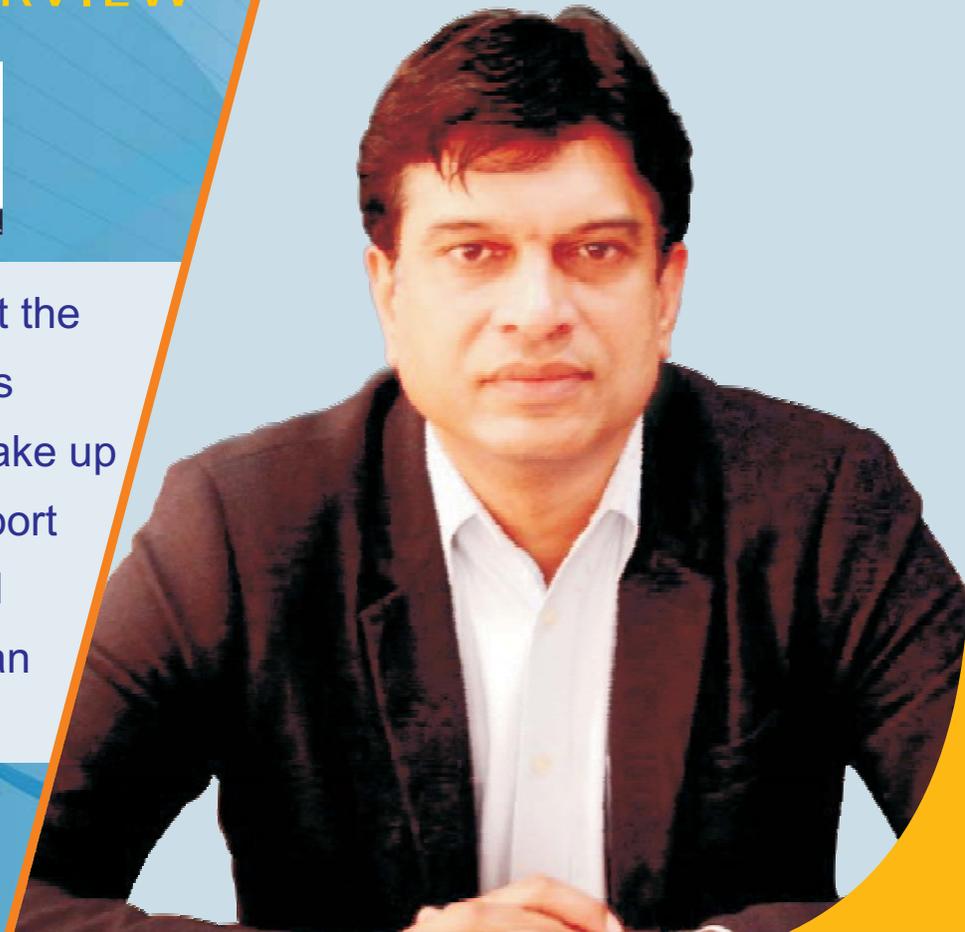


EXCLUSIVE INTERVIEW



“ There is no doubt that the SME sector has enormous export potential. SMEs make up about 25% of the total export earnings of Pakistan and I believe this percentage can be greatly enhanced ”



Mr. Hashim Raza

Chief Executive Officer

Small and Medium Enterprises Development Authority (SMEDA)

ICMA Pakistan: SMEDA was established way back in 1998 to develop SMEs in Pakistan. During the last 23 years, how far SMEDA has been successful in stimulating the growth of SMEs and small businesses?

Hashim Raza: SMEDA has focused on supporting the creation of an enabling environment and business development services to small and medium-sized enterprises since its inception. SMEDA serves as an advisory body to the Government of Pakistan on SME policy matters and also assists other stakeholders in advancing their SME development agendas. To promote entrepreneurship in Pakistan, it offers a variety of Business Development Services via helpdesks. For walk-in clients, these services include prefeasibility studies based on current market trends; developing business plans; providing access to information; commercial contract templates, and other such information resources. Additionally, as an SME promotion agency, it offers a variety of training, seminars, and workshops tailored to the specific needs of

entrepreneurs and SMEs. These programs are primarily concerned with technical advancement and the resolution of legal issues, among other things. SMEDA also hosts seminars/workshops at Universities throughout the country to foster an entrepreneurial mindset. SMEDA assisted over 133,000 SMEs since its inception with regard to business advice and consultation.

In the last fiscal year, SMEDA organized 121 theme-specific helpdesks to assist SMEs with training and capacity building, which is important for increasing export capacity, investment promotion, business transparency, human resource development, and managerial transparency, among other benefits.

SMEDA also intervened to assist Women Entrepreneurship (WE), a historically marginalized segment of the economic enterprise. Through its training programs and workshops, it has aided hundreds of women in developing their entrepreneurial skills.

“ SMEDA has launched a unique service called SMEDA One Window (SOW) to provide solutions to start-ups and small and medium-sized businesses (SMEs) through a single platform”

ICMA Pakistan: What are the key hurdles in the sustained growth of SMEs in Pakistan and what role SMEDA is playing to overcome these hurdles?

Hashim Raza: The significant roadblocks for SMEs include financial access; cumbersome regulations; taxation; inadequate business training, digitization, and adoption of new technologies.

In terms of access to finance, SMEDA is not a financial institution per se, but it does assist SMEs in obtaining necessary funds by giving SMEs guidance particularly related to how they should approach the bank to successfully procure the required funds. In this way, we have been instrumental in helping SME to procure millions of rupees to date. Additionally, we have initiated and continue to support several projects that provide small grants to start-ups.

In terms of regulations, I believe that small and medium entrepreneurs in Pakistan are required to comply with a plethora of regulatory requirements to establish and operate a business. As a result, SMEDA has launched a unique service called SMEDA One Window (SOW) to provide solutions to start-ups and small and medium-sized businesses (SMEs) through a single platform. Through its business concierge, professional and technical services, the SMEDA One Window (SOW) program aims to reduce startup costs and increase time efficiency. SOW offers convenient, on-demand services ranging from business idea validation to business registration, allowing SMEs to focus entirely on their business operations.

SOW serves as a one-stop shop for aspiring start-ups and SMEs seeking to establish and streamline their business operations in Pakistan.

SMEDA typically addresses the last three obstacles through its training programs, workshops, seminars, thematic helpdesks, and one-on-one consultations.

ICMA Pakistan: What is the potential of promoting exports from the SME sector? Please share the current exports by SMEs and the incentives being provided by the government for boosting exports of small and cottage industries?

Hashim Raza: There is no doubt that the SME sector has enormous export potential. SMEs make up about 25% of the total export earnings of Pakistan and I believe this percentage can be greatly enhanced. That is precisely why SMEDA recently signed an MOU with the Trade Development Authority of Pakistan (TDAP) under which the two organizations will collaborate to conduct training programs, seminars, and workshops on all aspects of exports and skill development for SMEs and WEs, including the use of E-commerce, online business, and business digitization, both locally and internationally.

ICMA Pakistan: SMEs are facing extreme difficulty in getting soft loans from banks for capacity and export development. What initiatives different stakeholders like SMEDA and State Bank have taken to facilitate the SMEs in this regard?

Hashim Raza: As I have said, SMEDA is not a financial institution; however, it has currently several ongoing projects that provide small grants to SMEs. These are:

- 1) **1000 Industrial Stitching Units** – where the grant of 60% is awarded against the cost of machinery and 40% is borne by the SME. 250 grant applications have been received and 46 grant cases have been approved by the project and 32 grants disbursed for the establishment of Industrial stitching units.
- 2) **National Business Development Program for SMEs** – It is a project of SMEDA funded through the Public Sector Development Program of the Government of Pakistan.

“Whereas the COVID-19 epidemic adversely impacted economies, we are now witnessing the emergence of new opportunities, particularly in e-commerce, that is paving the way for an entirely new set of business dynamics”

“ICMA Pakistan and SMEDA could collaborate to conduct training programs for SMEs and small businesses”

The program will be implemented in all provinces of Pakistan. Priority areas of high growth for SME development will include but may not be limited to manufacturing energy, construction, trade, transportation, tourism, innovation and communication, technical and managerial activities. Special focus will be given to sectors where there are higher possibilities of value addition and innovation. This project will provide a grant for up to PKR 0.5 million to the start-ups. The proposed program aimed at facilitating 314,000 SME beneficiaries over 5 years.

- 3) **Economic Revitalization of Khyber Pakhtunkhwa (ERKP)** – designed to support the economic recovery and revitalization of the crises-affected areas of KPK and merged areas. During the FY 2020-21 it has sanctioned a total amount of Rs.361.34 million thereby facilitating 567 SMEs in the region.

As far as State Bank is concerned, currently, it is rigorously following the policy of providing soft loans to SMEs. Striking initiatives in this regard by SBP are:

- 1) **Prime Minister's Kamyab Jawab Program** – for young entrepreneurs and existing businesses between the age group of 21 - 45 years (18 Years for IT sector), is designed to provide subsidized financing through 21 Commercial, Islamic, and SME banks under the guidance and supervision of the State Bank of Pakistan. The Program aims to provide 25% of the loans to women entrepreneurs. SMEDA has been tasked with an advisory role in the implementation of PM's scheme.
- 2) **SME Asaan Finance Scheme** – all types of loans i.e. term loans as well as working capital/running finance loans will be eligible with up to Rs.10 million for a single SME with a lower mark-up rate.
- 3) **Refinance and Credit Guarantee Scheme for Women Entrepreneurs** – maximum financing of Rs.5 million can be availed.
- 4) **Export Finance Scheme**
- 5) **Refinance Facility for Modernization of SMEs**

ICMA Pakistan: How do you see the status of the adoption of technology and e-commerce by small businesses on how they can improve their productivity and achieve cost efficiency. Please share your comments.

Hashim Raza: Whereas the COVID-19 epidemic adversely impacted economies, we are now witnessing the

emergence of new opportunities, particularly in e-commerce, that is paving the way for an entirely new set of business dynamics. In this regard, I must commend our nascent but astute entrepreneurs, particularly start-ups, who have adapted extremely well to the onslaught, but there is still a huge gap in terms of adoption of digitization and e-commerce by small businesses. Apart from providing training, and organizing thematic helpdesks, we recently launched several initiatives to assist SMEs in this area:

- 1) To promote **SME trading through e-commerce channels**, SMEDA has signed MOU with Extreme Commerce to facilitate SMEs' access to international markets.
- 2) **Energy Desks** – serves as a knowledge data center to promote Energy Efficiency (EE) and Renewable Energy (RE) and systems. It aims to provide EE and RE solutions to SMEs and to enhance their capacities through an online Data Management System / Portal for providing seamless access to information including technical guidelines, manuals, links to energy exports and technology suppliers, and updates on training programs and events.

ICMA Pakistan: ICMA Pakistan and SMEDA can join hands to initiate training programs for SMEs and small businesses to improve productivity and achieve cost efficiency. Please also share your viewpoint on the proposal of a strategic partnership between ICMA Pakistan and SMEDA to undertake sector-specific studies for the benefit of all industry stakeholders, including the SMEs?

Hashim Raza: Naturally, ICMA Pakistan and SMEDA could collaborate to conduct training programs for SMEs and small businesses. We are always eager to strengthen institutional ties and have previously collaborated with a variety of institutions. We can make efforts and implement programs to promote entrepreneurial culture. This includes joint training programs and workshops for SMEs and ICMA Pakistan students on topics of mutual interest, such as entrepreneurship, business plan development, idea generation, and business start-up. We are certainly capable of conducting sector-specific research for the benefit of all industry stakeholders.

The Editorial Board thanks Mr. Hashim Raza, Chief Executive Officer, Small and Medium Enterprises Development Authority (SMEDA) for giving his exclusive interview for Management Accountant Journal.