

Abstract

It has been theoretically and empirically proven in the literature that urbanization contributes towards economic growth and development of the nation. It is important to understand whether urbanization significantly impacts the economic growth rate of Pakistan or not. The study evaluates the presence of long-run relationship between urbanization and economic growth and comparatively analyzes relationship of urbanization and growth by categorizing the research primarily at district level and national level practices; using secondary data sources. Furthermore, the study evaluates impacts of national urban population and urban population in agglomerations of more than 1 million; to be having different impact over the economic growth rate. It provides the evidence of agglomeration economies contributes significantly in the economic growth while the urban sectors which lack agglomeration economies and have insufficiencies in economies of scale; fail to improve the economic growth rate in Pakistan. Districts of Pakistan having high urban population tend to have higher living standards and income levels, and also having higher growth rates of population, while misallocation of land size to districts is descriptively analyzed in the research which is showing lack of land availability in districts having high urban population. A huge land size is left vacant in districts having less population levels. Higher population densities in districts encourages higher income levels supported by agglomeration economies theory in the literature. Poor governance and political instabilities in Pakistan have failed the efficient urbanization growth patterns that generally stalled the stable economic growth rate. A global analysis also highlighted that the countries having high income levels tend to urbanize at a high rate while low income countries are still having low urbanization rates.