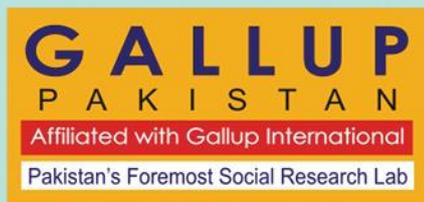


Ease of Doing Business in Pakistan



A Report
Developed by
Gallup Pakistan
for ICMA Pakistan

2nd March, 2020



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This report is prepared by Gallup Pakistan for ICMA Pakistan.

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Background and Objectives

Background and Objective

The Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan) was established in 1951 with the objective to regulate and promote the profession of Management Accounting in Pakistan. They approached Gallup Pakistan to take them on board as its official survey research partner. Gallup Pakistan will be carrying out a monthly opinion-based survey of ICMA Pakistan's esteemed members. This month's theme was to gauge the perception and the dynamics around the Ease of Doing Business in Pakistan.

This survey aims to seek the viewpoint of the members of ICMA Pakistan on the prevailing business and investment climate in Pakistan, the existing policies that directly or indirectly impact businesses, and potential steps that are essential for improving the ease of doing business in Pakistan

Gallup Pakistan undertook the task of reviewing and revising ICMA Pakistan's initial questionnaire based on their prior experience of conducting Market and Perception surveys across Pakistan. The customised Questionnaire was disseminated amongst more than 5,000 members of ICMA Pakistan using unique customized online links, followed by phone call and WhatsApp contact attempts. This enabled an extra layer of check to ensure that the database was updated while allowing outreach to maximum members. The response rate remained low with less than 10% of the contacted individuals filling out the survey. Furthermore, Gallup's phone call activity showed that the members list remained outdated hence further hindering outreach. After completing a sample of 233 members, Gallup Analysts have carefully collated and analysed the data.

This report provides key findings of this exercise. First the Executive Summary is presented, and then detailed findings are covered section-wise. The first section highlights Obstacles that Hinder Business Growth and Environment in Pakistan; the second section highlights opinions on Taxation Policies and Foreign Investment regarding Businesses in Pakistan; Section 3 mentions Government Initiating Business Reforms; Section 4 briefly details demographic understanding of the total sample.



Executive Summary

Executive Summary

Section 1: **Obstacles that Hinder Business Growth and Environment in Pakistan**

Flaws in the taxation system and high energy costs are the most pertinent obstacles that hinder business growth

Almost half of the respondents reported Flaws in the Taxation System and High Energy Cost to be the most important obstacles hindering Business Growth (**58%**). This is followed by **20%** respondent's mentioning how they faced strict regulatory compliance whereas only **11%** mentioned how mushroom growth of informal business was a major obstacle.

Pakistan has a better environment for doing business compared to other countries in the region

Pakistan was reported to have a better business environment compared to its surrounding countries with 65% of respondents agreeing completely or somewhat.

Section 2: **Taxation Policies and Foreign Investment regarding Businesses in Pakistan**

Existing taxation policies are not business and industry friendly

Almost half of the respondents (**55%**) disagreed fully or partially with the fact that the existing tax policies are effective for business, only **45%** of respondents said they fully or somewhat agreed.

Pakistan has not been able to attract sizeable foreign investment in the last 5 years

Only **28%** said that Pakistan has been able to attract any sizable foreign investment in the last 5 years, whereas **64%** disagree completely.

Lack of Political Consistency is the most important reason for lack of foreign investment in the country

According to **43%** of the respondents, lack of political consistency is one of the major reasons why there is a lack of sizable foreign investment in Pakistan. Political instability came in second with **21%** of respondents mentioning it as a concern.

Manufacturing is the priority sector for Government to attract foreign investment

51% of the respondents find say that Manufacturing should be the priority sector in which the government should be attracting foreign investment towards, followed by Services (including IT) (**23%**) and Infrastructure (**19%**).

Low Levels of Tax is collected from the Business Sector in Pakistan

Majority of the respondents reported low levels of tax collected from the business sector (**60%**) and only **31%** said the tax collected is sufficient.

Lack of will and capability of tax collecting agent is a major reason for low level of tax collection from the business sector

Overall **41%** respondents said there was a lack of will and capacity of tax collecting agencies and **34%** mentioned that there is a strong resistance from the traders and businesses.

Section 3: Government Initiating Business Reforms

Lowering Cost of Doing Business needs to be considered by the Government for initiating business reforms

Lowering the cost of doing business is exactly what the government needs to be investing (**43%**) and **25%** said that they need to help and invest in strengthening physical and regulatory infrastructure.

Section 4: Demographics

Gender Breakdown

Proportion of males in the total sample is much greater (**97%**) than that of females (**3%**).

Completion of Education from ICMA Pakistan

Majority, (**73%**) of the respondents have only done their associateships at ICMA Pakistan whereas **27%** of respondent have also completed their fellowships.

Year of Associateship and Fellowship Completion

The vast majority of respondents (**57%**) finished their Associateships at ICMA Pakistan between 2011 and 2019 while **68%** of respondents completed their Fellowships during the same time frame.

Location of Respondents

72% of the respondents were currently residing in Pakistan while **3%** are based abroad.



Section 1: Obstacles that Hinder Business Growth and Environment in Pakistan

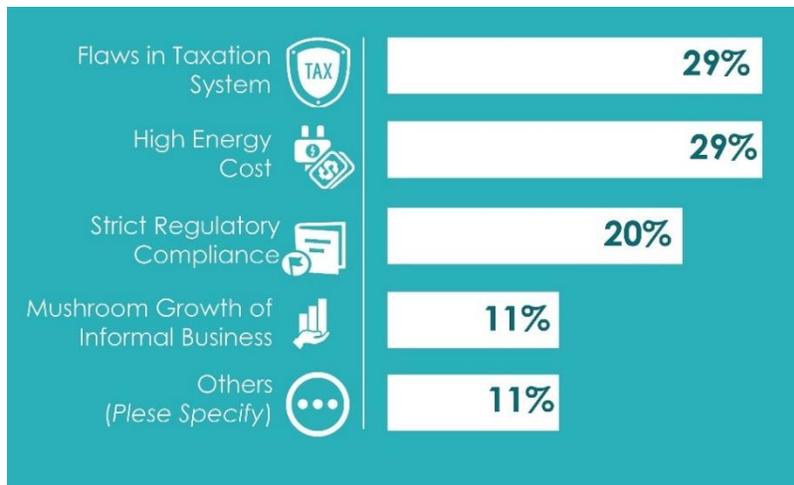
SECTION 1

Obstacles that Hinder Business Growth and Environment in Pakistan

1.1 Flaws in the taxation system and high energy costs are the most pertinent obstacles that hinder business growth

Respondents were asked to report what they perceived to be the most important obstacle they face in doing business in Pakistan.

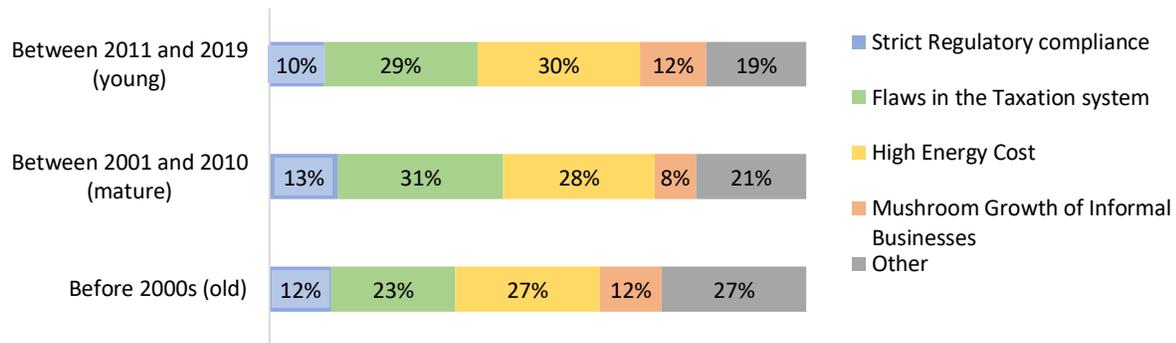
Item 1.1: Most Pertinent Obstacles



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

Results show that high energy costs (29%) and flaws in the taxation system (29%) are the most common obstacles faced by businesses in Pakistan. This is followed by 20% respondents reporting strict regulatory compliance as a major issue faced. 11% of the sampled respondents reported Mushroom Growth of Informal Businesses to be a major obstacle whereas a small percent of respondents (11%) reported other reasons.

Item 1.1a: Most Pertinent Obstacles (based on year of associateship completion)

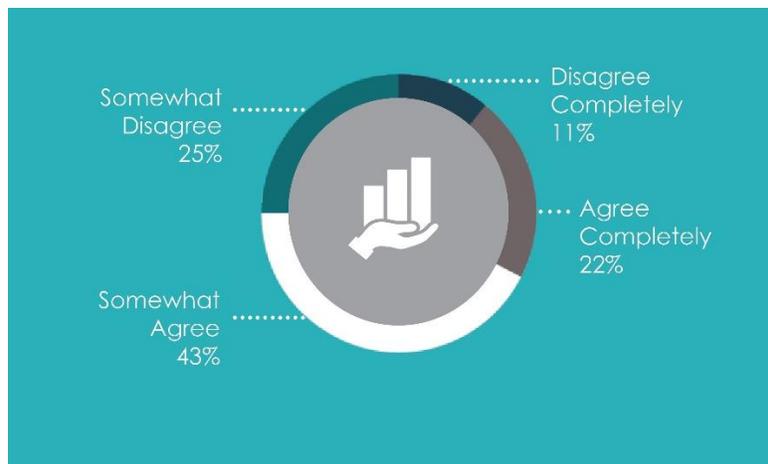


Amongst young respondents, highest proportion of 30% claimed that high energy costs were the major obstacle for them. A relatively greater proportion of mature respondents claimed that strict regulatory compliance is the most pertinent obstacle while the largest proportion (27% each) of old respondents chose high energy cost and other reasons as major obstacles.

1.2 Pakistan has a better environment for doing business compared to other countries in the region

Respondents were asked to report whether they agree or disagree Pakistan has a better environment for doing business compared to other countries in the region”.

Item 1.2: Business Environment Satisfaction

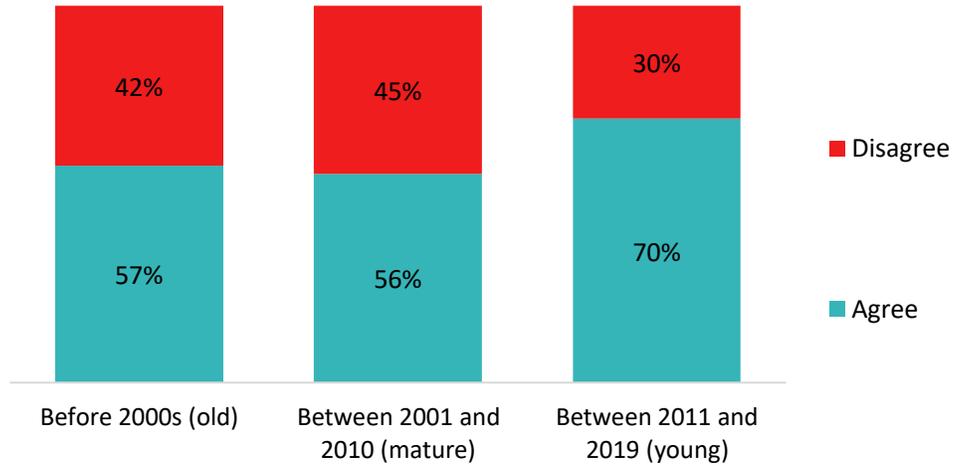


Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

Overall, 65% respondents agreed completely or somewhat that Pakistan has a better environment for doing business compared to other countries in the region. Only 1 in 4 (25%)

respondents disagreed completely or somewhat. This shows a high level of satisfaction with the business atmosphere in the country.

Item 1.2a: Business Environment Satisfaction (based on year of associateship completion)



A greater proportion of respondents who completed their associateship after 2011 agreed (somewhat or completely) with the statement (70%) compared to graduates from before the 2000s (57%). Results indicate that younger graduates are more likely to have a positive opinion on the business environment of Pakistan compared to other countries in the region.



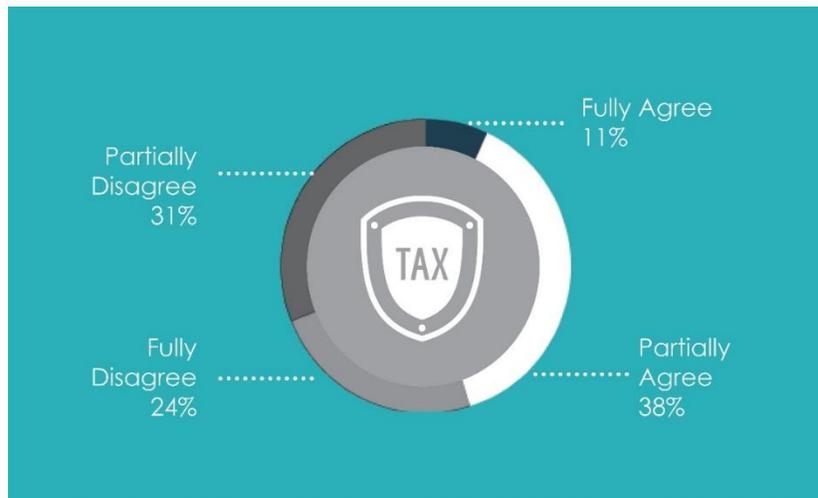
Section 2: Taxation Policies and Foreign Investment

Taxation Policies and Foreign Investment

2.1 Existing taxation policies are not business and industry friendly

Respondents were asked to report whether agreed or disagreed that the existing taxation policies are business and industry friendly”.

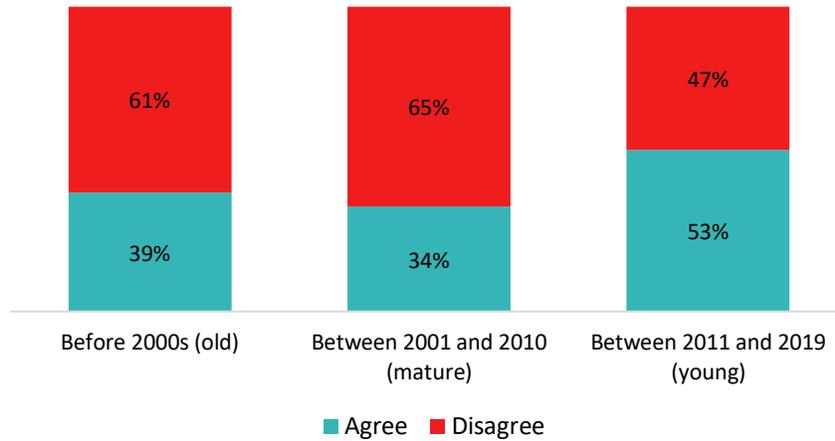
Item 2.1: Satisfaction with Existing Taxation Policies



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

More than 1 in 2 respondents (55%) respondents either disagree fully or partially that the existing taxation policies are business and industry friendly. A lower proportion (45%) agreed fully or partially with the statement. Results indicate a low level of satisfaction with the existing taxation policies.

Item 2.1a: Existing Taxation Satisfaction (based on year of associateship completion)



39% of the respondents who graduated before the 2000s agreed that the existing taxation policies are business and industry friendly, while a greater proportion (61%) disagreed. In comparison, 53% of the respondents who graduate after the year 2010 agreed with the statement, while 47% disagreed.

A greater proportion of younger graduates are satisfied with the existing taxation policies.

2.2 Pakistan has not been able to attract sizeable foreign investment in the last 5 years

Respondents were asked if at any point in the last 5 years, Pakistan has been able to attract sizeable foreign investment.

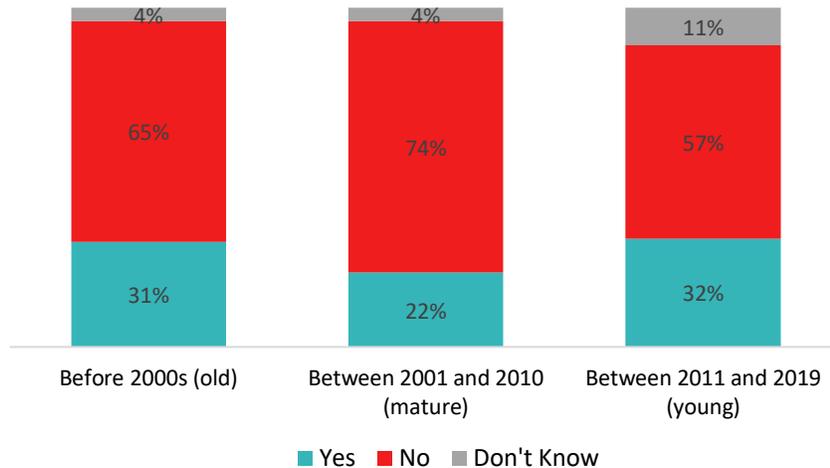
Item 2.2: Opinion on attracting sizable investment



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

Only 28% of the respondents believed Pakistan has been able to attract sizable foreign investment in the last 5 years, while a much greater proportion (64%) disagreed.

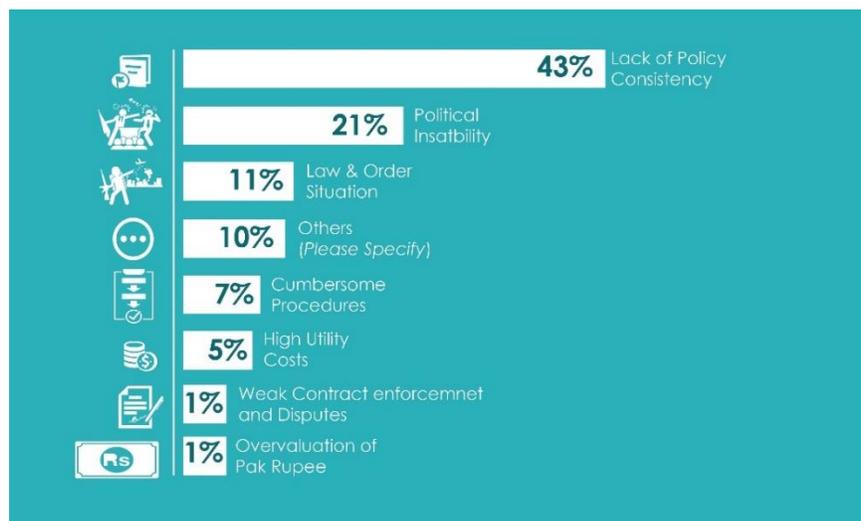
Item 2.1.1: Opinion on attracting sizable investment (based on year of associateship completion)



Only 31% of the old respondents, 22% of mature respondents and 32% for young respondents believed Pakistan has been able to attract sizable foreign investment in the last 5 years, while much great proportions, 65%, 74% and 57% respectively, disagreed.

2.2a Lack of Policy Consistency is a major reason for Pakistan not being able to attract investments

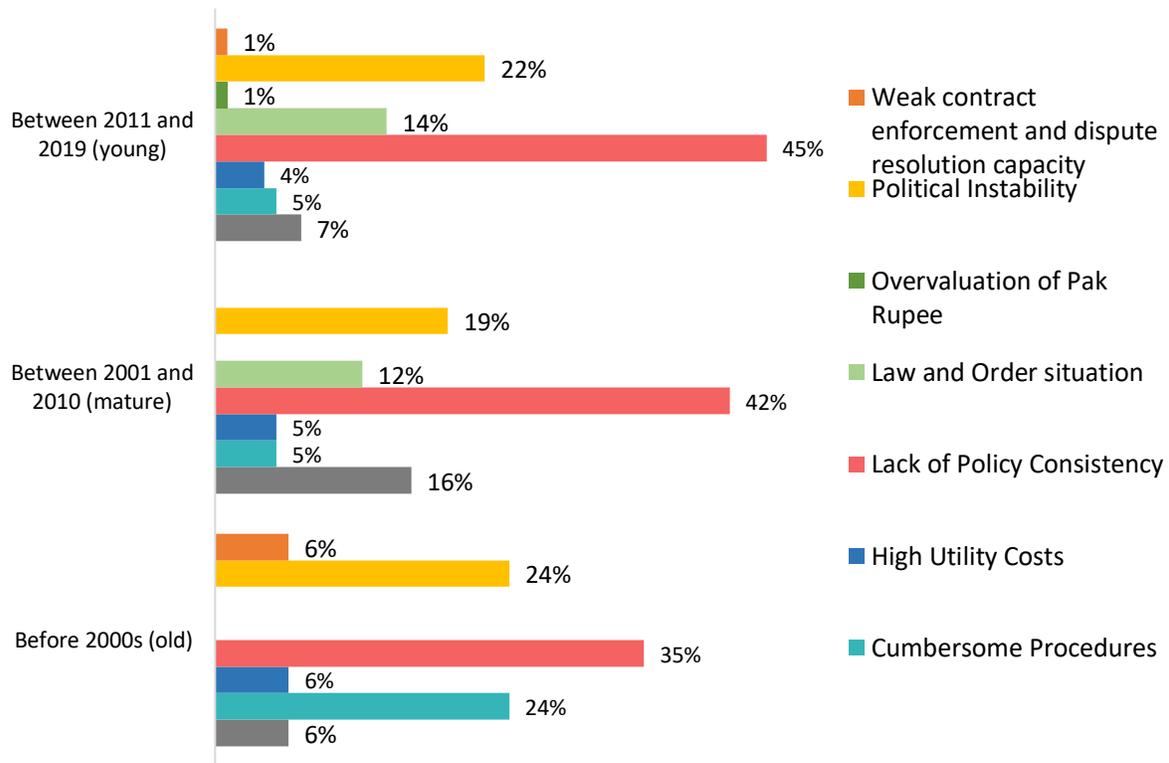
Item 2.2a: Major Reasons for Lack of Sizable Foreign investment



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

43% of the respondents believed the lack of policy consistency is the major reason for Pakistan not being able to attract foreign investment, followed by 21% respondents who cited political instability as the major factor. Other reasons cited by respondents for the low foreign investment were law and order situation (11%), cumbersome procedures (7%) and high utility costs (5%). Overvaluation of Pak Rupee and weak contract enforcement & dispute resolution capacity were reported by just 1% of the respondents.

Item 2.2b: Major Reasons for Lack of Sizable Foreign investment (based on year of associateship completion)

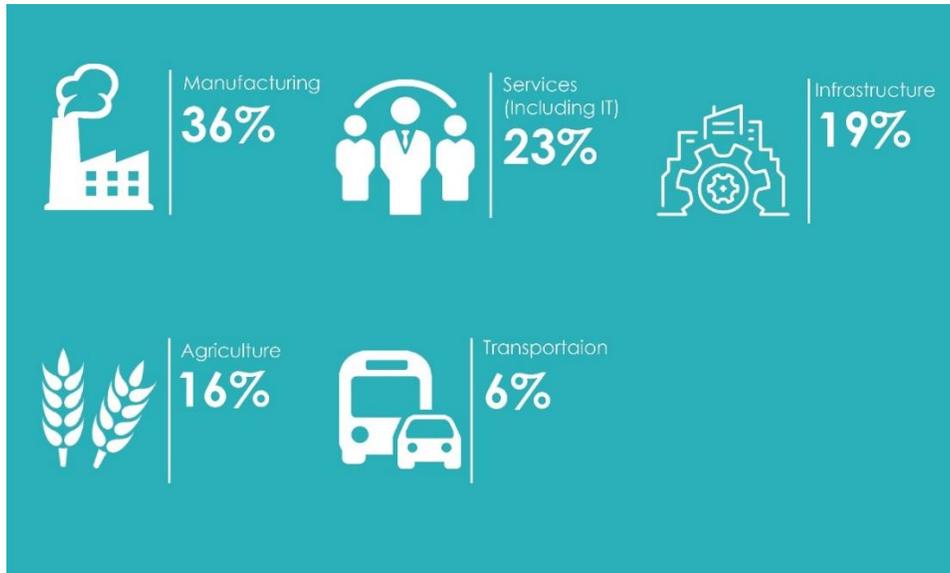


45%, 42% and 35% of young, mature and old respondents respectively believed the lack of policy consistency is the major reason for Pakistan not being able to attract foreign investment, followed by 22%, 19% and 24% respondents who cited political instability as the major factor.

2.3 Government should prioritize the Manufacturing sector to attract foreign investment

Respondents were asked to report which sectors they perceived to be priority by the Government to further attract foreign investment.

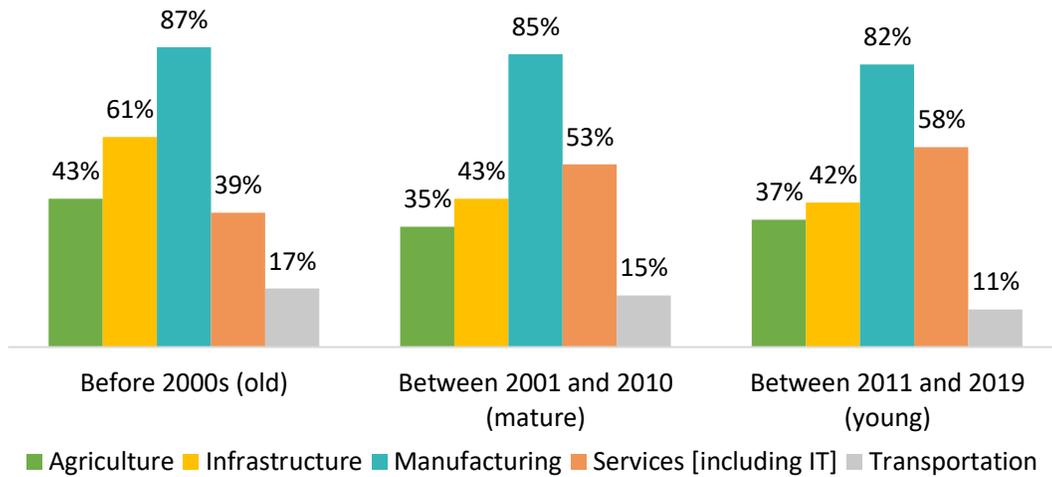
Item 2.3: Priority Sectors



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

36% of the respondents are of the opinion that to further attract foreign investment, the government should prioritise the manufacturing sector, whereas, 23% opine that priority should be given to the services sector. Less than 1 in 5 each cited Infrastructure (19%) and Agriculture (16%) as the priority sectors, while only 6% cited transportation.

Item 2.3a: Priority Sectors (based on year of associateship completion)



Young, mature and old graduates all opine that the government should give priority to the manufacturing sector to attract foreign investment.

2.4 Low levels of tax is collected from the Business sector in Pakistan

Respondents were asked if business sector is a large contributor to national taxes, or if tax collection from the business sector is very low.

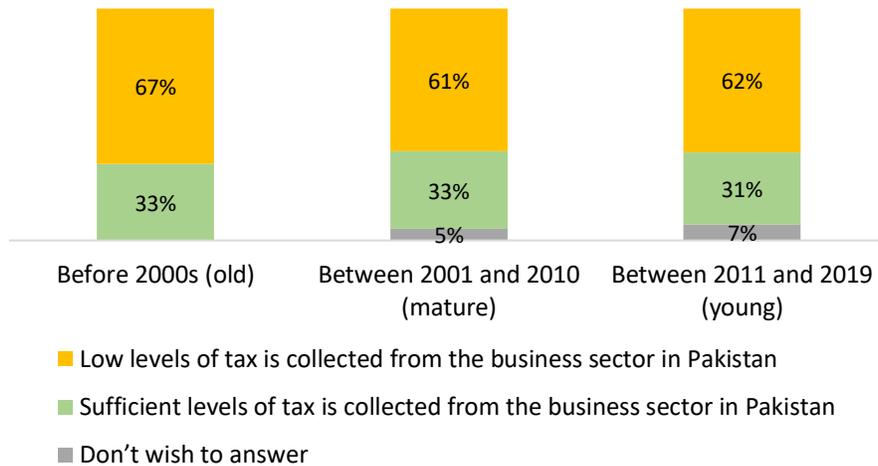
Item 2.4: Opinion on National Tax Collection from Businesses



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

A significant proportion of the respondents (60%) were of the opinion that that a low level of tax is collected from the business sector, whereas only 31% say tax collection from the business sector is sufficient.

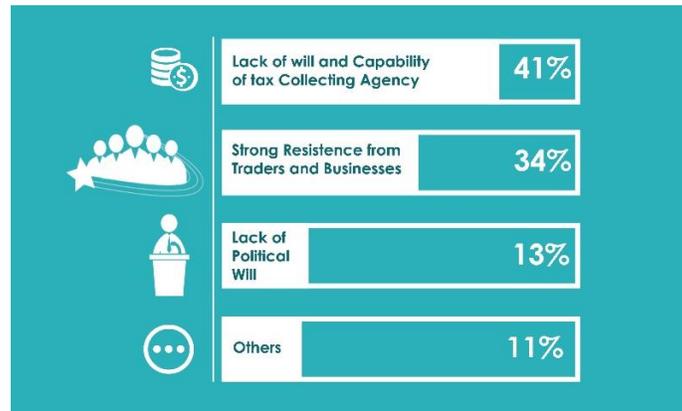
Item 2.4a: Opinion on National Tax Collection from Businesses (based on year of associateship completion)



Nearly 2 in 3 respondents from all age groups believe that tax collected from the business sector in Pakistan is low, whereas 1 in 3 continue to believe that sufficient tax is collected from the business sector.

2.5 Lack of will and capability of tax collecting agent is a major reason for low tax collection from the business sector

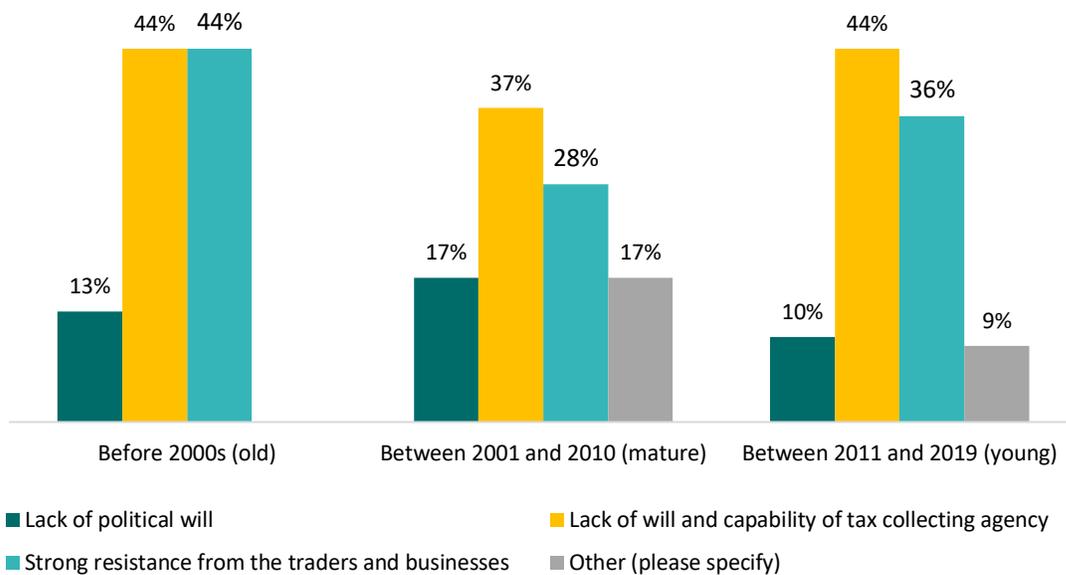
Item 2.5: Reasons for Low Tax Collection from Businesses



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

When asked the reasons for low level of tax collections from the business sector, majority of the respondents (41%) cited lack of will and capacity of tax collecting agencies as the major reason, followed by 34% respondents who said it is due to strong resistance from the traders and businesses. whereas they also mentioned how there is a strong resistance from the traders and businesses (34%). 13% of the respondents reported lack of political will as a reason for low tax collection.

Item 2.5a: Reasons for Low Tax Collection from Businesses (based on year of associateship completion)



Nearly equal proportions of old, mature and young respondents believe lack of will and capability of the tax collecting agency is the reason for low level of tax collections from the business sector, followed closely by respondents that chose strong resistance from traders and businesses as the reason for low level tax collection.



Section 3: Government Initiated Business Reforms

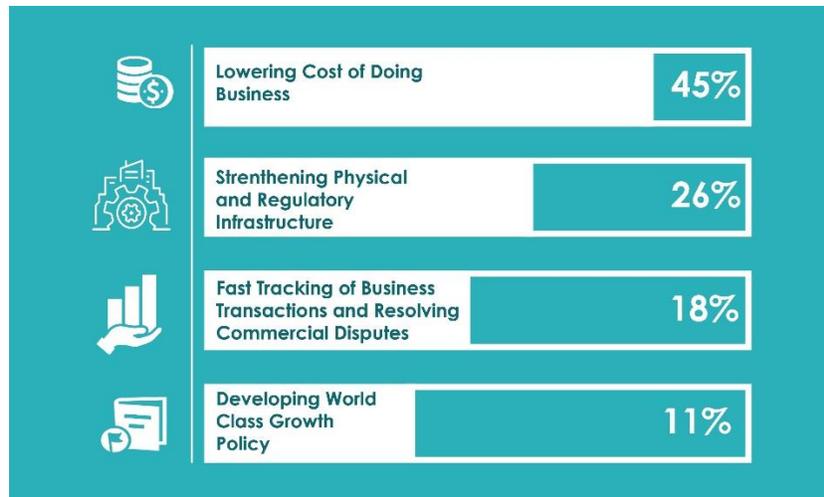
SECTION 3

Government Initiating Business Reforms

3.1 The government should lower the cost of doing business to initiate business reforms

Item 3.1: Factors that Require Government Attention for Business Reforms

Respondents were asked which factors require government attention while initiating Doing Business Reforms.

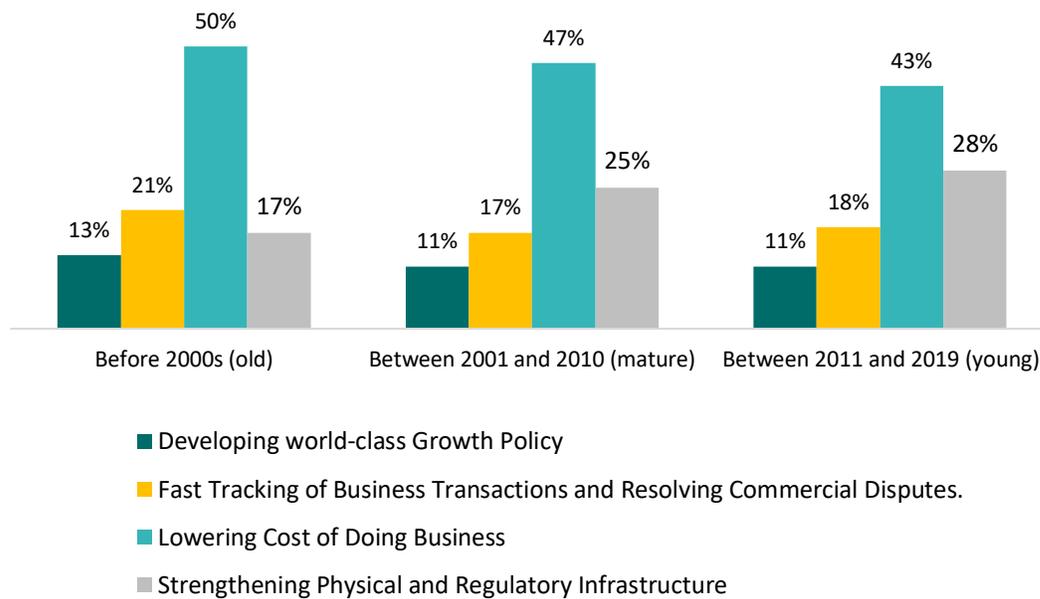


Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

45% respondents cited lowering the cost of doing business as the main factor requiring government attention when initiating Doing Business Reforms. 25% stated that the government should strengthen physical and regulatory infrastructure, and 17% said fast tracking of Business transactions and Resolving commercial disputes requires attention, and only 11% said that development of world class growth policies is required.

Item 3.1a: Factors that Require Government Attention for Business Reforms (based on year of associateship completion)

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Respondents across the age groups continue to believe that to initiate doing business reforms, the government should lower the cost of doing business; 50% of the respondents who graduated before the 2000s, 47% of those who graduated between 2001 and 2010, and 43% of those who graduated between 2011 and 2019 cited lowering the cost of doing business as the main factor requiring government attention.



Section 4: Demographics

SECTION 4

Demographics

4.1 Gender Breakdown

Item 4.1: Gender of Respondents

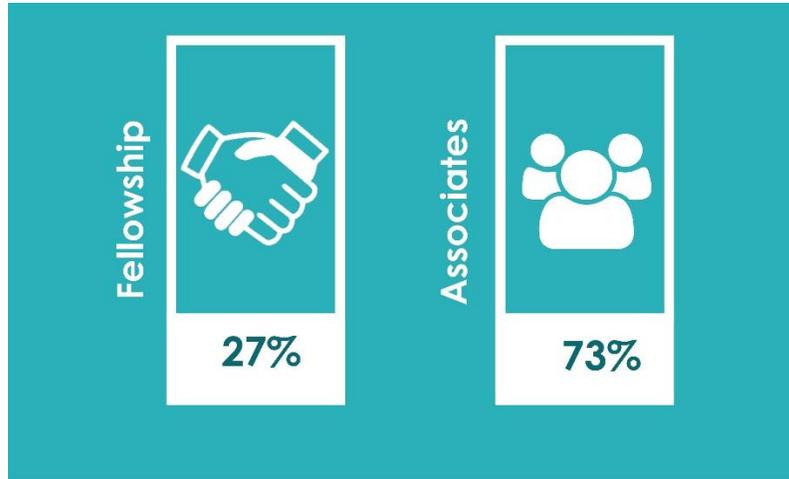


Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

Proportion of males in the total sample is much greater (97%) than that of females (3%).

4.2 Completion of Education from ICMA Pakistan

Item 4.2: Fellows vs. Associates



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

Majority, (73%) of the respondents have only done their associateships at ICMA Pakistan whereas 27% of respondent have also completed their fellowships.

4.3 Year of Associateship Completion

Item 4.3: Year of Associateship Completion



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

Most respondents (57%) finished their Associateships at ICMA Pakistan between 2011 and 2019. 32% completed theirs between 2001 to 2009, while only 11% of respondents were those who had fulfilled the requirements before the 2000s.

4.4 Year of Fellowship Completion

Item 4.4: Year of Fellowship Completion

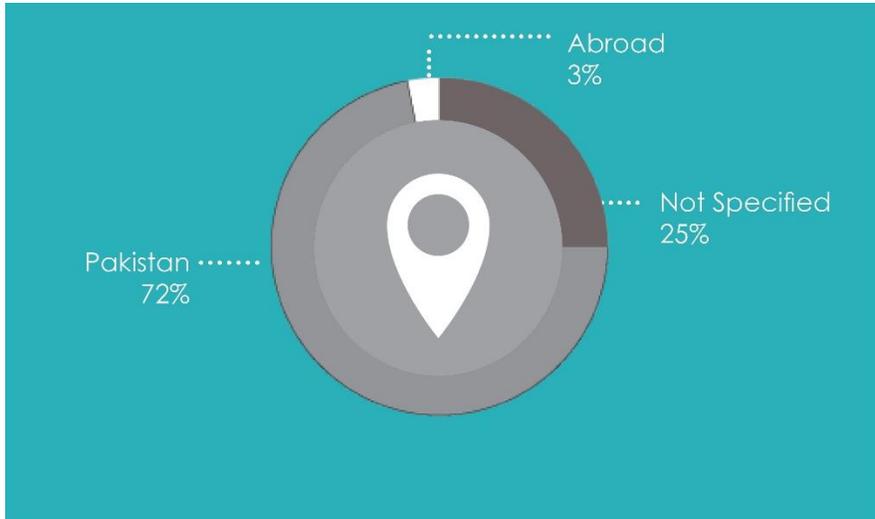


Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

The vast majority of respondents (68%) finished their Fellowship at ICMA Pakistan between 2011 and 2019. 16% completed theirs between 2001 to 2009, while only 16% of respondents were those who had fulfilled the requirements before the 2000s.

4.5 Location of Respondents

Item 4.5: Location of Respondents



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

72% of respondents are based in Pakistan while only 3% are based abroad. Around 23% of respondents did not specify their current location.



Methodology

METHODOLOGY

This project was undertaken by Gallup Pakistan as an opinion-based survey across ICMA Pakistan's esteemed members, in order to seek the viewpoint of the members of ICMA Pakistan on the prevailing business and investment climate in Pakistan, the existing policies that directly or indirectly impact businesses, and potential steps that are essential for improving the ease of doing business in Pakistan, Gallup Pakistan proposed and implemented the following steps:

1. ICMA Pakistan shared details about the issues and themes to be covered in the monthly surveys. Questionnaires were then reviewed by Gallup Pakistan in consultation with ICMA Pakistan to ensure that they aligned with the objectives set by the organization. Gallup was responsible for the overall designing of the questionnaire, with various waves of revisions based upon ICMA Pakistan's feedback.
2. Gallup then scripted the agreed upon survey into a specialized online software which enabled electronic collection of data through unique customized online link.
3. Emails were then sent out through Gallup's server to each of the 5000 members of ICMA Pakistan. Each link was customized based upon the members details.
4. Follow up WhatsApp messages were sent out to maximize participation. Follow-up calls were also made.
5. Data from complete surveys was received by Gallup 's online server daily. Total fieldwork was completed in a span of three weeks. More than 239 surveys were completed successfully. After accounting for Quality Assurance, data from a total of 233 surveys was used for this analysis.
6. The findings from this exercise were summarized within this report, to be shared with ICMA Pakistan.



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Disclaimer:

Gallup Pakistan has conducted this poll according to the ESOMAR Code of Ethics and internationally recognized principles of scientific polling. The results in this Report do not represent views held by the authors or Gallup Pakistan. The results only represent public opinion, computed on the basis of views expressed by anonymous respondents selected through the procedure outlined in the Methodology section of this Report.