of farm area was held by 93 percent land owners. This skewed distribution of land also tilted the fulcrum of political power in the hand of large land owners.

Karachi as the largest centre of industry and trade and the only sea port in the country had 54 percent share in the provincial economy with three times per capita income (Rs. 3,200) of the provincial average. This highly advantageous position of Karachi led to polarization with all its attendant pernicious effects on the economy of Sindh.

There were 1425 large scale manufacturing establishment with Gross Value added of Rs. 2.4 billion. These establishment employed 212,000 persons. Textiles (28%), Food Tobacco and Beverages (22%) and Chemicals (11%) were the major sub-sectors in manufacturing industries.

Low Literacy Rates had worked as serious bottleneck in the realization of the economic potential of the province. The urban areas had relatively higher literacy rate. Therefore the thrust was to increase enrolment at all levels and Progress was becoming evident . By 1972, Sindh has attained primary school enrolment of 1 million children or about 50 percent of the relevant age group and about 300,000 in secondary schools. Professional colleges were also established to produce engineers, medical doctors who were in high demand at that time. technical Institutes and Polytechnics were catering to the mid level technical manpower needs. There were 173 colleges and two universities but the

quality of education was relatively better compared to the current period. Had the enrolment growth of 1950s and 1960s been sustained, Sindh province would have been close to 100 percent literacy rate with better quality of output.

Due to the relatively more urbanized nature there was greater demand for health facilities. The availability of health cover with usage of modern technology was accessed by 25 percent of the population much higher than the country wide average of 15 percent. But the problems of malnutrition, malaria, TB, Infant mortality were quite pervasive and affected a large segment of population. High rate of population growth of 4.6 percent placed heavy burden on the facilities and resources available. Only 34 percent of urban and 3 percent of rural population had access to potable drinking water.

Public finances were not that strong due to laxity in tax administration and in the collection of non-tax receipts. Provincial Revenue Receipts amounted to Rs. 835 million while non-development expenditure was Rs. 1 billion. The size of Annual Development Program was Rs.. 518 million. The province faced fiscal deficit of Rs. 683 million.

The economic journey traversed since 1972 has been tumultuous. Two extended periods of military regimes 1979-1988 and 1999-2007 were interspersed with four general elections in which democratic government were stalled in. But these government did not last long and in the eleven year period 1988-1999 we had four elected Prime Ministers and four interim governments. The political discontinuity took its toll on the economy also. Pakistan which was one of the fastest growing country started falling behind one Asian country after the other. For example, the gap between Indian and Pakistan economy which was only five times in 1990 has now widened to ten times. Among all the Asian countries we rank among the bottom rung. The repercussions on Sindh Economy were quite severe and the most rapidly growth and highly industrialized province also suffered in the process.

We now turn to review the current status of the economy of the province. Sindh's population is estimated to be over 44 million divided equally between the urban and rural areas. Karachi has become the World's 20<sup>th</sup> largest metropolitan area with estimated population of approximately 16 million. Sindh's current population growth has slowed down to 2 percent annually although illegal migration to Karachi is still quite significant

The contribution of Sindh to the national GDP has risen to about 32 percent while its share in the population is 24 percent. Karachi itself generates 25 percent of the national GDP and about 42 percent of the value added in Large Scale Manufacturing. The latest rough estimates for 2012-13 show that Sindh's provincial GDP (current prices) has reached about Rs. 7,308 billion while per capita income is Rs. 166,000. Expressed in US dollar terms, per capita income of an average Sindhi has risen eight fold from \$208 in 1972-73 to \$1,650 in 2012-13. Sindh enjoys a higher per capita income than the national average by about 26 percent.

There has been a shift in the structure of Sindh Economy during this period. The sectoral shares in the Gross Provincial Product (GPP) at present are Agriculture 17%, Industry 36% and Services 47%.

Sindh is most industrialized province in the country and the share of industrial sector in the provincial economy is much higher than the national average. Most of the growth in the provincial economy can be attributed to the Services Sector followed by the industry sector. Large Scale manufacturing now exceeds the agriculture sector value added.

Agriculture, despite its declining share, is the largest employer in the province. The total cultivated area is 4.9 million hectares of which cropped area is 3.9 million hectares. 50 percent of the cultivated land is used for food crops and 25 percent for cash crops. In the national context, 16 percent of Pakistan's Wheat, 42 percent of Rice, 23 percent of Cotton and 31 percent of Sugarcane are produced in the province. Fisheries exports outside and within the country also originate mainly from the coastal areas of Sindh. The Quantum index of crop production has doubled since 1985-86.

The estimated labor force in Sindh is about 20.4 million. An unemployment rate of about 8 percent implies that 1.6 million people do not have productive jobs. 70 percent of rural inhabitants earn their livelihood from livestock, dairy, fisheries, and forestry.

The agriculture sector has undergone expansion at 3.5 percent annually while the manufacturing sector by 6.4 percent. A major structural transformation has taken place within the agriculture sector. Livestock's share of sectoral value added has risen from 31 percent in 1972 to 65 percent in 2008. The share of major and minor crops has fallen dramatically during this period to 30 percent.

Wheat production has risen to average 3.8 million tons, Rice to 2.5 million tons, Sugarcane to 13 million tons and Cotton to 3 million bales. While population has multiplied three times. Wheat and Sugarcane production have outstripped the increase in population. The only crop which hasn't done so well in relative terms is Rice although it is a surplus crop for export

Another characteristic of agriculture in Sindh is high degree of fluctuations and variations in annual output because of dependence on water availability and climatic conditions. Being the lower riparian, the flows into the canals and distributaries are erratic and unpredictable. In the last few years, the province has also been hit by natural disasters such as floods.

Industry has a share of 38 percent in the Gross Provincial Product and the growth rate has been quite impressive except for the late 1980s and the early 1990s when the deterioration of law and order in Karachi slowed down industrial growth. The same phenomenon has also been observed in the past five years when energy shortages and worsening security situation and ethnic, sectarian violence have once again led to a declining growth rate in the industrial sector. Within the industry large scale manufacturing (LSM) dominates the sector with a share of 62 percent followed by small scale manufacturing (SSM) with 8 percent. The Quantum Index of Manufacturing with the base year of 1980-81 has risen three times in the last three decades.

Although phenomenal growth has taken place in this sector, direct employment hasn't expanded proportionately. Most of the jobs have been created by informal supplier of goods and labour services such as contractual employees and also by small and medium enterprises. The composition of manufacturing sector has also not changed significantly. Textile (28%) and Food (13%) account for half of the value added in this sector.

Sindh's natural resources such as oil, Gas and Coal have not yet been fully exploited. For the last decade, a lot of talk has been going around Thar Coal but no appreciable results have so far been achieved. In a country facing acute energy shortages the substitution of country's own natural resources over imported fuel oil would have taken priority. But this hasn't happened so far and the level of economic activity is being suppressed because of this policy and implementation failure.

Sindh's public finances have improved considerably since the 2009 NFC award. The Gross Provincial Receipts in FY 2013 were Rs. 426 billion of which more than three fourth were transfers from the Federal Divisible pool and straight grants and less than one fourth were collected as Provincial taxes and non-tax revenues. Total Expenditure was Rs. 505 billion divided between current and Development Expenditure in the ratio of 72:28. In view of the large infrastructure and social sector needs this ratio has to shift in favor of larger allocations towards development expenditure.

The disappointing news is that Social indicators look much worse than they were forty years ago. The literacy rate is still low – 59 percent but the gap between urban and rural and male and female rates has widened in the last forty years. 75 percent urban population of 10 years and above is literate compared to only 42 percent of their rural compatriots. The female literacy rate among urban population is 68 percent – almost three times higher than that of the rural households which is as low as 22 percent.

Sindh today has 45,000 primary schools with an enrollment of 3 million. But the net enrolment ratio of 54 percent actually shows stagnancy. Not only that the access has not improved the difference between various districts in the province have sharpened. Jamshoro (33 percent), Shahdadkot (39 percent) and T.M.Khan (41 percent) lag behind while Karachi, Hyderabad, Naushero Feroz have enrolment rate above 60. In Adult Literacy, Tharparkar, Jacobabad, Thatta, Badin and Tando Mohamad Khan have the largest proportion of illiterates with Karachi having 80 percent and Hyderabad 74 percent literacy rate. Overall Literacy rate is 59 percent with female rate of 45 percent.

Besides the issue of access, the quality of instruction particularly in government schools is less than satisfactory, the teachers' attendance is poor and their commitment to their profession is lacking. There is a dearth of basic facilities like science labs, library, play, electricity, toilets, boundary walls etc. in a large number of schools.

Health indicators also do not show any marked progress. Maternal Mortality Rate and Infant Mortality Rate are also quite high and nowhere close to the targets under Millennium Development Goals (MDGs). Only 69 percent of children have been fully immunized compared with the national average of 78 percent.

Access to an improved source of drinking water was available to 78 percent of the overall population in the province but only 44 percent had access to tap water supplied by the local government as a main source of drinking water. Somewhat better improvement was seen in the sanitation facilities. 55 percent had access to underground, covered or open drains with urban residents benefitting disproportionately. 60 percent used flush toilets with 95 percent urban population making use of its Health facilities have expanded in the province.

The province has suffered a lot because of the polarization and multiple divides that have proved counterproductive to the goal of achieving better living standards for the majority of the population. The main stumbling block in its way to realize its full economic potential has been the tension across urban-rural lines. This tension has done more harm than good. The future strategy should be based on Rural-urban Integration by increasing agriculture productivity, investing in rural infrastructure and social services and enhancing their purchasing power. This would enable a large segment of rural consumers who are out of the market to buy goods and services from intermediate towns and metropolitan areas. The rising demand for goods and services would add to the economic well-being and prosperity of the urban areas. Property tax, GST on services and user charges collected from these rising incomes can finance urban development freeing up the provincial resources for the uplift of the rural areas. This is a win-win strategy rather than win-lose strategy followed so far. But this would require Empowerment, devolution and decentralization to local governments. The provincial government should engage in enforcement of accountability and proactive monitoring. Private sector and Non-governmental organizations should be involved in the delivery of services such Education and Health but the responsibility for ensuring access to all segments of the population particularly the poor will remain with the Government. This strategy of Rural-Urban Integration will open new vistas and unleash entrepreneurial energies that will benefit all.

<b>COMPARATIVE STATISTICS</b>		
	<b>Average 1970-1975</b>	<b>Average 2010-2012</b>
<b><u>POPULATION AND LABOUR FORCE</u></b>		
Population (million)	14	44
Urban-Rural (Ratio)	40:60	50:50
Labour Force (million)	4.1	20.4
Agric. Labour Force	2.0	9.2
Non Agricultural Labour Force	2.0	11.2
<b><u>AGRICULTURE</u> (million hectares)</b>		
Cultivated area	5.56	4.9
Cropped area	3.66	3.9
<b>Major Crop production</b>		
Wheat (million tons)	1	3.8
Rice -do-	1.3	2.5
Sugarcane -do-	2.87	12.3
Cotton (million bales)	1.1	3.0
<b><u>PROVINCIAL INCOME</u></b>		
Gross Provincial Product (Rs. Billion)	13.8	7,308
Per Capita Income (Rs.)	986	166,000
Irrigation Crops (million hectares)	3	2.38
<b><u>IRRIGATION</u></b>		
Canal Withdrawals at Barrage heads		
Kharif (MAF)	32.8	30
Rabi (MAF)	12.4	12
<b><u>MANUFACTURING</u></b>		
Large Scale Manufacturing		
No. of Establishment	1,425	2,000
Total Value of Production (Rs. Billion)	2.39	1,405
<b><u>EDUCATION</u></b>		
Primary Schools (Number)	11,795	45,044
Primary Enrolment (000)	988	3,400
Secondary Schools (Number)		4,506
Secondary Enrolment		10,887
Colleges (Number)	173	225
College Enrolment (000)	72	276
Universities (Number)	2	
University Enrolment (000)	8	

Technical & Vocational Institutes	51	
Technical Enrolment (000)	7	
Professional Colleges	25	
Professional Enrolment (000)	16	
<b>HEALTH</b>		
Hospital Beds	9,378	
Hospitals	111	411
Rural Health Centres	22	103
Dispensaries	858	2,643
TB Clinics	9	
MCH Centres	156	168
Basic Health Units		768
<b>PUBLIC FINANCE</b>		
Gross Revenue Receipts (Rs. Billion)	0.835	426
Provincial Tax Receipts (Rs. Billion)	0.321	106
Non-Development Expenditures (Rs. Billion)	1.0	505
Annual Development Program (Rs. Billion)	0.518	141
<b>STRUCTURE OF THE ECONOMY (%)</b>		
Agriculture	34	17
Industry	27	36
Services	39	47

**STATISTICAL ABSTRACT**

**STATISTICAL ABSTRACT OF PAKISTAN, 2008-09 AND 2009-10**

ITEMS	UNIT	2008-09 (r)	2009-10 (P)	% CHANGE IN 2009-10 OVER 2008-09
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**PART-A PAKISTAN**

**I. GROSS NATIONAL PRODUCT AT CURRENT FACTOR COST**

<b>AGRICULTURE</b>	<b>Million Rs.</b>	<b>2,603,826</b>	<b>3,016,565</b>	<b>15.85</b>
Major Crops	Do.	974,190	1,101,671	13.09
Minor Crops	Do.	235,803	281,332	19.31
Livestock	Do.	1,304,639	1,537,502	17.85
Fishery	Do.	53,731	56,182	4.56
Forestry	Do.	35,463	39,878	12.45
<b>INDUSTRIAL SECTOR</b>	<b>Do.</b>	<b>2,931,543</b>	<b>3,269,796</b>	<b>11.54</b>
Mining and Quarrying	Do.	346,810	346,256	(0.16)
<b>MANUFACTURING</b>	<b>Do.</b>	<b>2,067,494</b>	<b>2,369,029</b>	<b>14.58</b>
Large Scale	Do.	1,500,891	1,710,854	13.99
Small Scale	Do.	395,005	444,571	12.55
Slaughtering	Do.	171,598	213,604	24.48
Construction	Do.	294,990	308,425	4.55
Electricity and Gas Distribution	Do.	222,249	246,086	0.00
<b>SERVICES SECTOR</b>	<b>Do.</b>	<b>6,546,587</b>	<b>7,557,128</b>	<b>15.44</b>
Transport, Storage and Communication	Do.	1,630,278	1,894,188	16.19
Wholesale and retail trade	Do.	2,100,661	2,391,058	13.82
Finance and Insurance	Do.	625,471	667,550	6.73
Ownership of dwellings	Do.	298,789	345,759	15.72
Public Administration and Defence	Do.	662,723	794,439	19.87
Social Community & Services	Do.	1,228,665	1,464,134	19.16
Gross Domestic Product (FC)	Do.	12,081,956	13,843,489	14.58
Indirect Taxes	Do.	763,501	896,702	17.45
Subsidies	Do.	106,121	71,763	(32.38)
Gross Domestic Product (MP)	Do.	12,739,336	14,668,428	15.14
Net Factor Income from abroad	Do.	344,491	570,615	65.64
Gross National Product (FC)	Do.	12,426,447	14,414,104	16.00
Gross National Product (MP)	Do.	13,083,827	15,239,043	16.47
Population (In Million)	Do.	163.76	166.52	1.69
Per Capita Income FC	In Rupees	75,882	86,561	14.07
Per Capita Income MP	Do.	79,896	91,515	14.54