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ICMAP: Please tell us briefly about the objectives and functions of SMEDA?

FHR: SMEDA was established in October, 1998 to address issues and challenges faced by the Small & Medium Enterprise (SME) sector. Its legal framework, SMEDA Ordinance 2002, specifies it as an autonomous agency at Federal level. With its Head Office in Lahore, SMEDA has Regional Offices located in the four Provincial capitals along with an outreach network of 21 Regional Business Centres across the country. SMEDA's Mandate as indicated in its Ordinance entails the following:

- o Facilitate Policy-making and provide overall planning relating to SMEs in Pakistan
- o Protect interests of SMEs
- o Identify research parameters and priorities
- o Conduct professional overall monitoring and evaluation
- o Advise Federal Government for allocation of funds
- o Act as resource base for providing expertise, information, data and statistics
- o Provide, arrange and facilitate support services
- o Establish association of persons, firm, company, body or corporation concerning SMEs in Pakistan
- o Initiate, take, continue, implement and perform any and all activities for encouraging and facilitating the growth and development of SMEs

ICMAP: What is SMEDA's role in promoting business entrepreneurship?

FHR: SMEDA has a broad and multi-pronged mandate. Institutionally organized on the model of a corporate entity, it

draws strength from being anchored in the public sector and functioning as a bridge between the private and public sectors. This unique aspect of the organization gives it enough muscle to leverage resources of both public & private sectors towards the betterment of SMEs.

SMEDA provides a host of business development services to existing SMEs and budding entrepreneurs. On average, about 3,000 walk-in clients and SMEs visit SMEDA offices each year to receive facilitation for their business needs. Facilitation includes over the counter and online information products such as; business guides, sector briefs, legal & financial services, pre-feasibility studies, business plans and other services customized to specific business needs.

SMEDA was made the advisory partner in the Prime Minister's Youth Business Loans scheme. In a very short span of time, SMEDA developed information resources and tools for facilitation of loan applicants that include 70 pre-feasibility studies, financial calculators and 07 training video documentaries. More than 14.00 million downloads have been recorded for resources developed by SMEDA from across the country.

Specialized sessions are also held in various universities around the country under the theme of "Entrepreneurship a preferred career option". The objective of these programs is to inculcate a spirit of entrepreneurship in the youth and also apprise them of the support available through institutions like SMEDA.

ICMAP: What are the major impediments to sustainable SME growth in Pakistan?

FHR: Policy and regulatory environment: A conducive business environment based on sound policy interventions is a pre-requisite for sustainable SME development. Firm-level

growth and investment in SME sector remains limited despite government's continued efforts for supporting SME development. There is a requirement of a specialized framework for SMEs which includes; licensing and registration, labor and employee related legislation, taxation and business entry and exit requirements etc.

Access to finance: Access to finance is a binding impediment to SME growth. Merely 6% of the private sector credit off take is towards the SME sector. Small and Medium sized companies generally have a higher debt ratio than larger companies and banks usually require collateral for the loans they provide. The amount of collateral required by banks is variable and depends on the risk assessment of the customer, therefore, banks are extremely cautious in extending credit to SMEs.

Human resource and skill development: In many developing countries like Pakistan, human resources in SME are generally weak in terms of their knowledge and skills, particularly market analysis, marketing and product innovation as well as business planning and financial management. Therefore, support for human resource development is important to enhance SMEs contribution in overall economic growth.

Innovation and technology up-gradation: The potential benefits of modern technology and technological capabilities for SMEs are well known. Technologies enhance SME efficiency, reduce costs, and broaden market reach, both locally and globally. In Pakistan, low technological capability is also a major constraint in SME development.

SME definition: The lack of a unanimous definition of SMEs makes it a difficult task for policy makers to design interventions and also to monitor/ assess progress. Moreover, absence of a single agreed upon SME definition makes it difficult to identify target groups, aligning development programs, collecting data and subsequently monitoring progress.

ICMAP: Please share few major initiatives of SMEDA for enhancing the export potential of SMEs?

FHR: SMEDA has developed sector strategies, for Textiles, Fisheries, Transport, Dairy, Light Engineering and Leather sectors. The resulting outcomes include the hall mark strategies such as Textile Vision 2005, Leather Outlook 2010, a re-vamped fisheries sector and introduction of a modern urban transport sector. Moving forward, SMEDA expanded its portfolio of economic sector development and worked on cluster development projects that included Glass, Auto Vendors, Ginning, Power Looms, Ceramic, Agri-business, Cutlery, and Leather Products. Furthermore, new sectors having potential of high growth across the country are continuously being added for value chain analysis, sector development interventions and to enhance exports. Building on its strengths in development of SME sectors and clusters, SMEDA in collaboration with the Pakistan Initiative for Strategic Development and Competitiveness (PISDAC) led the process of sector strategy development and subsequent formation of Sector Development Companies in Gems & Jewellery, Marble & Granite, Dairy, Hunting and Sporting Arms and Furniture sectors. All these sectors have high potential for value addition and exponential growth in terms of production and export. In addition to these, strategy work was also undertaken for Surgical, Leather and Sports Goods sectors.

At present, SMEDA has redefined its sector focus, wherein thirteen key sectors have been identified and work initiated for developing these sectors under SMEDA's 5-Year SME Development Plan (2013-2018).

Specialized training programs focusing on various aspects for export promotion, including marketing and branding etc. are conducted by SMEDA for SMEs. Also, information documents such as regulatory procedures etc. to assist potential exporters are available at SMEDA helpdesk and web Portal.

ICMAP: What measures have been taken in the Budget 2017-18 for boosting SME sector in the country?

FHR: The following key measures have been taken in the 2017-18 budget to boost the SME sector in Pakistan:

- o Risk Mitigation Facility for Small and Medium Enterprises will be introduced through a Rs.3.5 billion fund to be established in the SBP. The facility will cater to both Islamic and conventional banking products.
- o Innovation Challenge Fund will be established with Rs.500 million. This fund will be professionally managed in collaboration with the key technology universities of Pakistan.
- o Under Financial Institutions Secure Transaction Act 2016, the small borrowers in SME and agriculture sector may be able to obtain small loans by pledging their moveable property.
- o Rs.8 billion fund shall be allocated to provide loans to low-income segments through microfinance bank.
- o The start-up software houses shall be exempted from Income Tax for the first 3 years.
- o Exports of IT services from Islamabad and other Federal territories shall be exempted from Sales Tax,
- o IT software park with the help of Korean Government at a cost of 6 billion rupees will be established in Islamabad.
- o National Bank of Pakistan will launch a new scheme for small farmers with holdings of 12.5 acres to provided agricultural loans at a rate of 9.9% per annum
- o In order to incentivize the start-ups, tax exemption is being accorded to profits earned by such start-ups for a period of three years. Moreover, exemption from levy of minimum tax as well as withholding tax (as recipient) is also being accorded to such start-ups.

Numerous other measures have also be announced in the Federal Budget that have a direct and indirect bearing upon the SME sector.

ICMAP: What is the current taxation structure and financial reporting mechanism for SMEs?

FHR: SMEs operating in Pakistan are primarily required to file tax returns such as Income Tax, Sales Tax, etc. This is done mostly through lawyers/ consultants specialized in filing of Tax returns. Some of the services provided by these consultants include:

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- o Tax planning and advise thereof,
- o Assistance in preparations of documents for National Tax Number (NTN) for individuals, Association of persons & companies whether to get registered in Income Tax or Sales Tax Registration Number (STRN),
- o Representing the SME client as an e-intermediary i.e. e-filing of monthly statements, etc.
- o Correspondence and facilitation of internal and third-party Audits

ICMAP: Do you think CPEC would stimulate growth in local SME sector?

FHR: China Pakistan Economic Corridor (CPEC) would help in boosting the SME sector through collaboration between businessmen of China and Pakistan, and uplift existing SMEs through technology transfer.

Creation of special economic zones along the CPEC route will offer an immense opportunity for investment. Domestic and Chinese businesses collaborating with ancillary businesses may emerge after the completion of the CPEC project.

Recently, a business delegation from China was hosted by SMEDA and potential for collaborating with small and medium enterprises was discussed. The Chinese delegation included; businessmen dealing in logistics, construction materials, articles of textiles, fixtures and furniture, steel, trading business, etc. The Chinese businesses agree that CPEC is a tremendous opportunity for existing businesses and budding entrepreneurs, especially in the fields of warehousing, minerals, food, dairy and livestock, information technology, light engineering, and cold storage, etc.

The whole CPEC project can induce industry-led growth. Collaboration between China and Pakistan will ensure some level of technology transfer that will help the SME sector to shift to modern technology.

There is a need to develop a strategy to invite Chinese investment in manufacturing sector, especially in the SME sector. The strategy should be hinged on increasing cooperation, rather than on competition among businesses of China and Pakistan. By creating new enterprises, promoting joint ventures and through technology transfer, China can assist Pakistan in enhancing production in sectors in which Pakistan has a comparative advantage.

CPEC is tipped to be a game changer for Pakistan. The project will increase Pakistan's capability to enhance connectivity with

regional countries and will surely help in overcoming the energy crisis.

ICMAP: How ICMA Pakistan can help SMEDA in developing a comprehensive SME Policy?

FHR: SMEs are closely linked to their local business environment and are more vulnerable than large enterprises to policy deficiencies and external market shocks, such as adverse economic conditions or changes in economic regulations. To this end, a comprehensive SME Policy reflecting the viewpoints of multiple stakeholders can help in creating a favorable business environment for SMEs and eliminating unnecessary obstacles. As mentioned earlier, the most important issues faced by SMEs are; access to finance, business environment and access to resources and services. Recommendations/suggestions from ICMA are welcome in these areas.

ICMAP: How management accountant can assist SMEDA in resolving the problems faced by SMEs?

FHR: SMEDA offers a service, 'Consultants' Database', whereby a searchable database of consultants in various business development services is available for use through SMEDA's official website, www.smeda.org. Management accountants may register themselves and make their comprehensive profiles available through the Database for onward networking with potential SME clients.

ICMAP: Management Accountants have expertise in developing accounting and cost models as well as Management Information Systems (MIS). How this expertise can be utilised for SMEs?

FHR: It has been observed through SMEDA's interaction with the SME sector that there is a lack of understanding and knowledge amongst SMEs regarding benefits and use of management software and tools.

SMEDA has been providing capacity building services through awareness creation and specialized trainings of SMEs for the purpose of improved business development services. It is proposed that training programs be jointly designed by ICMA and SMEDA for onward dissemination to SMEs with the objective of introducing use of business management tools as a means of improving business efficiencies.

The interview ended with a vote of thanks to Mr. Fuad Hashim Rabbani, CEO - Small and Medium Enterprises Development Authority (SMEDA) who spared his valuable time and gave his candid views exclusively for this Journal - Editor