



COVID-19 SME LIQUIDITY SUPPORT AND BUSINESS FORMALIZATION SURVEY REPORT

May 2020

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1400 Total Respondents/
Businesses

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More than 52 cities across
Pakistan

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Manufacturing, Agriculture, Services,
Trade, Mining, Construction

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OVERVIEW



COVID-19 pandemic impact has led to a decrease in overall business activity and this disruption has had a negative impact on operating income, profitability, and liquidity position of SMEs operating in Pakistan. Businesses that are currently struggling and are particularly vulnerable are those with low cash reserves or unstable cash flows. Timely measures from the Government and State Bank of Pakistan can help provide liquidity to cash-starved entities, as some of them have had to lay off employees and close their businesses partially or completely.

SMEDA conducted a short (4 question) online survey* titled 'COVID-19 SME Liquidity Support & Business Formalization'. The Survey ran from April 19, 2020 to May 2, 2020. Fourteen hundred (1400) businesses participated in the survey with estimated total annual sales turnover of PKR 25.5 billion and 18,051 employees. Majority of businesses report that they would be interested in obtaining an interest free loan to meet their liquidity needs as opposed to Qarz e Hasna of a much lesser amount. Overall results of the survey highlight demand-based liquidity support requirements of small & medium enterprises with regards to formalization of their businesses.

*Margin of Error – 3%

KEY FINDINGS



1400

Total Respondents/
Businesses

PKR 25.5 Billion

Estimated Annual Sales
Turnover

18,051

Estimated Total Number
of Employees

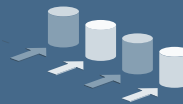


56%

Businesses have a
National Tax Number
(NTN)

82.5%

Respondents reported that they
would be interested in an interest
free loan facility in the range of
PKR 500,000 to over PKR 2 Million



53%

Respondents/ businesses that do not have
a National Tax Number (NTN) would be
willing to obtain an NTN if they are
provided Qarz e Hasna worth PKR 150,000

85%

Businesses that do not have an NTN would
consider business registration in case of
availability of an interest free loan facility in
the range of PKR 500,000 to over PKR 2 Million

GEOGRAPHICAL DISTRIBUTION

**1400 Businesses
across Pakistan
participated in
SME Liquidity
Support Survey**

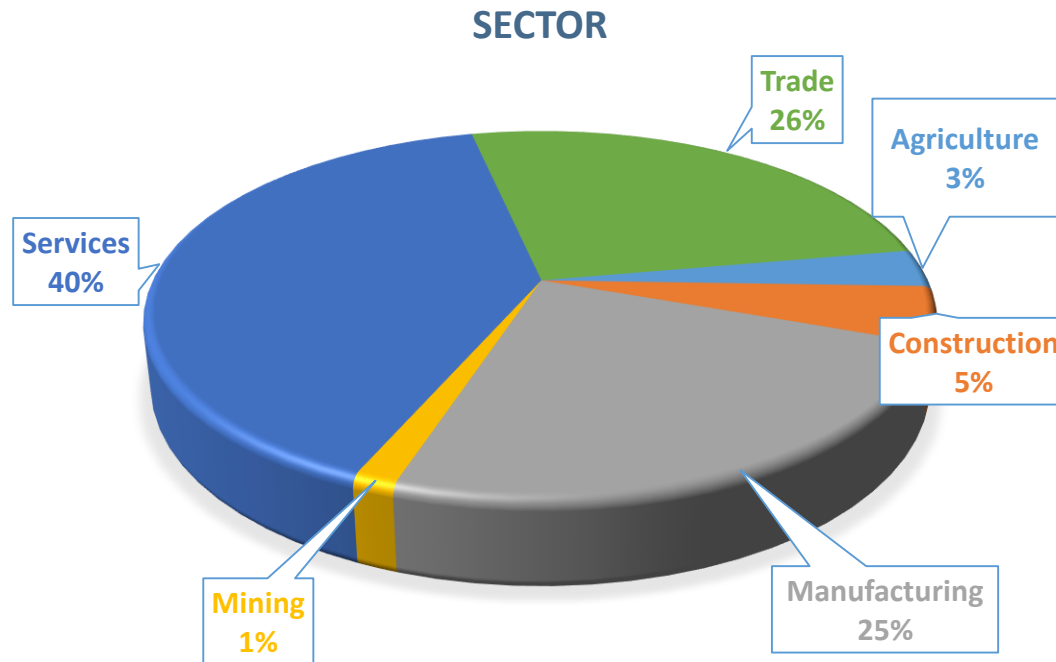
- | | | |
|-------------------------|-----------------|---------------------------|
| 1 Abbottabad | 19 Gujrat | 37 Multan |
| 2 Attock | 20 Hangu | 38 Nankana Sahib |
| 3 Bahawalpur | 21 Haripur | 39 Narowall |
| 4 Bajaur | 22 Hasilpur | 40 Nawabshah |
| 5 Balakot | 23 Hyderabad | 41 Nowshera |
| 6 Bannu | 24 Islamabad | 42 Peshawar |
| 7 Batkhela | 25 Kandhkot | 43 Quetta |
| 8 Buner | 26 Karachi | 44 Rawalpindi |
| 9 Charsadda | 27 Karak | 45 Sargodha |
| 10 Chiniot | 28 Kashmore | 46 Sheikhpura |
| 11 Chitral | 29 Kohat | 47 Shikarpur |
| 12 D I Khan | 30 Lahore | 48 Sialkot |
| 13 Dir Lower | 31 Larkana | 49 Swabi |
| 14 Dir Upper | 32 Lodhran | 50 Swat |
| 15 Faisalabad | 33 Mansehra | 51 Tarai City Dist. Badin |
| 16 Faqirwali Haroonabad | 34 Mardan | 52 Timergara |
| 17 Gilgit | 35 Mingora Swat | |
| 18 Gujranwala | 36 Mohmand | |



CLASSIFICATION OF RESPONDENTS BY SECTOR



40% of the respondents/ businesses are engaged in Services Sector followed by Trade (26%), Manufacturing (25%), Construction (5%), Agriculture (3%) and Mining (1%).

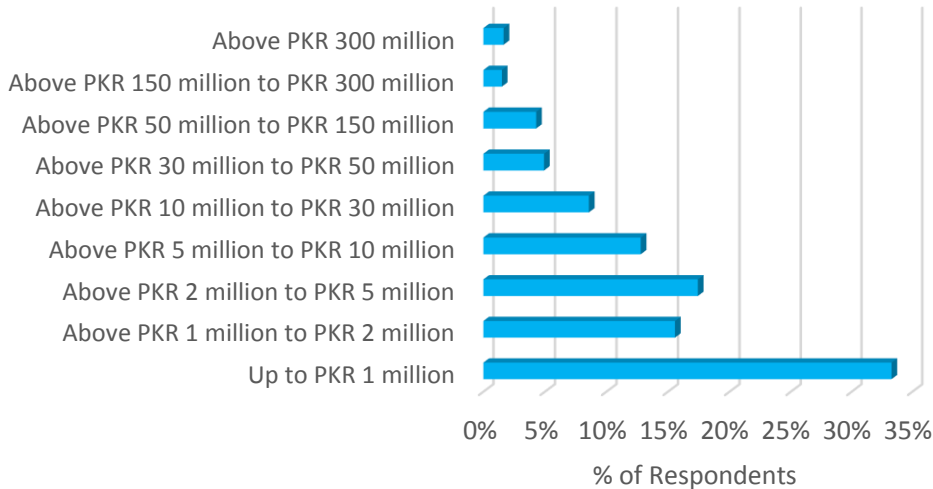


CLASSIFICATION OF ENTERPRISES

(ANNUAL SALES TURNOVER AND EMPLOYMENT SIZE)

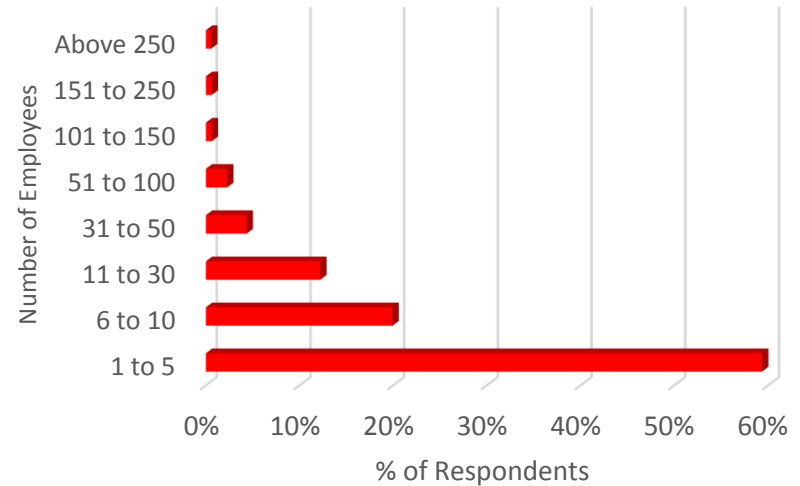


ANNUAL SALES TURNOVER



Majority of enterprises are small in size. 88% of enterprises reported that their annual sales turnover is up to PKR 30 million. 11% have an annual sales turnover between PKR 30 million to PKR 300 million, while 2% have above PKR 300 million sales turnover.

EMPLOYMENT SIZE

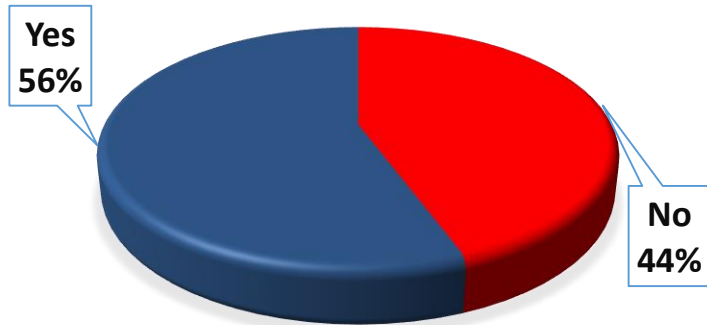


In terms of employment size, 59% of enterprises have 1 to 5 employees. 92% of enterprises have up to 30 employees. Only 2% of enterprises respondents stated to have 101 to above 250 employees.

NATIONAL TAX NUMBER (NTN) & FINANCIAL SUPPORT FOR SMES

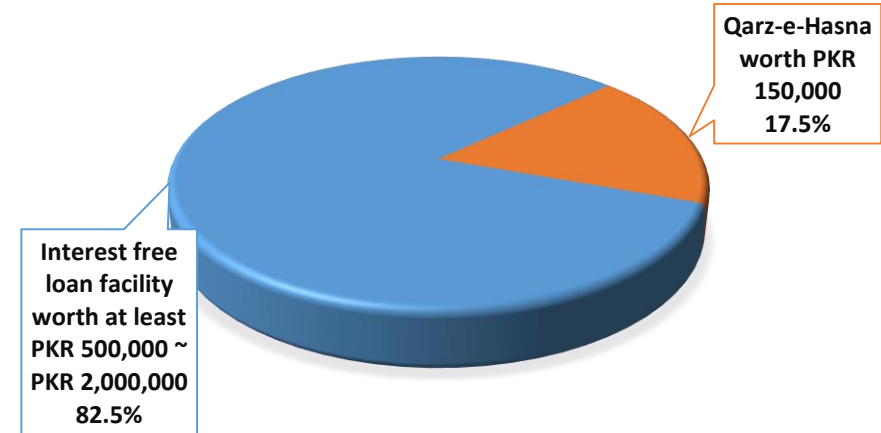


NTN NUMBER



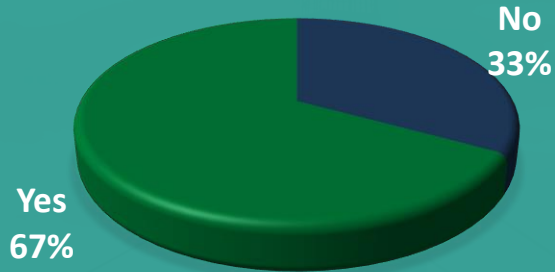
56% of the surveyed respondents/ enterprises (out of 1400) have a National Tax Number (NTN), while 44% reported that they do not have an NTN.

FINANCIAL SUPPORT FOR SMES



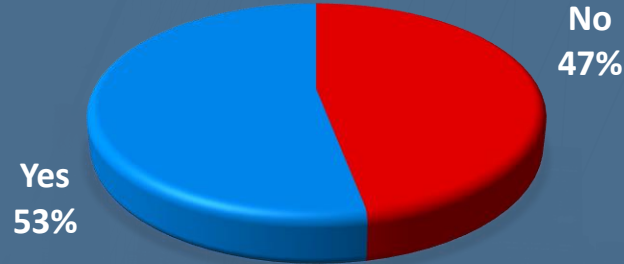
In wake of COVID-19, Government of Pakistan is considering various options for supporting SMEs, 82.5% (1155 out of 1400 enterprises) stated that they would be interested in an interest free loan facility worth at least PKR 500,000 to over PKR 2,000,000. While 17.5% of enterprises reported that they would be interested in Qarz-e-Hasna worth PKR 150,000

FROM INFORMALITY TO FORMALITY - QARZ E HASNA* WORTH PKR 150,000



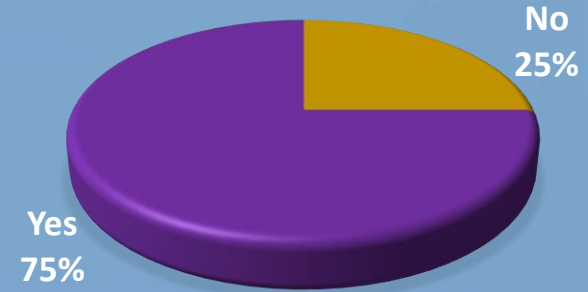
FORMALLY REGISTER BUSINESS ENTITY

Unregistered businesses were asked whether they would be willing to formally register their business in case of Qarz e Hasna worth PKR 150,000. 67% respondents stated that they would register while 33% said that they would not be interested in registration



OBTAIN NTN

Unregistered businesses were asked whether they would be willing to obtain a National Tax Number (NTN) in case of Qarz e Hasna worth PKR 150,000. 53% wanted to obtain an NTN while 47% said they would not obtain an NTN

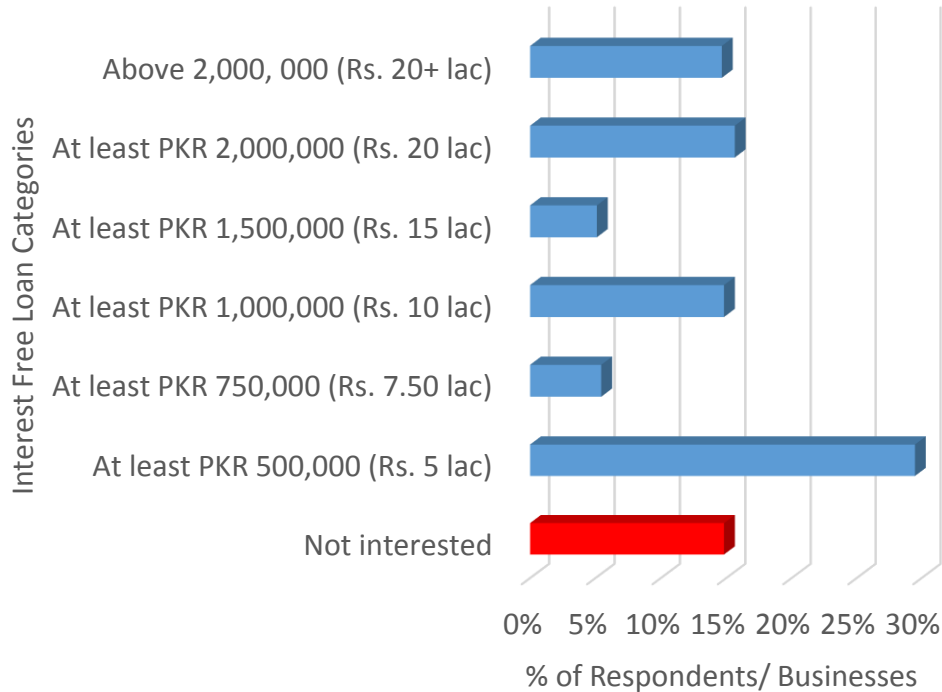


OPEN A BUSINESS BANK ACCOUNT

Respondents were asked to state whether they would be willing to open a business bank account in case of Qarz e Hasna worth PKR 150,000. 75% said they would open a business bank account while 25% said they would not open a business bank account

*See Annexure A

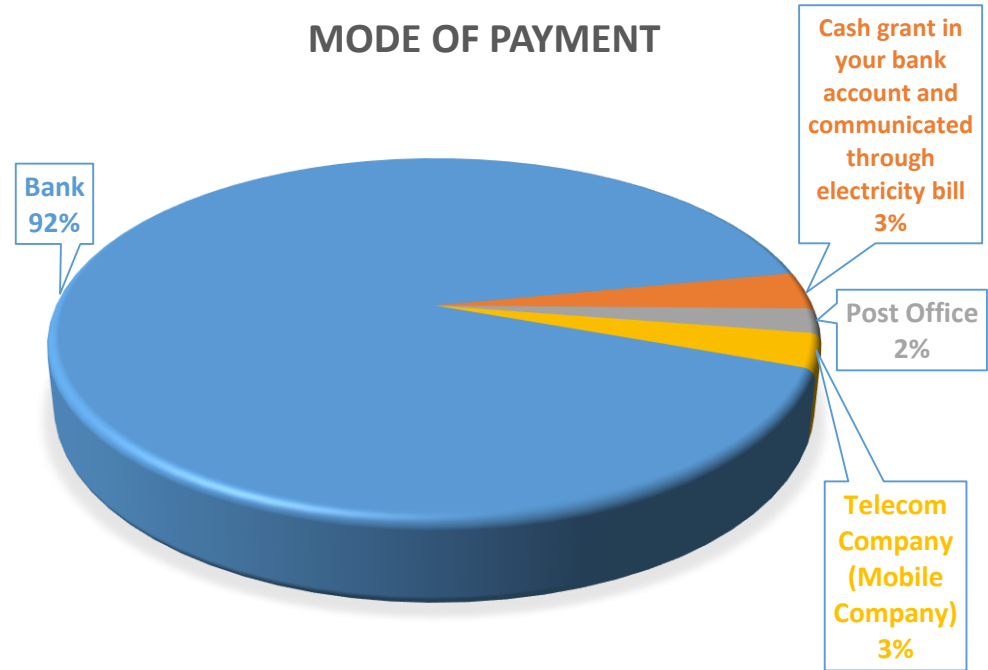
ENTERPRISES THAT WOULD CONSIDER REGISTRATION OF BUSINESS IN CASE OF AN INTEREST FREE LOAN OF AT LEAST PKR 500,000 TO OVER PKR 2,000,000



- Unregistered businesses were asked whether they would consider registration (obtaining NTN and opening a bank account), if the Government would provide an interest free loan facility (at least PKR 500,000 to Above PKR 2,000,000).
- Results show that in case an interest free loan facility of at least 500,000 is available, 29% respondents would consider registration of their business.
- 15% of respondents, irrespective of interest free loan size would still not be interested in registration of their business.
- Overall 85% unregistered businesses would consider registration in case of an interest free loan facility of at least PKR 500,000 to over PKR 2 million

PREFERRED MODE OF LOAN PAYMENT

- Businesses were asked whether they would want their loan deposited in a bank account, paid through a telecom company (Mobile Company), Post Office or through a cash grant in bank account communicated through electricity bill.
- 92% of businesses chose bank as their preferred mode of loan payment
- 3% chose Telecom Company, 2% chose Post Office while 3% preferred cash grant in bank account which is communicated through electricity bill





Turn Potential into Profit!

Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

HEAD OFFICE

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex Egerton Road, Lahore

Tel: 111-111-456

URL: www.smeda.org

ANNEXURE-A

Qarz e Hasna (Qard Hasan)

- **Qarz e Hasna is a loan extended on a goodwill basis, mainly for welfare purposes**
- The borrower pays back the amount they borrowed, without any interest
- Should a borrower encounter difficulty, the lender must extend the repayment time. Repayment of part of the loan or all of it can be waived voluntarily
- The Qur'an encourages Muslims to provide Qarz e Hasna (benevolent loans), to "those who need them"

Source: Islamic Relief - <https://www.islamic-relief.org/category/strategic-business-units/islamic-social-finance-strategic-business-units/qard-hassan-benevolent-loan/>