



RRI&A

Research Report Series

*Research, Regulatory Insight & Advocacy
Assistance for SMEs (RRI&A)
Policy & Planning Division*



**Small & Medium Enterprises Development Authority
Ministry of Industries & Production
Government of Pakistan**

Credible research contributes significantly to the creation of well-informed policies and monitoring their efficacy. The reasons that lead to underdevelopment of the SME sector in Pakistan are well-known, but a lack of specific data and research makes it difficult to grab the attention of policy makers and important stakeholders. This dearth of SME-related information and insufficient data impedes appropriate targeting, program design, performance measurement of policy interventions, consequently contribution of SMEs to growth and development remains elusive.

In light of the foregoing, SMEDA has launched “Research, Regulatory Insight and Advocacy Assistance for SMEs (RRI&A)”, an initiative to bridge this knowledge gap and amplify the SME voice at the highest levels of government. The initiative entails conducting research to support Government of Pakistan's SME development objectives. It is envisaged that this research will contribute to development of programmes and projects, evaluation of impact of public sector investment in the SME sector, and measurement of the SME sector's influence on a range of macro-economic variables. It will play an important role to gather information resources, perform research, and analysis pertaining to small and medium-sized enterprises operating in the country.

In an effort to demonstrate the importance of SMEs to the national economy, studies have been conducted to measure SMEs contribution to GDP, exports, and employment. The analysis is based on certain assumptions, estimations and approximations due to scarcity of data. Despite limitations, these studies provide information regarding sectoral contribution of key SME sectors in GDP, exports and employment. It is hoped that these studies shall be an important source of information for researchers and policymakers to support informed policy making.

We expect that these studies will be well-received by our stakeholders. However, we believe in continuous learning, so that we may enhance our research activities and go into more challenging areas of SME research.

We are grateful to researchers, practitioners and academicians for providing their insights. We believe that this small endeavour by SMEDA will pave a path towards conducting SME Specific research and generating more insights into this sector.

Nadia Jahangir Seth
General Manager (Policy & Planning)

ESTIMATING MANUFACTURING SMEs CONTRIBUTION TO PAKISTAN'S GDP

Faryal Maaz
June 2022

RRI&A

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OVERVIEW

KEY FINDINGS

RRI & A

- Estimated 5.2 million SMEs operating in Pakistan.
- According to OECD (2017), SMEs represent 90% of businesses and 70% of employment at global level.
- Due to informal nature of small business, it is difficult to assess their true contribution to national economy
- To support industrialization and to help policy makers to develop sector-specific programs, this study estimates share of SMEs in GDP.
- Model developed to estimate share of manufacturing SMEs in GDP by major manufacturing groups as per PSIC codes and firm size category.
- Total Factor Productivity calculated by applying Cobb-Douglas Model.
- The study estimates Small Enterprises (SEs) and Medium Enterprises (MEs) share in the following:

SMEs Share in GDP

40%

Manufacturing - 8%
Services - 32%



SMEs Share in Manufacturing GDP

72%

SEs share in manufacturing **37.6%**
MEs share **34.6%**

In FY2015, share of manufacturing sector in GDP was 12.03%.



SMEs Share in Industrial Output

44%

Share in Industrial Output
Small Enterprises - 23%
Medium Enterprises – 21%.



Gross Domestic Product (GDP)



Sectoral share



Gross Value Addition

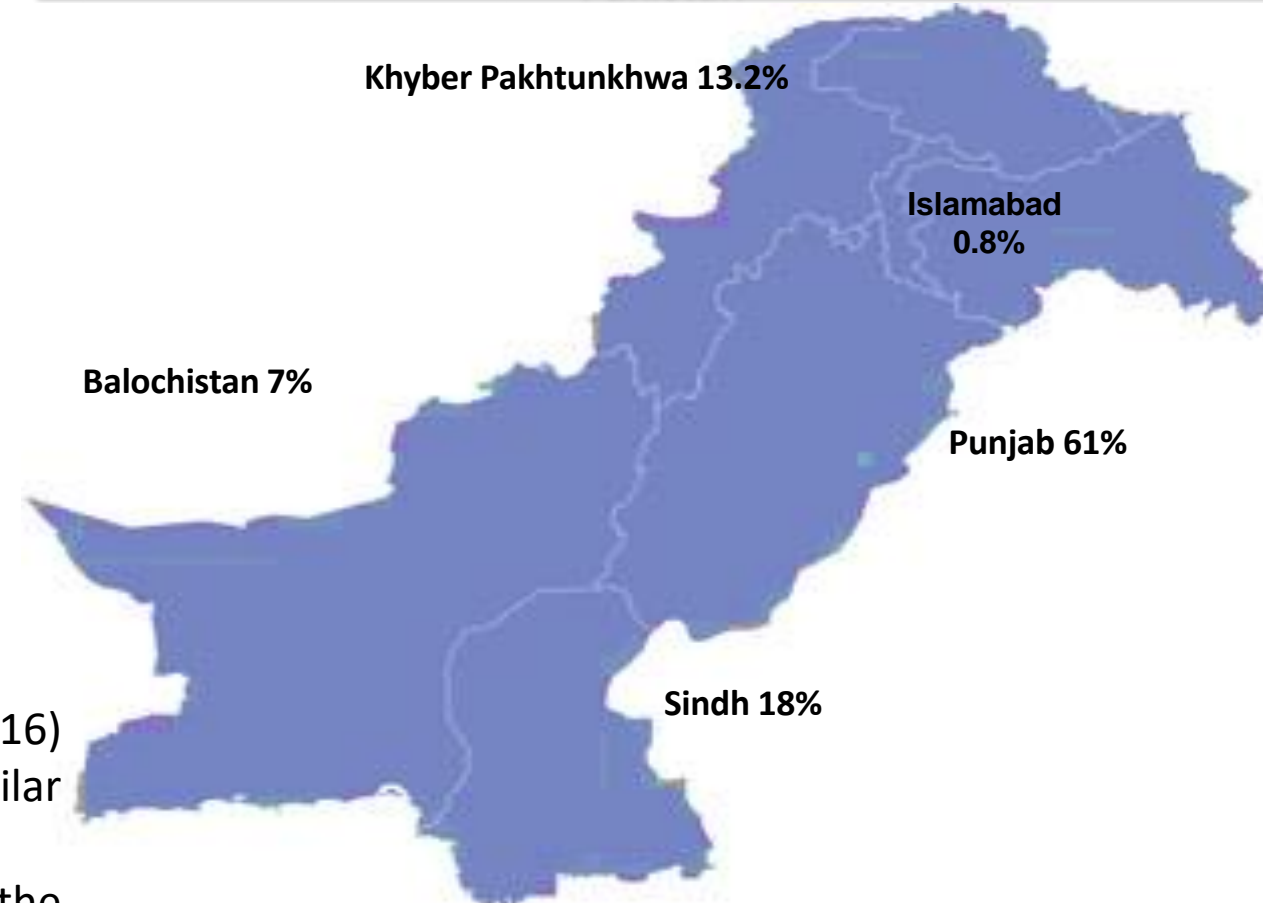
There is limited availability of data and statistics of the SME sector. This study aimed to bridge the data gap by:

- Developing a model for estimating SMEs share in GDP
- Assessing share of manufacturing Small Enterprises (SEs) and Medium Enterprises (MEs) in economic value addition and GDP
- Estimating sector-based SMEs share using data regarding PSIC codes, firm size category, annual sales turnover, and industrial costs
- Calculating Total Factor Productivity (TFP) of SME sector and sub-sectors using Cobb-Douglas model.

LIMITATIONS OF THE STUDY

- Findings of the study are based on SHMI and CMI (FY2015-16) data sets. As latest data of SMEs becomes available, a similar analysis may be performed for updated results.
- Current results regarding share of SMEs depicts the contribution of manufacturing sector only. There are further industrial categories and types of SME businesses that may be used as a unit of analysis for future research.

Geographical Distribution of Manufacturing SMEs across Pakistan



Source: CMI 2015 and SHMI 2015, PBS

Data

□ Data for SME sector has been extracted from

- Small and Household Manufacturing Industries (SHMI, 2015) and;
- Census of Manufacturing Industries (CMI, 2015-16)
- Subsidy data has been taken from State Bank of Pakistan's Year Book (2015)
- Data retrieved using PSIC codes 3-digit level for 12 main groups of SEs and 9 of MEs.
- Out of total 60 SEs sub-sectors, 55 selected and out of 58 ME sub-sectors, 26 selected (having complete data in all respects).
- The following definition has been applied on CMI 2015 and SHMI 2015 data sets for enterprise classification:

ENTERPRISE CATEGORY	CRITERIA	
	Annual Turnover	Number of Employees
Small Enterprise (SE)	Up to PKR 150 Million	Up to 50
Medium Enterprise (ME)	Above PKR 150 Million to PKR 800 Million	51-250 (Manufacturing & Services)

(As per Prudential Regulations of SBP, 2010)

Method

- The study utilizes 'Production Approach'.
- Value Addition and GDP Contribution is estimated using the following;

$$GVA = SMEOut - SMECons \quad (Eq. 1)$$

$$Contribution\ to\ GDP = SMEGVA + SMETAX - SMESubsidy \quad (Eq. 2)$$

Where,

- SME Output = Value of Production at Producers price
- SME Consumption = Industrial Costs
- SME Tax = Tax on production (Paid by SME)
- SME Subsidy = Subsidy given by Govt. in a particular time for that sector

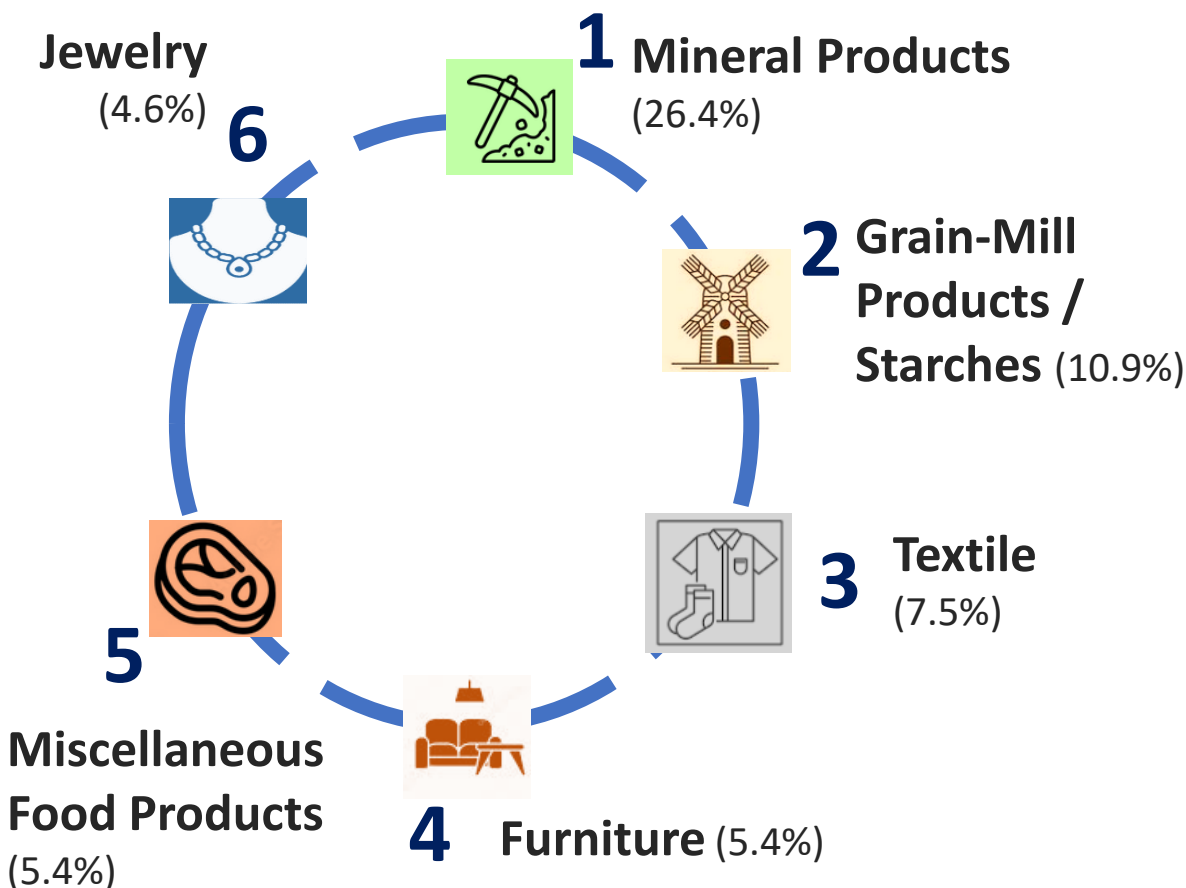
SECTORAL CONTRIBUTION OF SE MANUFACTURING GDP AND ME MANUFACTURING SECTOR GDP (AT 2 DIGIT PSIC CODE)

Small Enterprise (SE)	Group Title	GDP Share (Rs. Million)	Percentage Share
	Food Group	235,542	17%
	Tobacco	4,408	0.3%
	Textile	127,641	9.3%
	Leather	42,512	3%
	Wood & Paper	177,524	12.9%
	Petroleum, Coal and Chemicals	4,231	0.3%
	Rubber & Plastic	63,044	4.6%
	Minerals & Stones	479,841	34.8%
	Electrical Machinery & Equipment	57,993	4.2%
	Motor Vehicles	41,294	3%
	Furniture	74,363	5.4%
	Other Manufacturing	71,951	5.2%
	Total	Rs. 1,380 Billion	100%

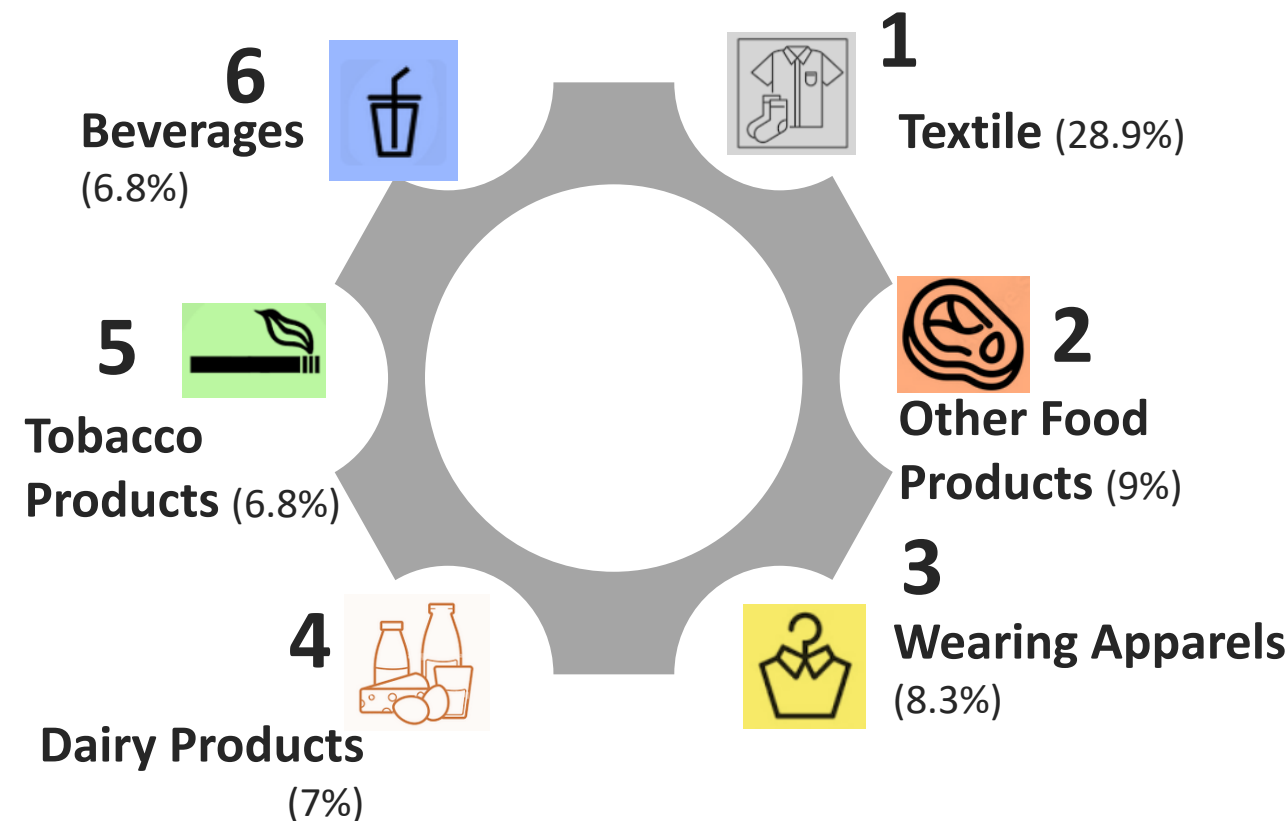
Medium Enterprises (ME)	Group Title	GDP Share (Rs. Million)	Percentage Share
	Food Group	369,523	29%
	Tobacco	86,476	6.8%
	Textile	478,169	37.7%
	Leather	13,241	1%
	Petroleum, Coal & Chemicals	212,359	16.72%
	Rubber & Plastic	5,349	0.42%
	Mineral & Stones Group	51,538	4.1%
	Motor Vehicles	33,586	2.72%
	Others	19,505	1.54%
	Total	Rs. 1,270 Billion	100%

TOP CONTRIBUTING SE SECTORS AND ME SECTORS TO SE AND ME MANUFACTURING SECTORS GROSS VALUE ADDITION AND GDP (% Share) – (AT 3 DIGIT PSIC CODE)

Manufacturing Small Enterprises (SEs)



Manufacturing Medium Enterprises (MEs)



Note: 1. Percentage share of Top SME sectors out of Total Manufacturing Sector SMEs' GDP contribution

2. The top manufacturing sectors in terms of gross value addition and GDP are same in terms of their contribution and rank



*Within Small Enterprise Group, productive efficiency of traditional sectors including Grain Mill, Non-Metallic Mineral products, Plastic, Paper and Paper Products, Printing, Jewelry, Transport and Equipments and furniture is higher as compared with the non-traditional sectors such as Pharmaceutical products (11%), Measuring Equipment (9.9%), Consumer Electronics (9.4%) and Electronic Components (8.6%). However, TFP of SEs is almost equivalent to TFP of Medium Enterprises and Larger Enterprises (LEs) such as Petroleum Refinery (28), Auto-mobile Assembler (22.7) and Oil & Gas (20.8).

1

20.99

Spinning, Weaving,
Finishing of Textile



2

19.37

Basic Chemicals &
Fertilizers



3

19.35

Wearing Apparels



4

19.24

Food Products



5

19.14

Vegetable Animal
Oil/ Fats



6

19.11

Dairy Products



7

18.94

Beverages



8

18.88

Basic Iron & Steel



*Within Medium Enterprise (MEs), Productive Efficiency of low-tech value added manufacturing sectors such as Textile, Chemicals, Food Group and Basic Iron and Steel is higher than the high tech manufacturing sectors such as batteries and accumulators (14.9%), Man-made fiber (14.3), Magnetic optical equipment's (13.2%). This indicates a need to provide support to non-tradition high tech value added manufacturing sector to enhance efficient utilization of inputs and to improve overall productivity of manufacturing sector to achieve goals of high GDP and Exports.

ESTIMATING SMEs SHARE IN PAKISTAN'S EXPORTS

Small and medium enterprises (SMEs) play an important role in economic growth through generating work and income opportunities resulting in wealth creation and poverty reduction. In Pakistan, there are an estimated 5.2 million SMEs in the country.

This study is an attempt to estimate the share of SMEs to overall exports of Pakistan*. Due to data constraints, only direct exports of SMEs have been estimated.

Analysis shows that SMEs contribute an estimated 30% to Pakistan's exports* (excluding services). Inclusion of estimates for indirect exports of SMEs, as part of the value chain of large enterprises and services sector would increase the overall share of SMEs. Evidence also suggests that Medium sized enterprises contribute more than Small sized enterprises. Designing & implementing export readiness programs & awareness creation can realize the latent potential of SMEs.

*The analysis does not include Services sector

SMEs Export share in Total Exports*



30%

Share of SEs & MEs in Exports*



12%

SEs share in Exports



18%

MEs share in Exports



HS Code

Data of exports at 2 digit HS codes



2020

Data of exports for FY 2020 analyzed

PBS Data of exports obtained from Pakistan Bureau of Statistics (PBS) for FY2020

TDAP Data of SME exports gathered from Trade Development Authority of Pakistan for FY2020 at two digit HS codes

INTERNATIONAL SOURCES

The data for different export performance Indicators i.e. export potential, tariffs, tech-related exports has been taken from International Sources.

DATA CLEANING

After obtaining data from various sources, SME exports (excluding services), have been analyzed for FY 2019-2020

MATHEMATICAL RATIOS

$$EXP_{SMEs} = EXP_{Small} + EXP_{Med}$$

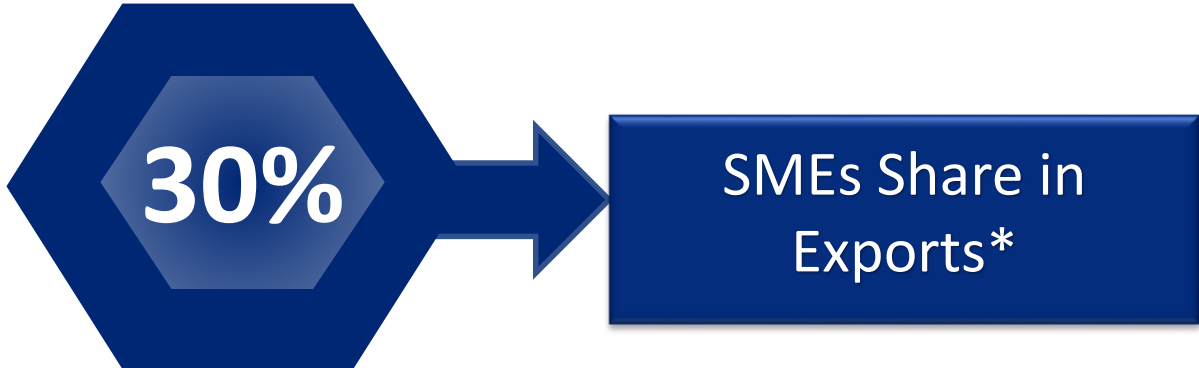
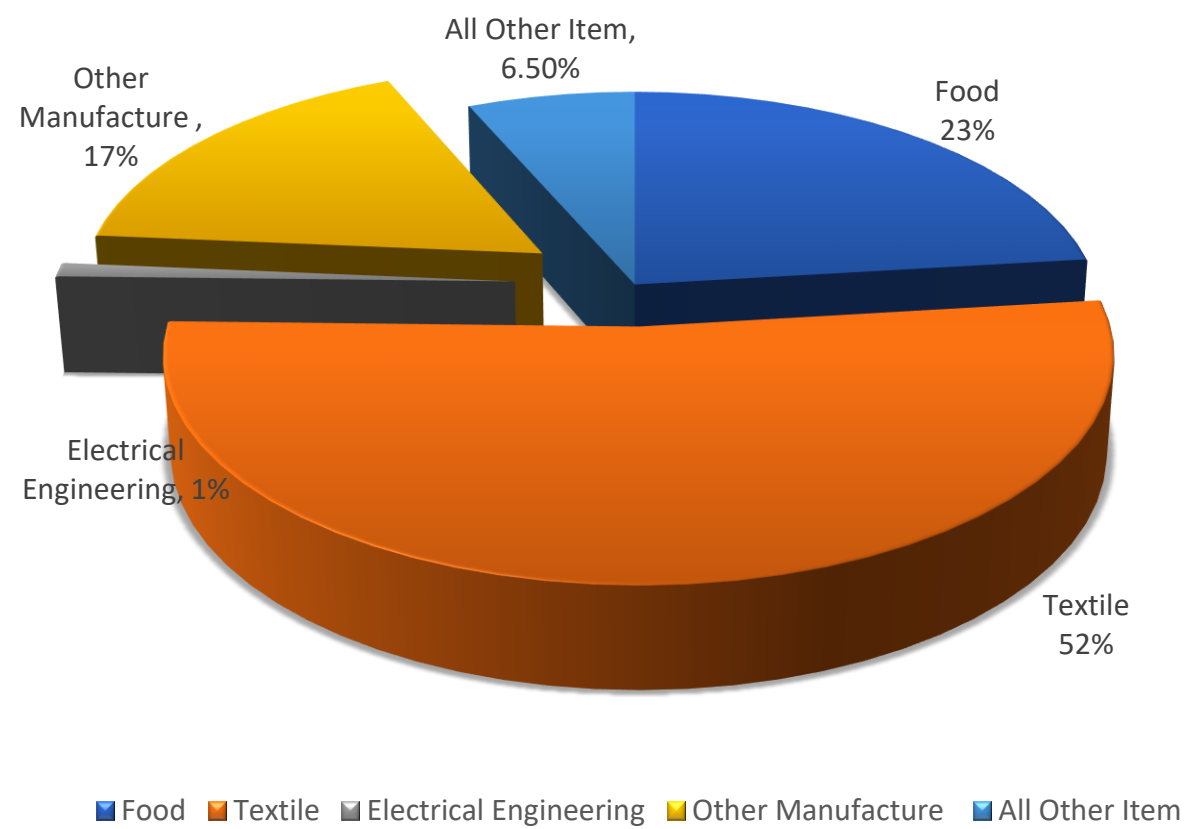
$$EXP_{SMEs(ij)} = EXP_{Small(ij)} + EXP_{Med(ij)}$$

$$EXP_{Total} = EXP_{Small} + EXP_{Med} + EXP_{Large}$$

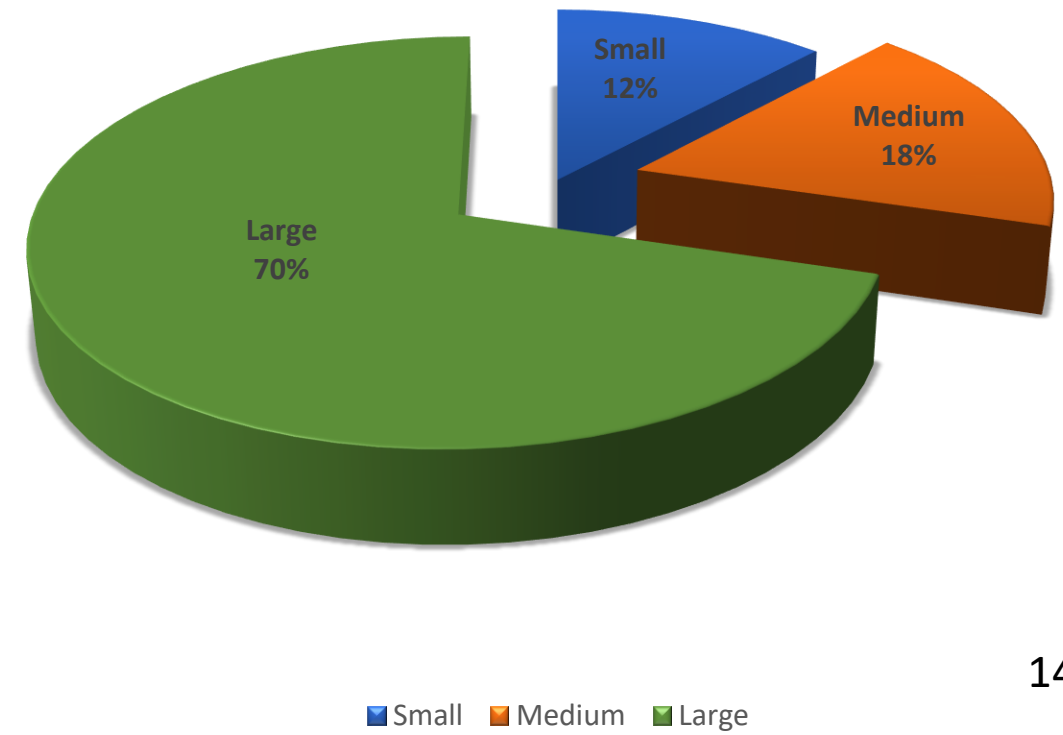
$$Share\ of\ EXP_{SMEs} = \frac{EXP_{SMEs}}{EXP_{Total}}$$

Enterprise Category	Criteria Annual Sales Turnover
Small Enterprise (SE)	Up to PKR 150 Million
Medium Enterprise (ME)	Above PKR 150 Million to PKR 800 Million
Start-up	A small enterprise or medium enterprise up to 5 years old will be considered as Start-up SE or Start-up ME

Share of Key Groups in Total Exports



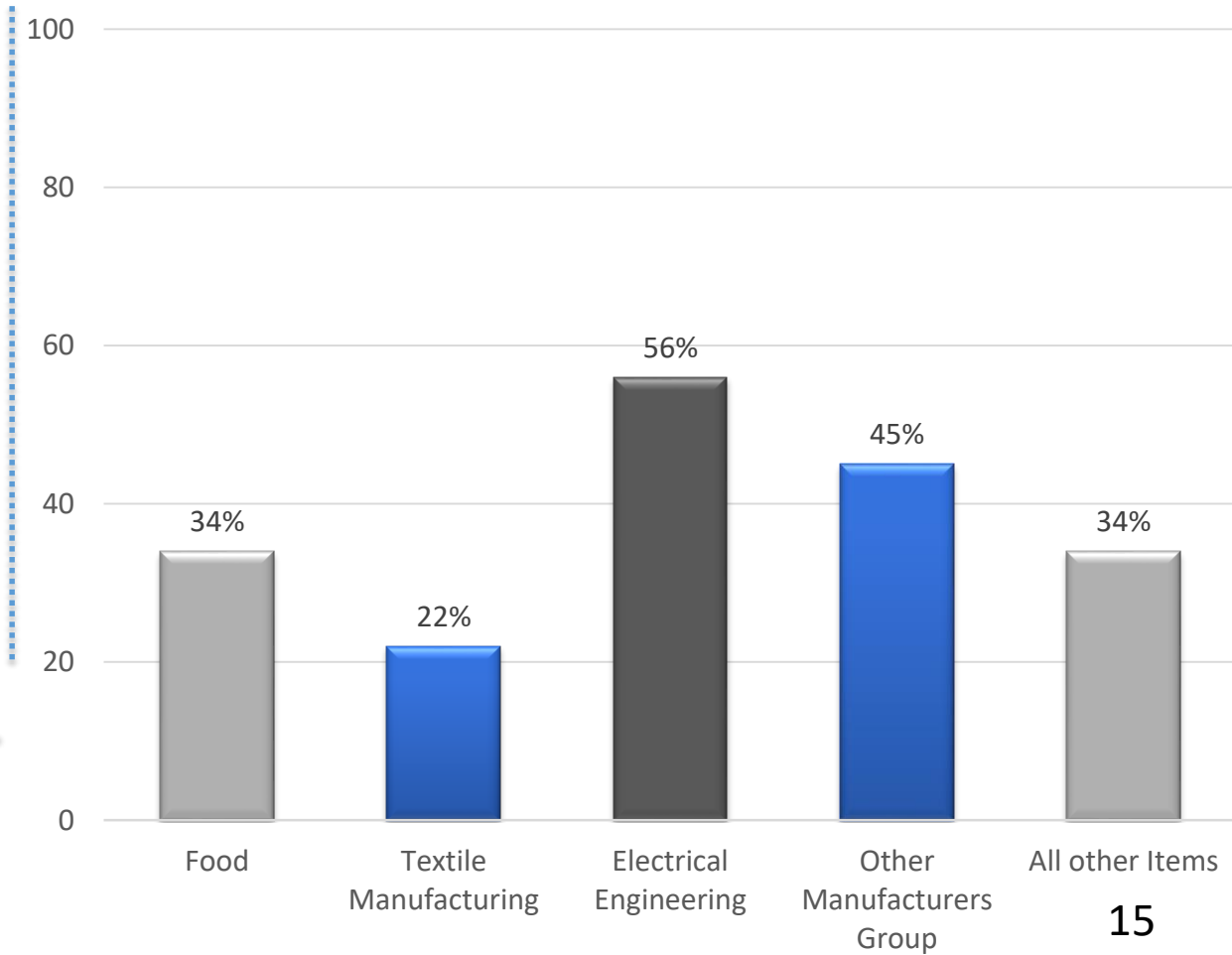
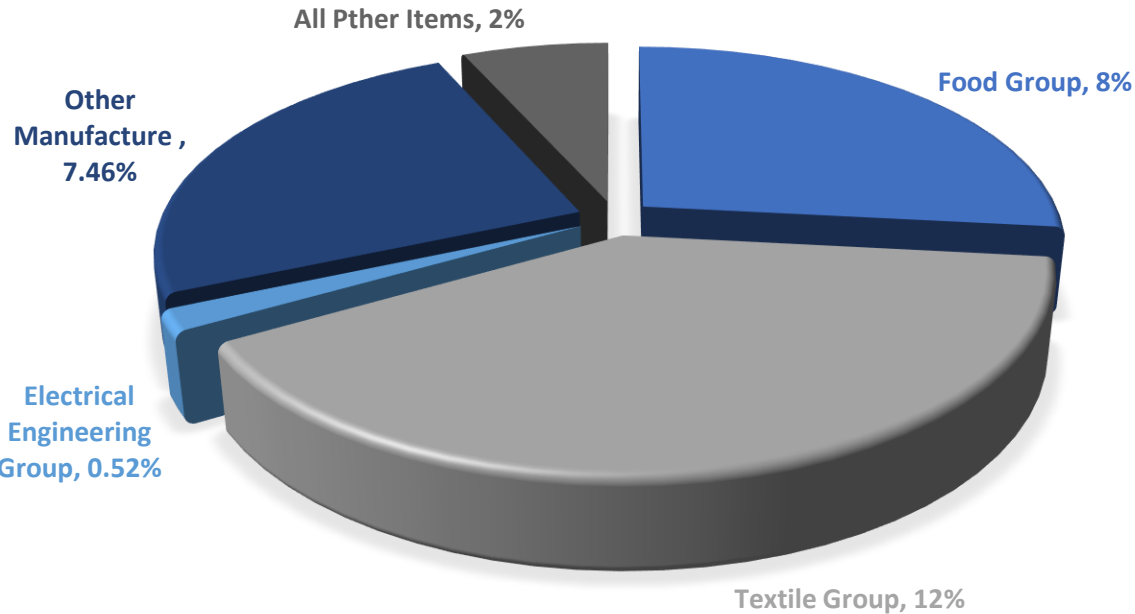
SMEs Export Share in Total Exports – 30%



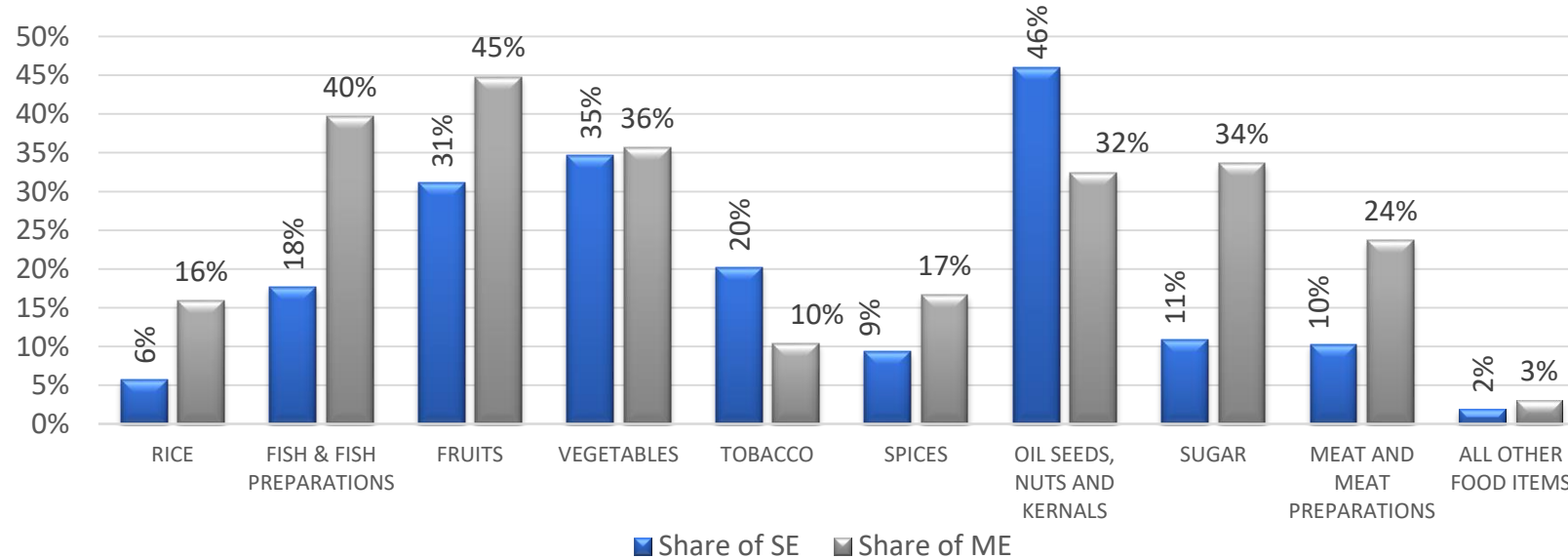
*The analysis does not include Services (FY 2020)

Break up of SME Exports by Group (out of 30%)

Share of SME Exports within Each Group



SMEs SHARE IN FOOD GROUP EXPORTS



SHARE WITHIN SUB-GROUP

Food group comprises of **10** sub-groups

Sub-group level analysis shows the share of SMEs within the group:

78%

Oil Seeds, Nuts and Kernels
Highest

05%

Other Food Items group
Lowest

46%

Share of **SEs** in Oil Seeds, Nuts and Kernels – **Highest**

45%

Share of **MEs** in Fruits - **Highest**

SME

23%

Overall Food group share in Total Exports

08%

Share of Food group SMEs in Total Exports

34%

Share of SMEs within Food Group Exports

SMEs SHARE IN TEXTILE GROUP

52%

Overall Textile group
share in Total Exports

12%

Share of Textile Group
SMEs in Total Exports

22%

Share of SMEs within
Textile Group Exports

SHARE WITHIN SUB-GROUPS

Textile group comprises of **12** sub-groups

Sub-group level analysis shows the share
of SMEs within the group:

99%

Other Textile Material
Highest

0.07%

Yarn other than cotton
yarn - **Lowest**

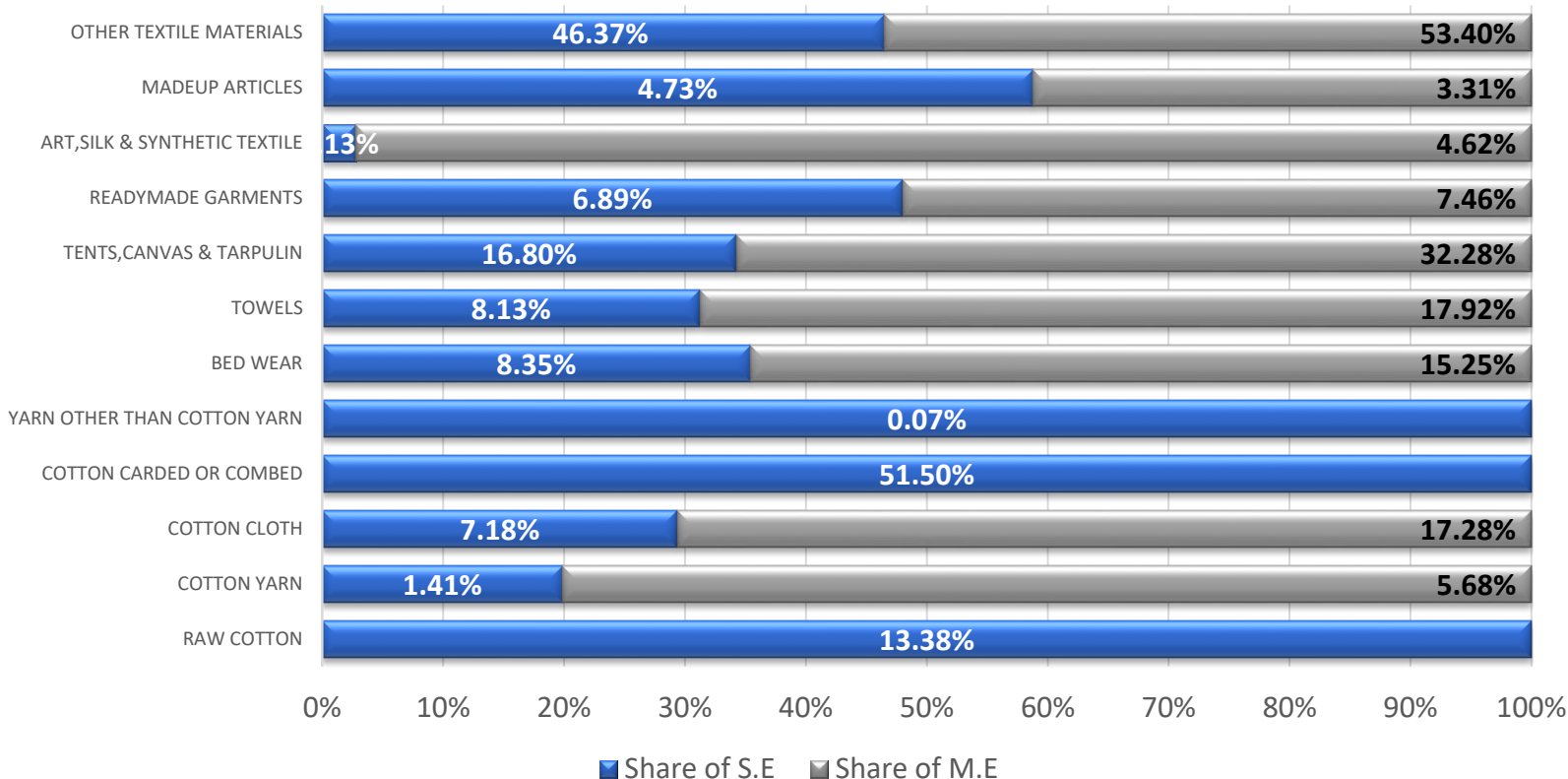
51%

Share of **SEs** in Cotton Carded
or Combed – **Highest**

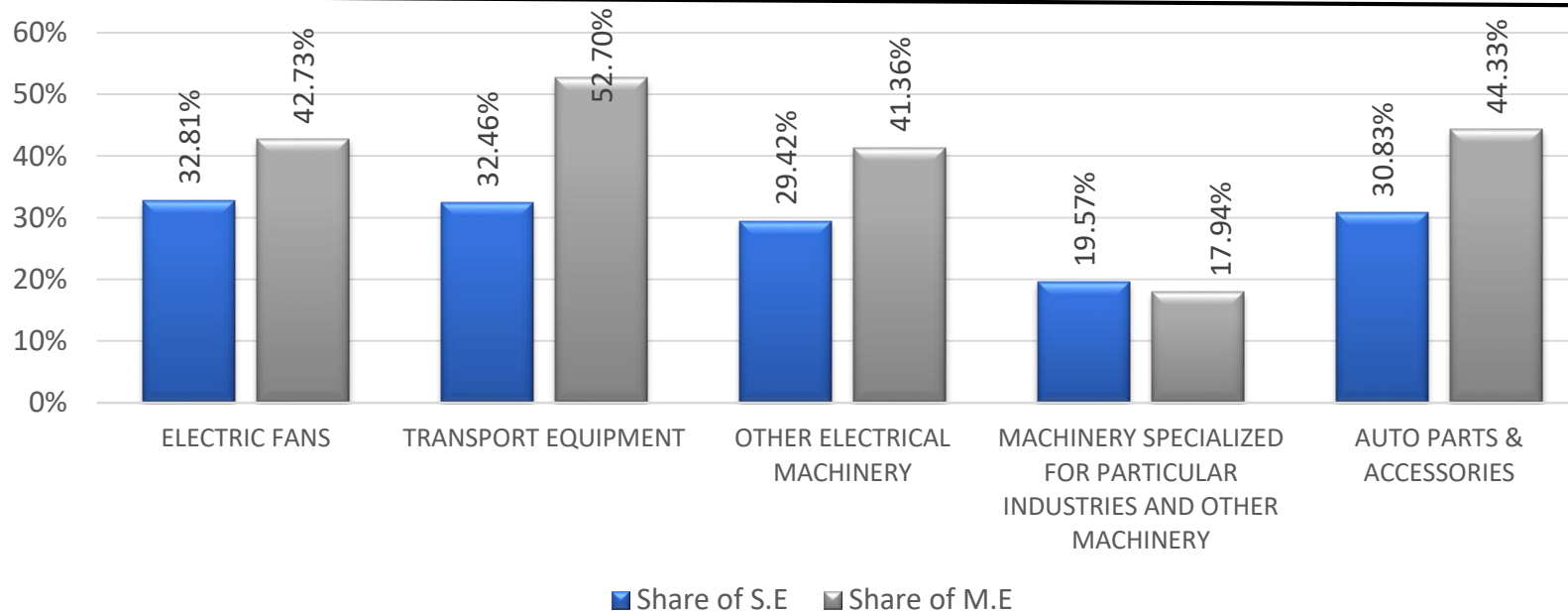
53%

Share of **MEs** in Other
Textile Materials – **Highest**

SME



SMEs SHARE IN ELECTRICAL ENGINEERING GROUP



0.93%
Overall Electrical Engineering Group
Share in Total Exports

0.52%
Share of Electrical Engineering group
SMEs in Total Exports

56%
Share of SMEs within Electrical Engineering
Group Exports

SHARE WITHIN SUB-GROUPS

Electrical Engineering group comprises of **05** sub-groups

Sub-group level analysis shows the share of SMEs within the group:

85%

Transport Equipment
Highest

38%

Machinery specialized for
particular industries and
other machinery
Lowest

33%

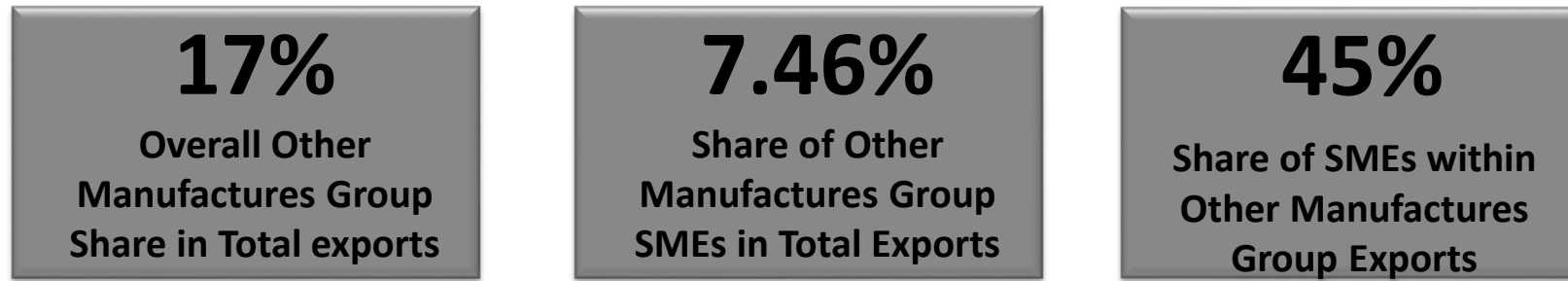
Share of **SEs** in Electric Fans
Highest

53%

Share of **MEs** in Transport
Equipment – **Highest**

SME

SMEs SHARE IN OTHER MANUFACTURES GROUP



SHARE OF SUB-GROUPS

Other Manufactures group comprises of **15** sub-groups

Sub-group level analysis shows the share of SMEs within the group:

98%

Furniture- **Highest**

0.14%

Petroleum products
Lowest

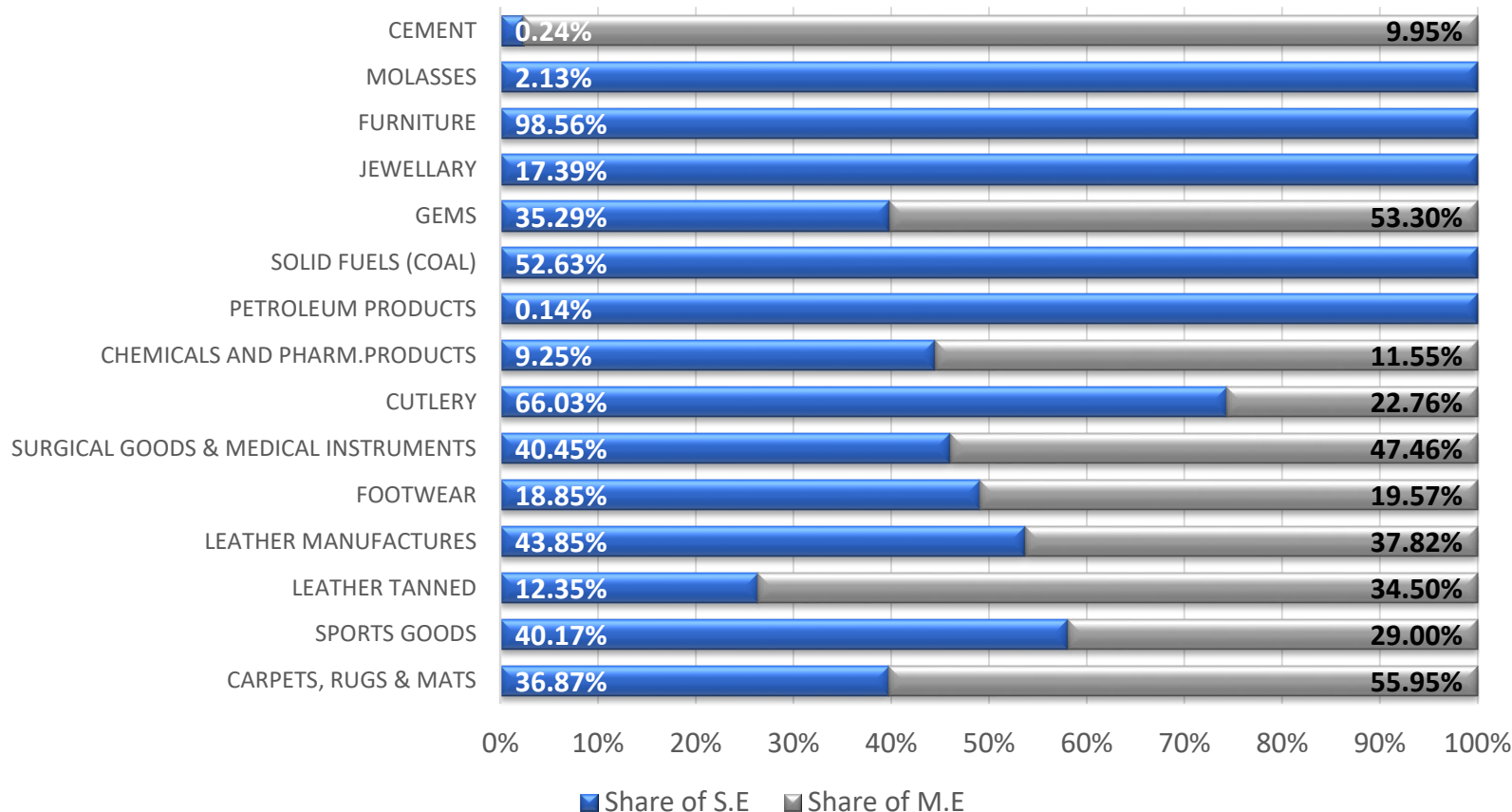
98.5%

Share of **SEs** in Furniture
Highest

55.9%

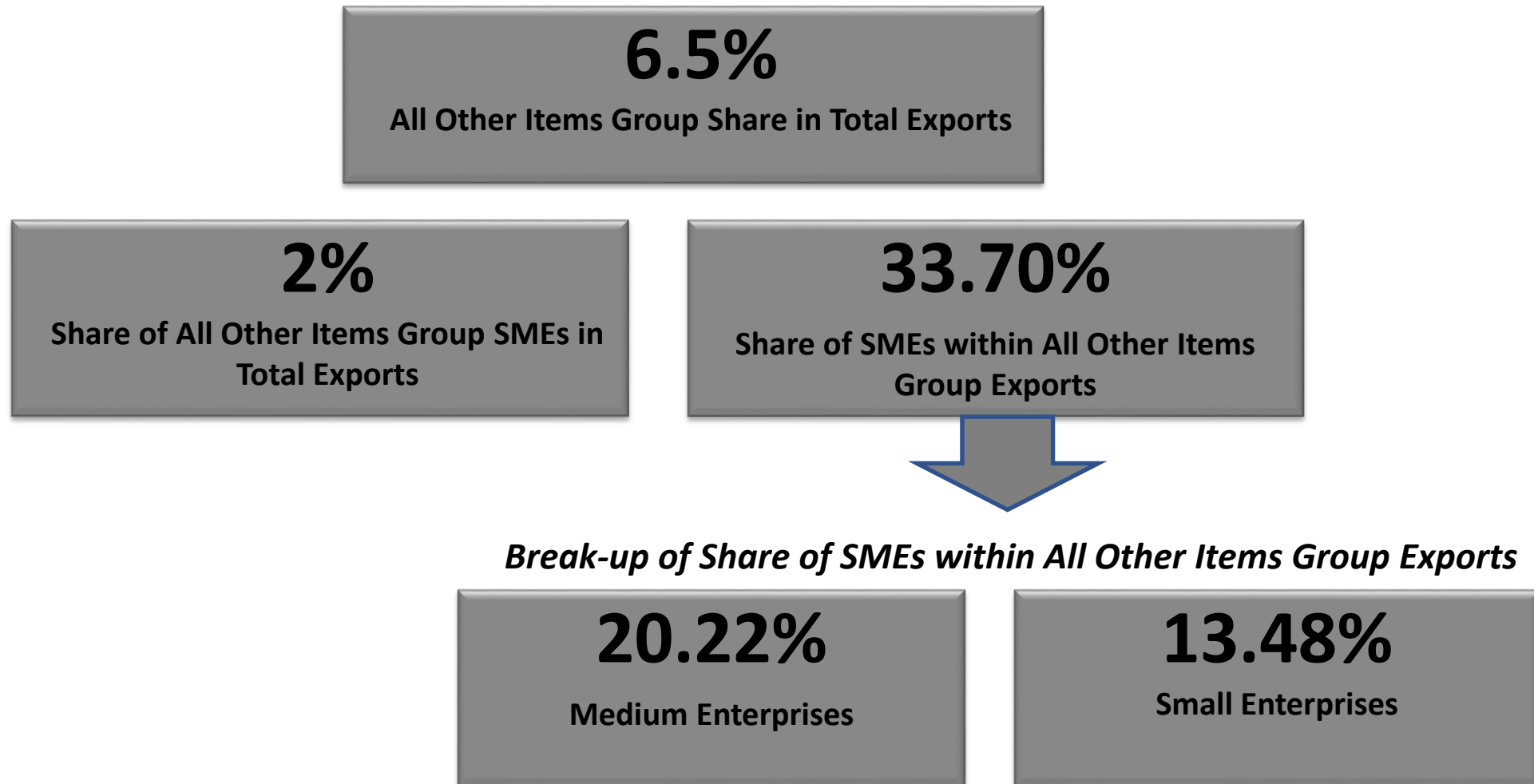
Share of **MEs** in Carpets, rugs
& mats – **Highest**

SME



SMEs SHARE IN GROUP OF ALL OTHER ITEMS

This group consists of all other items exclusive of mentioned groups / sub-groups of exports



Pakistan's Industrial Performance Index (2021)

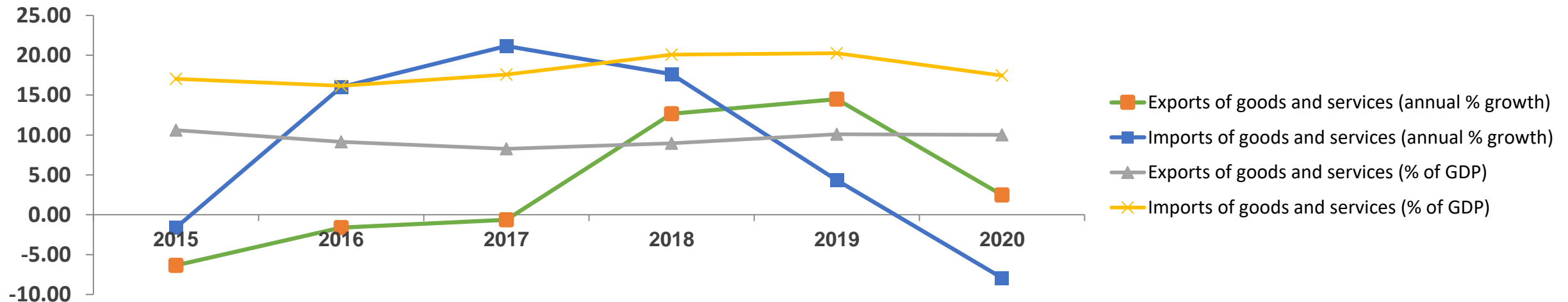


Pakistan's Tech-wise* share of Exports

80% Low-Tech Share

10% Medium & Resource based Tech Share

10% High-Tech Share



POTENTIAL PRODUCTS - EXPORTS

SUMMARY OF EXPORT POTENTIAL - PRODUCT WISE

(US\$)

Sr#	HS Codes	Products	Pakistan's Export Share in World	Product Demand in World's Export	Export Concentration	Top Importing Country	Export Potential (in million)	Actual Exports (in million)	Tariff
1	100630	Semi-milled or wholly milled rice	8.2%	4	0.05	Total EXP Potential	2100	1500	
						Saudi Arabia	187	86	0
2	630231	Bedlinen of cotton, nes	28.0%	2	0.09	Total EXP Potential	1500	880	
						US	478	178	11.0%
3	630260	Toilet/kitchen linen of terry fabrics	13.5%	3	0.23	Total EXP Potential	1300	855	
						US	476	424	9.1%
4	620342	Men's trousers & shorts of cotton	1.5	14	0.09	Total EXP Potential	1300	1000	
						US	264	130	9.0%
5	630210	Bedlinen, knit/crochet	43.6%	1	0.18	Total EXP Potential	792	507	
						US	228	172	6.0%

SMEs have a high export potential. Comparative Analysis of top 15 exporting products with top 05 importing countries shows that Pakistan is not exporting at full potential even where tariff rates are low/zero. Government support, particularly export readiness programs to prepare SMEs to venture into the international markets can go a long way in boosting Pakistan's overall exports – directly and indirectly.

To ensure technology acquisition, diffusion and transfer, SMEs may be encouraged to establish relationships with large national and multinational corporations. This will aide integration with global value chains.

The Strategic Trade Policy (STPF 2020-25) also identifies the following manufacturing value added sectors for enhancing the country's exports.

- Pharmaceutical products
- Engineering goods including auto parts
- Electrical equipment
- Chemicals
- Fruits & vegetables
- Marble & minerals
- Gems & jewelry
- Processes food & beverages
- Meat & poultry
- Sea food

ESTIMATING MANUFACTURING SMEs CONTRIBUTION TOWARDS EMPLOYMENT

Ghulam Hasnain
June 2022

RRI&A

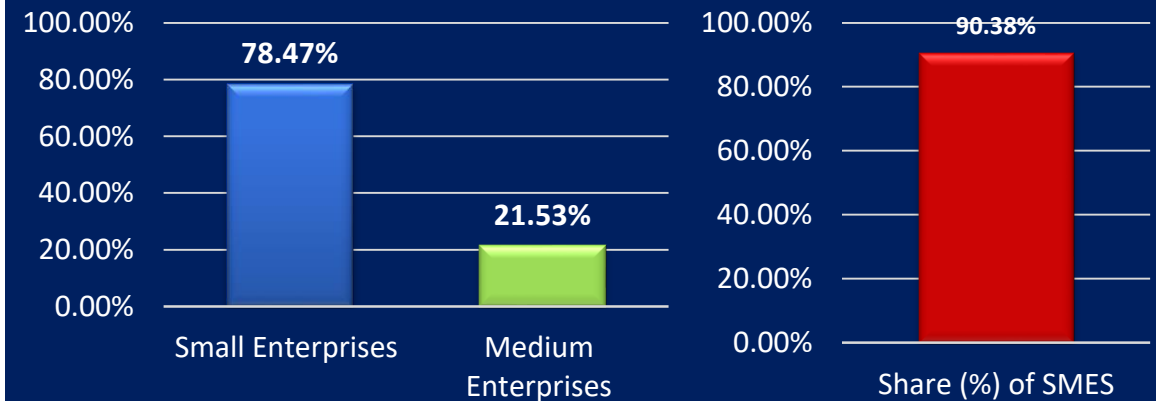
*Research, Regulatory Insight & Advocacy
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OVERVIEW OF THE STUDY

KEY FINDINGS

- Secondary data has been used for estimating employment engaged in the SMEs in manufacturing sector. Data sources include; Small Household Manufacturing Industries (SHMI) 2015, Census of Manufacturing Industries (CMI) 2015-16 and Labor Force Survey 2020-21 published by Pakistan Bureau of Statistics (PBS).
- SME definition adopted to estimate employment within the Manufacturing Sector SMEs is based on the earlier State Bank of Pakistan definition of SMEs that included the criteria of firm employment size along with Annual Sales Turnover.
- Employment estimates have have been calculated by dividing the total number of employees in groups with the number of enterprises for the 23 groups in the manufacturing sector. The methodology adopted for the estimation of employment in 2015-16 follows 3 digits level PSIC code.
- The study estimates the employment size of manufacturing SMEs for the year 2015-16 & 2020-21.

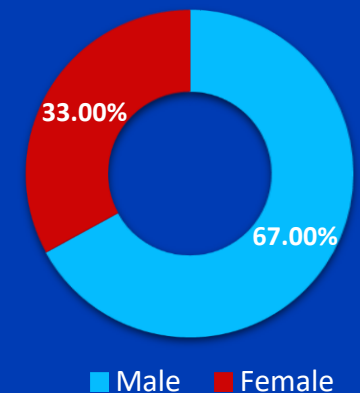
MANUFACTURING SMEs SHARE OF EMPLOYMENT IN PAKISTAN'S MANUFACTURING SECTOR 2015-16



TOP FIVE MANUFACTURING SME SECTORS VIS-A-VIS EMPLOYMENT (2015-16)



DISTRIBUTION OF EMPLOYMENT BY GENDER IN MANUFACTURING SMES 2015-16



DATA COLLECTION & SOURCES

- Secondary Data has been collected from *Labor Force Survey (2015-16) & (2020-2021); Pakistan Bureau of Statistics (PBS)*
- Data consolidated from **Small Household Manufacturing Industries (SHMI) 2015-16 & Census of Manufacturing Industries (CMI) 2015-16**
- Employment estimates have been calculated by dividing the **total number of employees** in groups with the **number of enterprises** for the 23 groups in the manufacturing sector for the year 2015-16

DATA COLLECTION UNDER PSIC CODE

- Collection of data related to specific sectors in the manufacturing industry 2015-16 is at 3 Digit level of PSIC Code 2010

LIMITATION

- This study only focused on manufacturing SME's share of employment in manufacturing sector of Pakistan excluding the services sector due to unavailability of data.
- The latest estimation of the number of manufacturing SME employees and share of employment in manufacturing sector are based on manufacturing sector share of employment in employed labor force as per latest Labor Force Survey 2020-21.

SME DEFINITION ADOPTED FOR DETERMINING EMPLOYMENT THRESHOLDS VIS-À-VIS ANNUAL SALES TURNOVER

ENTERPRISE CATEGORY	CRITERIA	
	Annual Turnover	Number of Employees
Small Enterprise (SE)	Up to PKR 150 Million	Up to 50
Medium Enterprise (ME)	Above PKR 150 Million to PKR 800 Million	51-250 (Manufacturing & Services)

(As per Prudential Regulations of SBP, 2010)

- The data of the study comprised of **23 groups** and subgroups in the manufacturing sector of Pakistan based on **PSIC Code 2010**.

HIGHLIGHTS OF THE STUDY

90.38% (4.51 million)

Manufacturing SMEs share in
Employment* (2015-16)

78.47%
(3.54 million)

Small Enterprises
Share in
Manufacturing
Sector Employment

21.53%
(0.97 million)

Medium Enterprises
Share in
Manufacturing
Sector Employment

Breakup of
4.51 million (by
Gender)



3.30 million



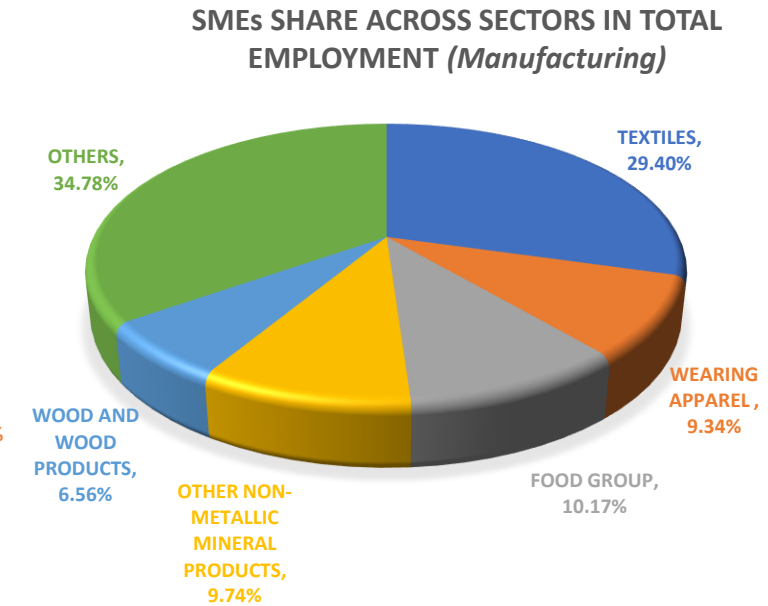
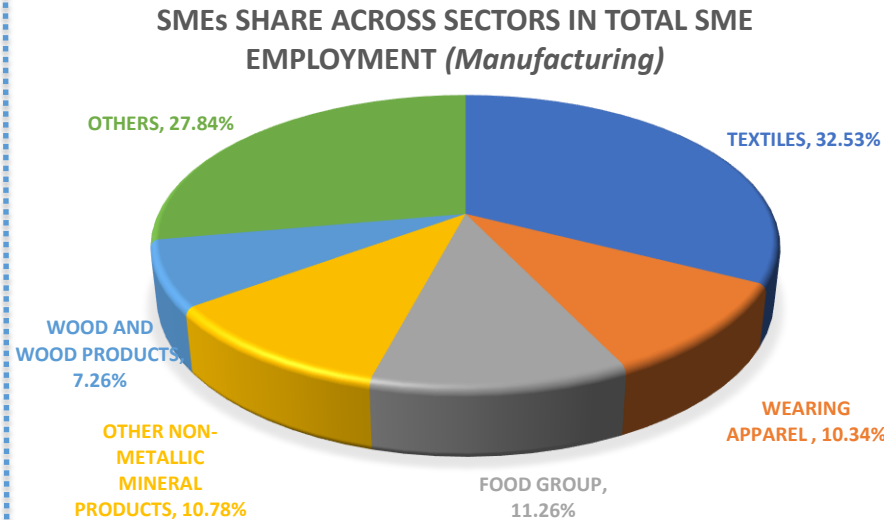
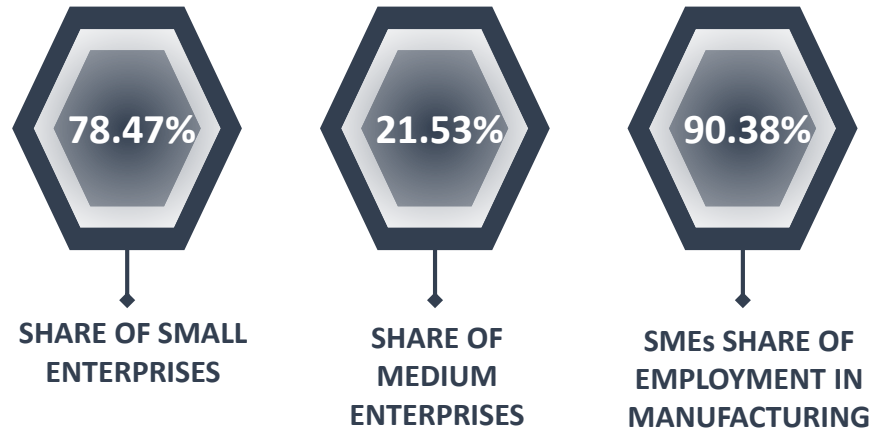
1.21 million

90.27% Manufacturing SMEs share in Employment*
(2020-21)

5.11 million Employees in Manufacturing Sector SMEs
(2020-21)

*Total Employment in Manufacturing Sector

*Note: Data analysis for estimating
Employment shares across various
groups of the industry groups vis-
à-vis SMEs is based on SHMI 2015
and CMI 2015-16.*



TOP FIVE SECTORS SHARE BY HIGHEST NUMBER OF SE EMPLOYEES:

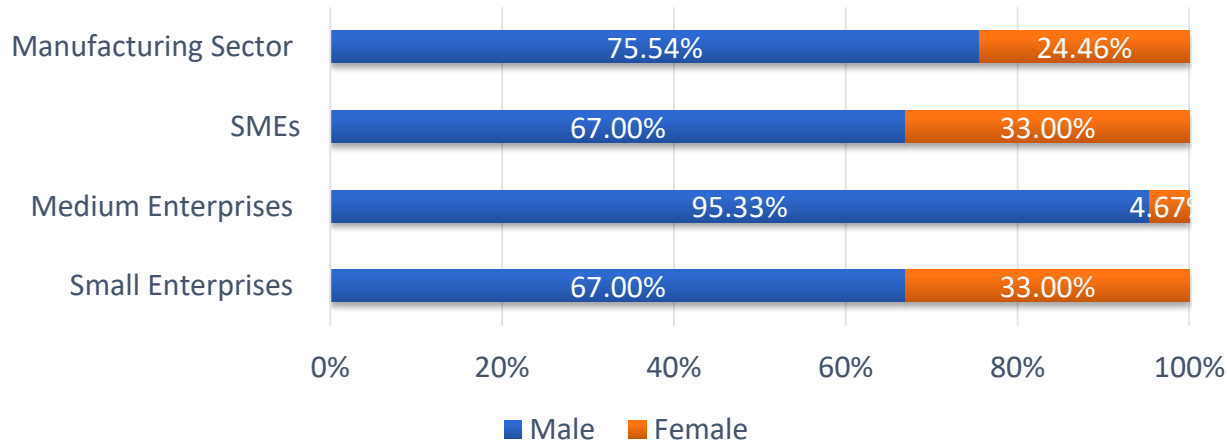
- 1) Wood & Wood Products
- 2) Tobacco Product
- 3) Furniture
- 4) Other Manufacturing
- 5) Paper & Paper Products

TOP FIVE SECTORS BY HIGHEST NUMBER OF ME EMPLOYEES:

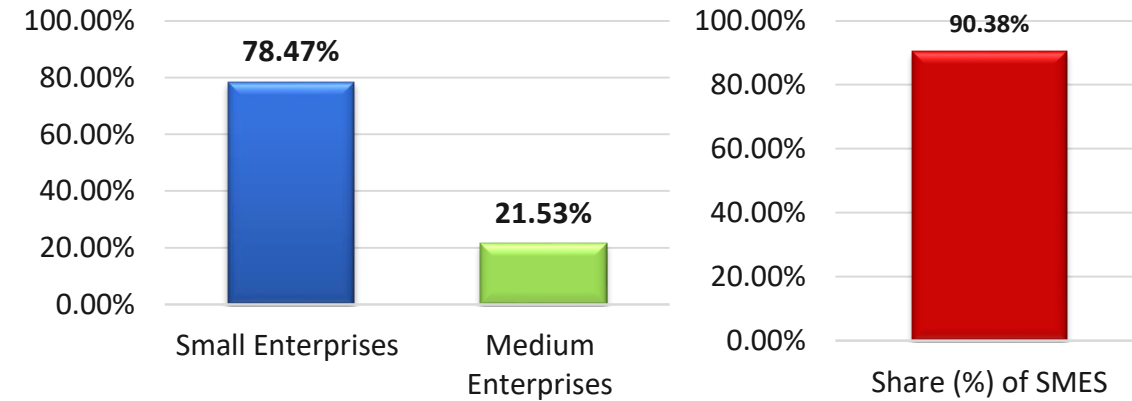
- 1) Basic Pharmaceutical Product
- 2) Chemical and Chemical Product
- 3) Computer, Electronic and Optical Products
- 4) Beverage Group
- 5) Metal Group

MANUFACTURING SME SECTOR EMPLOYMENT BY GENDER AND NUMBER OF EMPLOYEES

GENDER-WISE SHARE OF EMPLOYMENT IN MANUFACTURING SMEs & MANUFACTURING SECTOR 2015-16



SHARE OF SMEs IN MANUFACTURING SECTOR EMPLOYMENT (2015-16)



NUMBER OF EMPLOYEES IN MANUFACTURING SECTOR 2015-16



3.54 MILLION

Number of employees in Manufacturing **SMALL ENTERPRISES (SE)**



0.97 MILLION

Number of employees in Manufacturing **MEDIUM ENTERPRISES (ME)**



4.51 MILLION

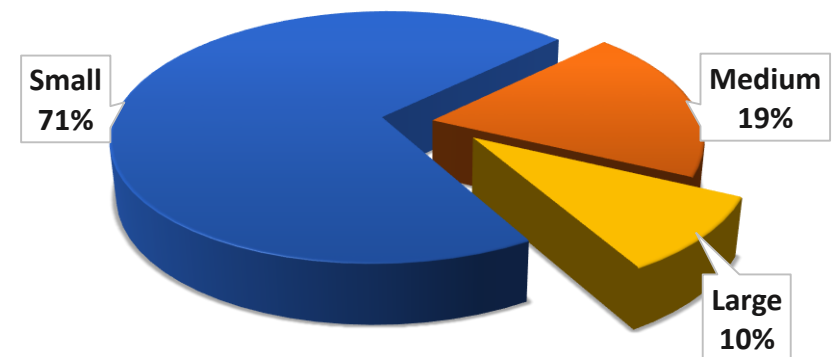
Number of employees in Manufacturing **SMEs 2015-16**



4.99 MILLION

Number of employees in **Overall Manufacturing Sector 2015-16**

MANUFACTURING SMEs SHARE OF EMPLOYMENT IN PAKISTAN'S MANUFACTURING SECTOR EMPLOYMENT (2015-16)



Calculations are based on SHMI (2015-16) and CMI (2015-16)

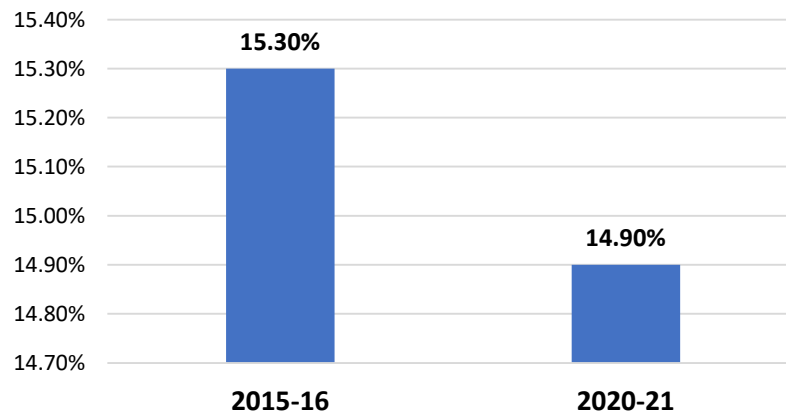
MANUFACTURING SECTOR SMEs SHARE OF EMPLOYMENT 2015-16 & 2020-21

MANUFACTURING SMES SHARE OF EMPLOYMENT 2015-16 & 2020-21

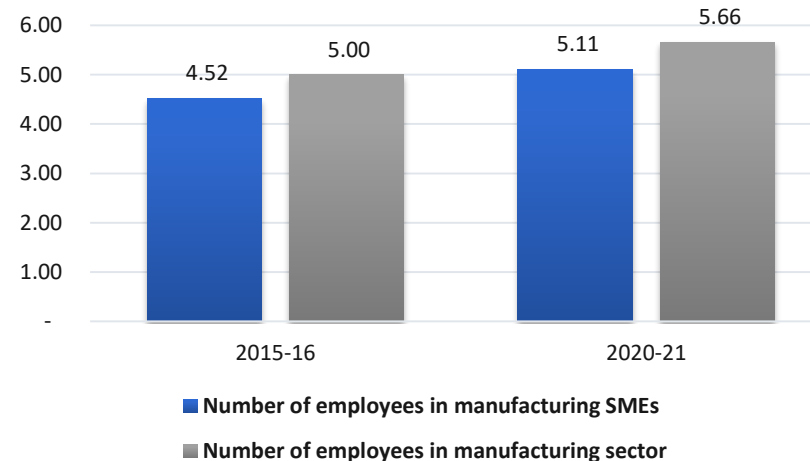
DESCRIPTION	2015-16	2020-21
Manufacturing sector share of employment in employed labor force	15.30%	14.90%
Number of employees in manufacturing SMEs	4,515,940	5,110,328
Manufacturing SMEs share in Pakistan's manufacturing sector employment	90.38%	90.27%

- The manufacturing sector share of employment in employed labor force was reported as **15.30%** for the year 2015-16 & **14.90%** in 2020-21 as per LFS 2020-21.
- The total number of employment in the manufacturing SMEs is estimated at **4.52 million** for the year 2015-16 based on SHMI & CMI, while the estimated number employment in manufacturing SMEs is estimated as **5.10 million** for the year 2020-21.
- The overall manufacturing SME sector share in Pakistan's manufacturing sector employment for the year 2020-21 is estimated as **90.27%**.

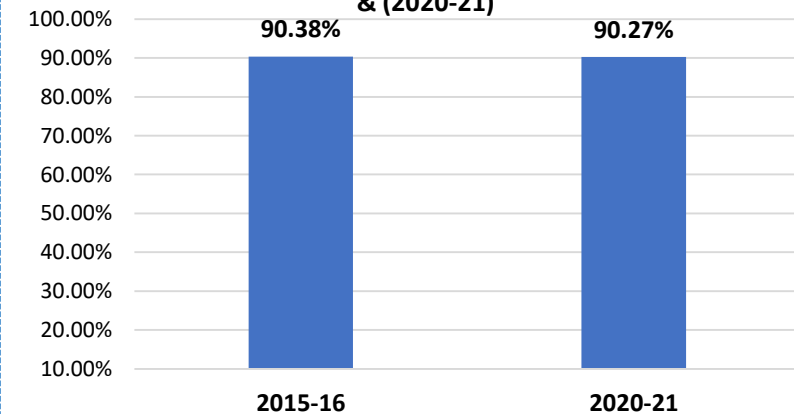
TOTAL MANUFACTURING SECTOR SHARE OF
EMPLOYMENT IN LABOR FORCE (2015-16) & (2020-
21)



COMPARISON OF NUMBER OF EMPLOYEES 2020-21 &
2015-16 (IN MILLION)



MANUFACTURING SMEs SHARE IN PAKISTAN'S
MANUFACTURING SECTOR EMPLOYMENT (2015-16)
& (2020-21)



KEY FINDINGS OF THE STUDY

PERCENTAGE SHARE OF EMPLOYMENT IN PAKISTAN'S MANUFACTURING SECTOR TOTAL EMPLOYMENT 2015-2016

Enterprises	Number of Employees	Manufacturing SME Sector %age share	Overall Manufacturing Sector %age share
Small	3,543,704	78.47%	70.92%
Medium	972,236	21.53%	19.46%
Total SMEs	4,515,940	100.0%	90.38%
Total Employment	4,996,646		


78.47%

Manufacturing **Small Enterprises** share in Pakistan manufacturing SMEs employment 2015-16


21.53%

Manufacturing **Medium Enterprises** share in Pakistan manufacturing SMEs employment 2015-16


90.38%

Manufacturing SMEs share in Pakistan's manufacturing sector employment 2015-16


90.27%

Estimated **Manufacturing SMEs** share in Pakistan's manufacturing sector employment 2020-21

NUMBER OF EMPLOYEES IN MANUFACTURING SECTOR SME


4.51 MILLION

SME EMPLOYEES in 2015-16


5.10 MILLION

Estimated SME employees in 2020-21


3.30 MILLION

Male employees in manufacturing SMES 2015-16


1.21 MILLION

Female employees in manufacturing SMES 2015-16

CONTRIBUTION OF MANUFACTURING SMES IN PAKISTAN'S MANUFACTURING SECTOR EMPLOYMENT 2015-16


70.92%

Manufacturing **SMALL ENTERPRISES** share in Pakistan's manufacturing sector employment 2015-16


19.46%

Manufacturing **Medium Enterprises** share in Pakistan's Manufacturing sector Employment 2015-16


90.38%

Manufacturing SMEs share in Pakistan's manufacturing sector employment 2015-16



POLICY IMPLICATIONS OF RESEARCH STUDIES

RRI&A

*Research, Regulatory Insight & Advocacy
Assistance for SMEs (RRI&A)
Policy & Planning Division*

POLICY IMPLICATIONS

- **Contribution of SME Sector in GDP (40%) and Exports (30%)**
 - Measures to enhance productivity and efficiency of SMEs will have a positive impact on overall economic growth
- **High but variable level of TFP in SE & ME sectors**
 - Benchmarking exercise to enhance TFP of lagging sectors by learning from best performers
- **The provision of skill is not suited to SE & ME needs**
 - Joint collaborative partnerships of youth skills will further enhance TFP
- **SE & ME sector still less diversified – skewed in favour of garments/textile**
 - Product diversification to be encouraged through knowledge platforms, credit, etc.
- **80% of Pakistan's exports are categorized as Low Value Added Products**
 - Encourage local firms to develop linkages with international companies for technology transfer and to get involved in regional or global value chains
 - Create linkages between the industry, technology companies and specialized research centres for diversification of export products.
- **Potential sectors such as pharma, footwear, etc. still not exporting enough**
 - Market access support, design, cluster development, regulatory reforms
- **Clear advantage in food related, need to link with agriculture**
 - Link the industry with food security and streamline regulations for market development
- **SMEs share in Manufacturing Employment – 90.38%**
 - Skill development and capacity building initiatives to enhance labour productivity and bridge the demand supply gap in line with future needs

Research, Regulatory Insight & Advocacy (RRI&A) Policy & Planning Division – SMEDA

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Turn Potential into Profit!

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