

The Progress and Development of Pakistan's SME Sector
Supplementary to an Interview with SME Malaysia
On 9th Nov, 2009 at 12 Noon

- Total Business Enterprises 3.2 million
- Enterprises employing up to 99 persons constitute over 90% of all private enterprises in the industrial sector and employ nearly 80% of the non-agriculture labour force
- They contribute over 30% to the GDP and
- account 25% of exports of manufactured goods besides sharing 35% in manufacturing value added.

SMEs and their Sectoral Distribution

- In Pakistan, SMEs is defined as businesses with employment size up to 250.
- Paid up capital of PKR 25 million
- Annual turnover of PKR 250 million.
- 95.21% economic establishments have an employment size of 1-5, which is the lowest rung of the SME ladder usually termed as Micro or Cottage Industry.
- 99% of the businesses in this country are SMEs.

Due to their sheer numbers, size and nature of operations, this segment of the economy promotes endogenous sources of growth and strengthens the infrastructure for accelerated economic expansion and development.

Sectoral Distribution

- 50% Economic activity is concentrated in
 - wholesale,
 - retail trade,
 - hotels and restaurants sector.
 - Agriculture, Live stock & Hunting,
 - Mining & Quarrying,
 - Electricity, Gas & Water,
 - Construction,
 - Community, Social & Personal Services,
- Manufacturing accounts for 18% of total establishments
- followed by Transport,

- Communication,
- Financial and Real Estate and Business Services.

Major Facilities/Programmes for SME Development in Pakistan

- Small & Medium Enterprise Development Authority (SMEDA); created in 1998.
- SMEDA had a broad and multi-pronged mandate.
- Institutionally organized as the model of a corporate entity,

Aim and Objective

- Creation of a conducive and enabling regulatory environment
- Development of sectors & industrial clusters
- Provision of Business Development Services to SMEs in all areas of business management
- Direct interventions through Common Facility Centres & Demonstration Projects
- Adhering to a clear mandate and a logical path to achieve quantitatively verifiable targets,

Strategy

- SMEDA carried out comprehensive analyses of international trends, national policies and other macro-economic factors affecting SMEs in Pakistan,
- Initiate steps towards creating a favorable business environment for its key clients – SM
- Interaction with SMEs in industrial sectors such as
 - Marble & Granite, Gems & Jewellery,
 - Furniture,
 - Surgical, Fisheries,
 - Textiles,
 - Leather,
 - Light Engineering
- Identification of their problems and development of all encompassing strategies for implementation.

SME Policy

Vision

“To create globally competitive SMEs by creating a hassle free business environment, ensuring provision of modern infrastructure & institutional support structures for access to resources & services.

Strategy

- The Government shall take measures for promotion of women entrepreneurship, cluster development and also focus on neglected/untapped sectors of the economy. Strengthening Industry-

- Academia linkages shall also be a key feature of the Policy.
- SME Support Architecture – Allied Policy and Strategy Work

Pakistan 's Major Exports and Exporting Destinations

The most significant exporting sectors in Pakistan are that of

- Textiles,
- Leather,
- Rice,
- Surgical Instruments,
- Sports goods and
- Petroleum and Chemical products

Despite global recession, Pakistan's overall exports have been on the rise in the past few years. The following graph represents the growth in the area.

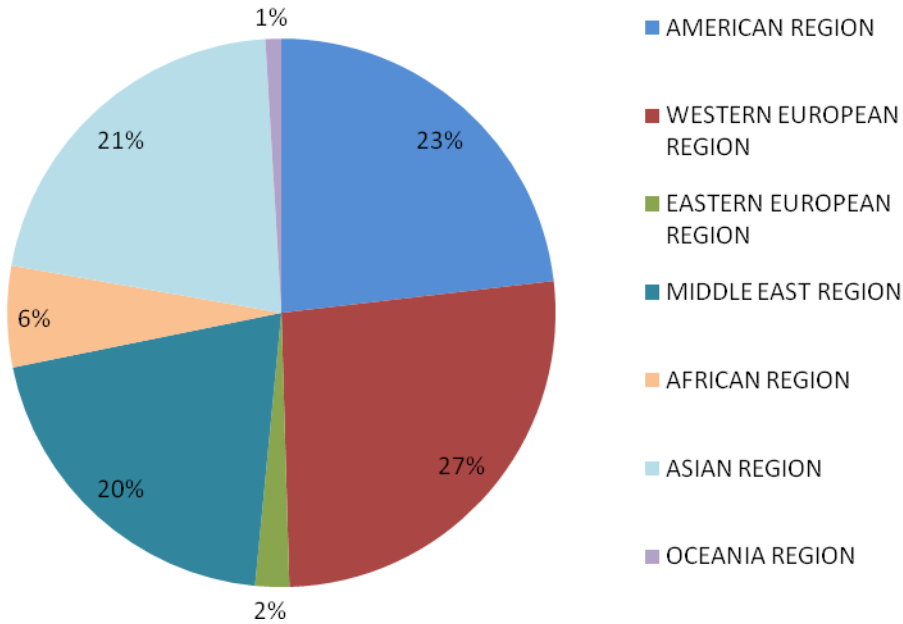
Export Breakup

- cotton fabrics (11 percent)
- Bed ware, 10.5 percent
- knitwear (hosiery) 9.98 percent
- rice 9 percent
- Ready made garments 7 percent,
- cotton yarn 8 percent and
- petroleum & its products 6 percent shares

Major Importer from Pakistan

Pakistan exports numerous commodities to countries across the globe. Major importers of Pakistani goods are represented in the following pie-chart along with the percentage share they held in the overall exports in financial year 2007-2008.

Exports (2007-2008) Regional Break-up



(Source: Trade Development Authority of Pakistan)

Bilateral Trade Relations between Malaysia and Pakistan

- High-profile visits between the two countries were initiated in the early 1960s and laid the foundations of strong diplomatic and political ties as well as the promotion of trade and commercial relations.
- Ties between the two countries gained strength when the Malaysian Prime Minister, Dato Hussein bin Onn, visited Pakistan. It was during this visit that agreements on
 - Culture,
 - Double Taxation,
 - and Economic and Technical Co-operation were signed.
- During the 1980s, a Joint Economic Committee was set up.
- In 1993 during the visit of Dr Mahathir to Pakistan, bilateral matters included the promotion of
 - trade and the export of Pakistani manpower to Malaysia.
 - It was at this point that Pakistan expressed an interest in learning from the Malaysian development experience.
- More recently, visits between the two countries have taken a visibly proactive turn, with regular visits from both sides, especially after establishment of
 - the Organization of Islamic Countries (OIC) and
 - the World Islamic Economic Forum (WIEF).
- It was at the latter that the free trade agreement between Pakistan & Malaysia was finalized in November 2006.

Pakistan and Malaysia are signatory to several regional organizations, such as the OIC and ASEAN, and, more recently, have shared a common platform – the WIEF to cooperate on good practices for both government and the corporate sectors. In compliance with Vision East Asia, Pakistan is now establishing and strengthening its existing ties with East Asian countries. At the annual ASEAN Summit in 2003, the leaders decided to establish the ASEAN Economic Community (AEC) by 2020. This entity will function as a single market and production base with free flow of goods, services, investment, skilled labour, and capital. Pakistan has been a sectoral partner of ASEAN since 1996, but not a full dialogue partner. There has not been much collaboration between the industries in the two countries. However, it is expected that stronger ties will be established in wake of the cooperation agreements between the two countries.