

# Facilitating and Empowering SMEs

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# Definitions

- SMEDA: 10-35 employees or productive assets of Rs 2-20 million (small enterprise) & 36-99 employees and productive assets of Rs 20-40 million (medium enterprise)
- SME bank: Total assets of Rs 20 m (small enterprise) & Rs 100 million (medium enterprise)
- Federal Bureau of Statistics < than 10 employees
- State Bank: less than 50 employees & Rs 50 millions assets for trade and 250 employees and Rs 100 million assets for production

# Definitions

- Punjab Industries Department: Fixed assets < 10 million excluding cost of land
- Sindh Industries Department: Fixed assets < 10 million including land and building
- Punjab Small Industries Corporation: Fixed investment of < 20 million excluding cost of land and building

# SME Sector in Pakistan

- 3.2 million business units in Pakistan
- Over 99% business units employ less than 99 persons i.e. 3.16 million SMEs
- Generate 78% of non-agri sector employment
- Direct Contribution to GDP over 30%
- Generate 25% of Manufacturing Export Earnings
- Contribute 35% in Manufacturing Value addition

# Impediments

- Export Financing Scheme rate enhanced from 8.5% to 9%
- Government policy of domestic borrowing resulting in Crowding out of private investment.
- The with holding facility withdrawn by FBR
- Sales Tax Law doesn't define SMEs distinctly
- There are no special schemes under Sales Tax for SMEs.
- A standard rate is applied for all and book keeping and return filing requirements are not different either

# Commonwealth Recommends

- Establishment of SMEs in rural areas exploiting potential of local expertise
- Promoting businesses which use local produce to have competitive advantage
- Agri-based industry can generate employment and serve as growth engine

# EP Firms (USAID)

- **Component 1** focuses on development of the private sector by assisting key industrial sectors that offer the greatest opportunity for growth, exports, and employment.
- Primarily supporting SMEs recent projects being supporting mango exports through achievement of international standards and certification.

# Sindh Coastal Development Authority

- Under Sindh Coastal Community Development Project initiated pilot project of breeding of Mussels and Oyster farming.
- Providing newer avenues for improving means of earning
- A concerted effort is required to ensure sustainable results: Engage all departments in providing infrastructure facilities around identified targets



# Growth Nodes

- SCDA is considering to develop growth nodes in coastal areas by creating synergies
- Sindh livestock & Fisheries department has provided floating jetties in Kaity Bunder and other places. It has also constructed Reverse Osmosis plants.
- SCDA is planning to provide water supply lines to the area so to bring people back to the area

# Growth Nodes

- SCCDP interventions for community empowerment in this area will immensely support these efforts.
- NRSP is directed to initiate drainage schemes
- District Governments are asked to identify road construction schemes for the area.
- Microfinance loans for the people of area are also being examined.
- Mussels, Oyster farming and modern fishing techniques are being introduced and training provided

# Recommendations

- The foremost need is to ensure a smooth link between macro and micro policies through an effective institutional mechanism.
- The most effective way of delivering institutional support is to focus on selected sectors with growth potential and make it time-limited
- The real challenge of SME policy is to set in process a shift of SMEs from static to dynamic preoccupations. This is possible through technological change which is also influenced by international trade, thus inviting firms to follow the “best practices”.