

Lamenting SMEs

Page No.02 Col No.03

The importance of SMEs cannot be over-emphasized for industrial development. As per SEMDA, they constitute nearly 90 percent of all enterprises in Pakistan, contributing approximately 40 percent of the GDP and absorbing about 80 percent of non-agricultural labour.

While SMEs are abundant in a number of sectors, they play a particularly vital role in having the potential to reduce dependence on Pakistan's traditional exports. Regardless of their importance, non-textile, non-food, and non-petroleum products have stagnated around 17 percent for the last decade and a half in Pakistan's resource-based and non-diversified export basket.

While sectors such as sports goods and surgical goods have managed to carve out niches in the international market, most other sectors have been withering away. (Read "Economics of FIFA and Pakistan", published on July 9, 2018). Individually, sectors such as furniture and non-leather footwear have contributed less than two percent to the country's exports in the past, a situation which has continued till today. As the SME contribution to exports decline for a myriad of goods, Pakistan's dependence on a narrow base increases.

About 1.3 million jobs need to be created annually to maintain current employment levels. In its recent quarterly report, SBP identifies SMEs as one of the ways most capable of absorbing fresh labour joining the workforce. For this purpose, SBP has a policy for promoting SME financing. If that financing is aimed at non-traditional sectors, Pakistan would have a stronger shot at pulling itself out of its low-value quagmire of exports.

While the textile and agri sectors have their own woes, the SMEs of other manufacturing sector go by more unheard than others. By their inherent nature, they need more support in different functions of business such as financial inclusion, human resource training and technical up gradation.

SMEs are responsible for the most employment and income generation opportunities. Enhancing their export capacity is essential for increase in access to international markets and global chains of production. The downward trend in many of the non-traditional export-oriented SMEs is a cause for alarm not just for their impact on poverty alleviation and employment but also for the sustainability of Pakistan's exports in the long run.