



IFC and HBL Supporting Job Creation in Pakistan

CASE STUDY



IFC

**International
Finance Corporation**
World Bank Group

Acknowledgements

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The objective of this study is to develop an understanding of the relationship between access to finance for small and medium enterprises (SMEs) and job creation. IFC has analyzed a sample of more than 100 SMEs that obtained loans from its client, Habib Bank Ltd (HBL), in 2009 in Pakistan, at a challenging time for the country. The findings are encouraging and include:

- **Positive results in terms of employment growth in small and medium enterprises:** Overall, 1,170 permanent full-time jobs were created between 2009 and 2012, with a compound annual growth rate of 9.7 percent.
- **Insights on SMEs segments:** Job growth was mainly driven by medium size companies (50-249 employees), but small firms also revealed potential for employment generation. Very small firms (up to 10 employees) only grew jobs at 2 percent, but had the fastest labor productivity growth (sales grew at 17 percent).
- **Insights on SMEs by sectors:** The service sector, including wholesale, retail, and trade firms, created the majority of full-time jobs (56 percent). The textile and manufacturing sectors created 25 percent and 15 percent of the total new positions respectively. The textile sector created the largest opportunities for women and youth employment.
- **Insights in terms of banking products targeting SMEs:** The majority of firms preferred flexible repayment terms and mostly used credit lines for working capital purposes. These credit lines were designed to match the cyclical cash flows of the SMEs and address their funding needs, particularly at a time of declining SME financing across the country.



Executive Summary

IFC, a member of the World Bank Group, contributes to the World Bank mission of global poverty reduction by creating opportunities for people to improve their lives through private sector solutions. In Pakistan, IFC's strategy has focused on addressing the key challenges that affect private sector development, from investing in the infrastructure sector, including energy, to enhancing access to finance, with a view to improving the conditions for growth and employment generation.

As part of its country program, IFC has focused on increasing access to finance for small and medium enterprises (SMEs), which are the backbone of Pakistan's economy as they constitute more than 90 percent of total private enterprises in the formal industrial sectors and employ over 70 percent of the labor force. Often these SMEs struggle to obtain the financing needed to grow and create jobs. For this reason, IFC has partnered with financial institutions to improve service provision to SMEs and stimulate economic development across the country. Since 2007, IFC has been engaged with HBL, Pakistan's largest private sector commercial bank, and provided financing to strengthen the bank's capital following its privatization, as well as advised on how to scale up the bank's SMEs portfolio in a sustainable manner.

Measuring the impact of IFC's investment and technical assistance activities is complex, particularly as the results are achieved over the medium term and some of the development outcomes are indirect. IFC's Middle East and North Africa Region (CME Strategy Department and the Pakistan Country Team) together with the Development Impact Department (CDI) and the Access to Finance teams collaborated with HBL to undertake this study. This study aims to: (1) gain insights about the relationship between SMEs with increased access to finance and job creation; and (2) highlight different dimensions of job creation through SME finance.

By looking at IFC and HBL's contribution to job creation in Pakistan between 2009 and 2012, the study also attempts to identify sectors that show potential for strong SME growth as well as to gain insights on how SMEs use loans to grow. The findings of this study may prove useful to inform the design and programming of future IFC operations, particularly at a time when a country faces slow growth, high unemployment, and declining SME financing as in the case of Pakistan in recent years. The results are based on a survey sample of 113 companies carried out in April 2013 that received loans from HBL in 2009. The enterprises ranged from very small, small, and medium enterprises¹. It was encouraging to see that these firms created 1,170 permanent full-time jobs between 2009 and 2012, with a compound annual growth rate of 9.7 percent. These results are commendable given the challenging macroeconomic and security environment in Pakistan during the last five years, which negatively impacted the overall economic growth rate and private sector activity. For instance, SME financing declined significantly, possibly making SMEs the worst hit firms of the overall challenging economic scenario.



¹The SME definition for this study is as follow: very small enterprises (1 - 9 full-time employees), small enterprises (10 – 49 full-time employees), and medium enterprises (50 to 249 full-time employees). This categorization differs from HBL's internal rubric which only differentiates between SMEs and non-SMEs.

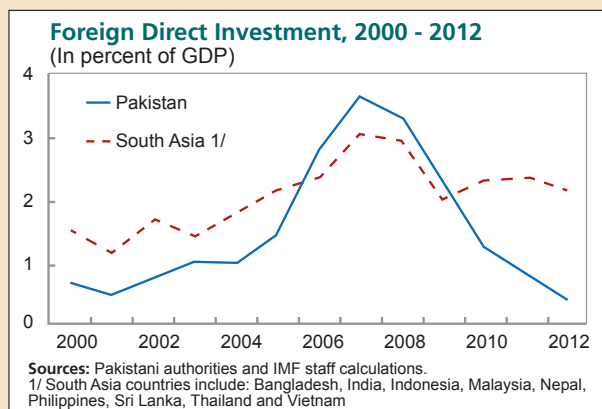
Country Context

The past five years represent a significant political achievement in Pakistan, a democratically elected government completed its full term and a new government is currently in place following general elections in May 2013. However, on the economic front, gains have been limited. Pakistan's economy has not been able to perform up to its potential due to challenges including the persistent energy crisis which has crippled growth, a decline in investment, and poor law and order and security concerns.

Pakistan's economic growth has been modest at best (averaging an annual rate of 3 percent) since the macroeconomic crisis of 2008. Inflation has been in double digits most of the time (over 10 percent), and the fiscal deficit in the range of 7-8 percent of GDP since 2008-2009. Formal unemployment has risen from 5.6 percent in 2009-2010 to 6.7 percent in 2012-2013 (with youth unemployment almost twice as much). There is no doubt that Pakistan has had to manage through several shocks, such as natural disasters and the ongoing conflict in neighboring Afghanistan. Nevertheless, there has also been deterioration in many structural areas under government control, such as revenue mobilization, the energy sector, social sectors, and the overall environment for private investment. The current level of foreign exchange reserves and the fiscal deficit have also become unsustainable, inevitably constraining the fiscal space for financing development needs and placing the economy on the brink of a balance of payment crisis - for the second time in less than five years. On a positive note, on September 4, 2013 the International Monetary Fund (IMF) approved a \$6.7 billion three year extended fund facility which will support the country's economic reform program going forward.

Private Sector and Investment Flows

Against this challenging macroeconomic scenario, the private sector has suffered. Private investment has fallen by nearly half over the past five years, reflecting sharp drops in both foreign and domestic investment. For instance, domestic private investment dropped from 14 percent of GDP in 2007-2008 to an estimated 10.9 percent of GDP in 2012-2013. Weak private sector credit growth has contributed to this decline. Private credit has also fallen in real terms in recent years, crowded out by rapidly rising public borrowing. Foreign direct investment (FDI) which peaked above 3 percent of GDP (well above other South Asia countries) in 2007-2008, has since fallen below 0.5 percent of GDP, putting further pressures on depleting international reserves.



SME Financing

There are close to 3 million SMEs in Pakistan that combined account for about 90 percent of all private enterprises in the industrial sector and 30 percent of the country's GDP. These firms have faced numerous constraints. In line with the reduction in private sector credit, from 2008 to 2012, banks and development finance institutions reduced SME financing. A primary reason for the reticence of banks to increase their level of market penetration in SME financing was due to the more risk-averse strategy adopted in the wake of increasingly higher delinquency rates in SME financing portfolios.

The perception of high risk and high operating costs to service SMEs, as well as information opacity from such clients, contributed to the declining trend in providing financing to SMEs. This trend persisted especially during 2012, while the proportion of non-performing SME loans increased. The declining trend in SME financing has reduced the share of SMEs in total financing of banks from 8.3 percent in December 2011 to 6.7 percent in December 2012, and the number of SME borrowers also saw a decline of more than 20 percent, shrinking from 167,936 in December 2011 to 132,167 in December 2012. The faster decline in the number of SMEs financing facilities compared with the declining rate of SME using financing could be evidence that the lower-end SMEs have been losing their banking relationships, and have possibly been the worst hit firms in terms of their integration and absorption in the formal financial system.

On the demand side, a disinclination of SMEs to use the financial services offered by the banks and financial institutions was due to several issues including low financial literacy, strong collateral requirements, and high transaction costs associated with accessing finance, inappropriate product proposition, and limited capacity to undertake strategic planning and transparency which would make them more bankable and creditworthy. The implications of these constraining factors were further intensified by external factors mentioned above, i.e. rising inflation, weak macroeconomic context, law and order and security concerns, and natural disasters like floods in the past few years.

IFC's Strategy in Pakistan

"[SMEs] often struggle to get loans from banks which see them as risky investments. Red tape makes it hard for them to get crucial permits and licenses. Commercial disputes with other firms can drain their finances. And many entrepreneurs lack even basic business training. As a result, roughly 95 percent of SMEs will never employ more than five people and only 4 percent survive to their 25th birthday."

"Hitting it Big" p.14, IFC Publication: Voices, How IFC is changing lives in Pakistan

IFC's strategy in Pakistan has provided a direct response to the challenges which adversely affect private sector growth and limit access to finance for large segments of SMEs. IFC has been focusing on: (i) mobilizing investments in energy (including renewable power) and infrastructure, (ii) expanding access to finance to SMEs, and (iii) supporting employment creating sectors.

Through its integrated investment and advisory services strategy, IFC has focused on increasing access to finance to SMEs for several years and this approach has been validated by several recent publications including the 2013 IFC Jobs Study and the 2013 World Development Report on Jobs. On the investment side, interventions have been conducted primarily through (i) credit facilities to financial intermediaries to help expand their SME operations; (ii) risk sharing facilities to promote SME lending; and (iii) trade finance guarantees to support small businesses. On the advisory front, IFC has helped financial intermediaries with SME banking and risk management capacity building, provided training to financial institutions on SME finance, and trained SMEs on international best practices and corporate governance.

To help address some of the challenges faced by SMEs, IFC is ramping up its investment and advisory work in the country. IFC has helped train more than 4,400 entrepreneurs in the fundamentals of commerce through Business Edge, a specially-designed program pioneered by IFC. About 20 percent of those were women. At the same time, IFC has also trained over 200 trainers, who have shared their expertise with scores of budding entrepreneurs. The organization has helped develop mediation and alternative dispute resolution centers in Karachi and Lahore. These dispute and resolution centers allow smaller businesses to settle commercial disputes quickly and inexpensively outside of the country's overburdened court system. IFC has trained close to 100 bank staff (including managers) on ways to reach out to SMEs whose needs are often different from those of other clients. IFC is also expanding its work with banks to help them develop a range of financial services tailor-made for smaller firms. This includes support for strengthening SME banking products and services, expanding agribusiness lending and banking services for women-led firms.

HBL and IFC

“We had been trying to increase our outreach for several years, but we were struggling to find a model that worked” says HBL’s head of small and medium enterprise banking. “IFC helped shift the way we were thinking about SMEs and prompted us to offer them a complete suite of services in terms they could understand.”

IFC has a long-standing relationship with HBL which is the largest private sector commercial bank in Pakistan and operates over 1400 branches across the country. HBL is part of the Aga Khan Fund for Economic Development (AKFED), which owns 51 percent of the bank. AKFED is an international development agency operating through approximately 90 separate companies in 16 developing countries, employing 30,000 people. In 2007, IFC provided to HBL a subordinated loan of \$50 million to strengthen the bank’s capital base and support its post-privatization expansion. Subsequently, IFC provided a \$100 million guarantee facility under its Global Trade Finance Program (GTFP). HBL has had a strong focus on retail and SME operations, particularly medium-sized businesses. IFC identified a major opportunity to tap into and scale up the largely un-served small business segment, mainly by leveraging HBL’s vast branch network to acquire and serve small firms, and by analyzing the bank’s SME deposit clients and HBL’s knowledge on those customers to cross-sell lending products.

Since 2011 IFC has been providing advisory services to help HBL adopt best practices in SME banking. IFC’s support has included the development of a value proposition for SMEs, re-engineering of credit and risk processes, strengthening staff skill levels, and piloting the new SME business model. During this engagement, HBL was able to set up a dedicated business unit for SME banking and re-work the key performance indicators for its branches in favor of SME loans. The new SME unit has raised the profile of the SME business within the bank’s network. HBL took a wholesale approach to address the funding needs of small business clients and created dedicated loan products with specific eligibility criteria for small firms, which include a Running Finance Facility (i.e. renewable working capital line for up to one year) and a Demand Finance Facility (i.e. a fixed term loan for up to three years). These products, coupled with a re-engineering of its credit processes, strengthened delivery channels and improved MIS systems, have allowed HBL to strengthen and scale up their SME operations. Since 2011, the bank has opened 89,000 SME deposit accounts, and has disbursed over 19,000 new SME loans, which is almost double the amount of the original loans’ target.

In May 2013, HBL and IFC signed an agreement for a 30-month advisory program to help the bank develop and launch new products and services for the large farming and agribusiness community in the country. This is in line with the World Bank’s increased focus on promoting financial inclusion. HBL and IFC are also looking at opportunities for collaboration in banking for women, mobile banking, and risk score card development. During this extensive engagement with HBL, IFC also conducted a survey of the bank’s SME portfolio, as part of IFC’s Gender Baseline Survey of Women Owned SMEs. The bank is very keen to service the women in business segment in the country and is looking to benefit from IFC’s global experience of working in this area.

HBL's SME Strategy

HBL is primarily a retail bank with one of the largest distribution networks in Pakistan, and a strong retail and SME customer base. It is estimated to have at least 250,000 SME customers among its over 5 million customer base. The management is cognizant of the competitive advantage HBL holds in the market and wants to maximize its outreach to the SME sector in the country. In partnership with IFC, HBL has developed a new business model for effectively serving SMEs. The new business model revolves around the retail lending organization set up to consolidate and grow the business. As part of this initiative, HBL has improved its understanding of SME customers by conducting various segment studies and customer focus groups. This has resulted in developing several new products and offerings for the different SME segments as per their needs. This includes revitalizing its trade business by developing and offering a seamless product program for SMEs. The bank is looking at growing its SME portfolio in the next couple of years by cross-selling different products and services to its existing customers and also soliciting new customers to contribute to its overarching goal of financial inclusion in the country.

Expertise, Collaboration, Dynamism and Youth

Aerolube Limited is the sole distributor of Shell Aviation lubricants and fuel products in Pakistan. The company was established with the collaboration of Pakistan Aircraft Engineering Services and KZK Lubricants, and so benefits from over 50 years of experience in the aviation and lubricant distribution businesses. The group employs over 150 people, including about 90 fully qualified engineers in aviation engineering and industrial lubricants.

In the past three years, the company branch in Karachi has grown significantly. In terms of revenue they have grown over 300 percent while the number of employees has increased three fold. About half of employees are now less than 24 years old.

“We appreciate the youth, they are full of energy” said Maraj Kirmani, Finance Manager.

The employment of dynamic young people, an extensive knowledge of distribution structures, optimal cash flow management, and managing order quantities to minimize the cost of inventory for the customer, have all contributed to the success of Aerolube.

HBL provided a 100 percent secured loan to Aerolube in 2009 which was used as a performance payment guarantee and allowed for the company's business expansion. Recently Aerolube has been recognized as distributor of the year by Shell Aviation in the region. On the back of this success, Aerolube has ambitious plans to expand throughout the Middle East and North Africa.



Study Methodology

This case study was based on data collected from 113 firms from HBLs' SME portfolio. In April 2013, a joint IFC team comprised of CME Strategy and Access to Finance departments, with the support of the Pakistan Country Team, visited Pakistan and travelled to Karachi, Lahore, Faisalabad, and Islamabad. The team interviewed the SMEs following a randomly selected sample of HBL's performing loan clients. Eighty percent of the sample belonged to the HBL's Small Business Finance (SBF) program which has a smaller NPL ratio than other facilities.

For the purposes of this analysis, these firms were broken into three categories based on the number of employees:

- Very small enterprises (up to nine full-time employees)
- Small enterprises (10 to 49 full-time employees)
- Medium enterprises (50 to 249 full-time employees)

The field interviews conducted by the IFC team aimed to obtain firm-level information on job creation and financial performance between 2009 and 2012. These interviews also gathered information on the operations and performance of firms as well as qualitative data on the largest constraints faced by the SMEs.

The period of three years was chosen to measure the employment effects for firms having capital to start and expand operations, while limiting other external factors on job growth that could occur over a longer period.

Caveats

(i) Selection bias: The sample size did not include firms who were driven out of business by the increased competition implied by the expansion of the firms supported by the IFC. Furthermore, the sample did not include firms with nonperforming loans, which may have experienced job losses during the period. Although this was controlled for in the extrapolation, the average jobs created per \$100,000 is likely biased upward. On the other hand, only job effects in the enterprises that received financing were assessed, not due to increased expenditures of workers.

(ii) Omitted Variable Bias (OVB): The lack of a control group comprised of micro, small and medium enterprises that did not receive financing support over the same period makes the analysis vulnerable to country-wide shocks that could bias the results. In addition, other observable factors that may have influenced job growth during this period are likely missing from the data. For example, though partially captured by sector categorization, labor intensity in production is a missing variable that might impact both loan size and job growth. Similarly, the age and experience of the business owners are likely causal determinants of both loan size and job growth. The omission of variables such as these from the data set invites OVB and limits statistical inference.

(iii) Measurement error: Given the nature of the survey, measurement error is a likely issue in the data. Subjective quantitative metrics such as the percentage share in business ownership by women is an inherently noisy measurement.

Results

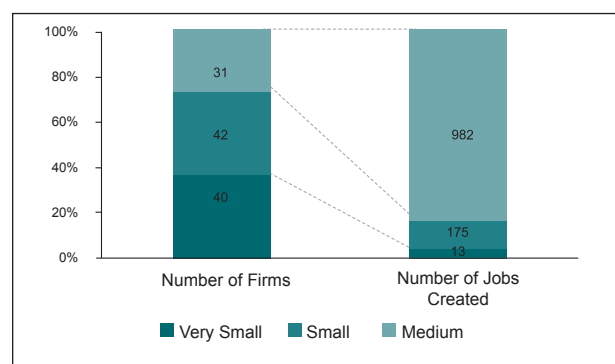
The findings of the study are encouraging, especially given Pakistan's challenging country context between 2009 and 2012. Throughout the interviews, it was observed that following the 2008 crisis, SMEs that were able to “stay in business” and ensure “job preservation” were considered success stories. Almost all of the SMEs interviewed entered the HBL's SBF program in 2009, obtaining in most cases a loan enhancement based on their previous running finance facility. These firms created 1,170 permanent full-time jobs over the period analyzed, with a commendable CAGR of 9.7 percent. It is however important to note that job creation cannot be attributed exclusively to the financing obtained through HBL due to other contributing factors, including regional differences, sector of operation, firm size, and the caveats listed previously.

About 77 percent of SMEs interviewed indicated “sole proprietorship” as ownership structure and were family businesses. Almost all SMEs (except one) interviewed seemed to follow the same “development path”, i.e. they started their business with own/family funding, initially grew their businesses, and then sought financing from HBL— primarily to further expand their business and/or for working capital purposes. Having collateral (in the form of land or property) proved to be instrumental in qualifying for further credit from HBL. However, several firms surveyed expressed dissatisfaction HBL's valuation of the collateral— the firms were of the opinion that the value of their properties was higher than estimated and recommended better and alternate collaterals. For more than half of the firms surveyed (55 percent), infrastructure, specifically access to electricity and power, represented the main constraint to business performance and growth. This is also in line with Pakistan's ongoing macroeconomic situation including issues with energy outages (both power and gas). Following lack of power, other key constraints to business growth for the interviewed firms were, in order of importance, law and order, and macroeconomic instability, including the depreciation of the currency in recent years. Lastly, when asked about the main reason for “taking a loan with HBL” as opposed to other financial institutions, the firms interviewed spoke in favor of HBL's wide network, long-lasting client (personal) relationship, and the SME product proposition.

Some key takeaways include:

- (1) **As mentioned above, SMEs created 1,170 full time jobs, with medium sized firms contributing to the bulk of the full-time jobs created.** As Figure 1 indicates, medium sized firms were the drivers of this job growth, adding a total of 982 full time jobs (31.7 jobs per firm on average) with a CAGR of 11 percent (Figure 3). Small firms had a CAGR of 7 percent and an average of 4.2 jobs per firm.
- (2) **Medium sized firms, which represented 27 percent of the sample, created 93 percent of the total full time positions for women and 61 percent of the full time positions for the youth (Figure 2).** However, small firms demonstrated the highest rate of jobs growth for youth (Figure 3).

Figure 1: Full-Time Job Creation



- (3) **When segmenting by sector across firm size, aggregated services (including wholesale, retail, and trade) and the textile sector created the largest number of jobs for both women and youth.** Textile companies created 53 percent of the total jobs for women and 40 percent of the total jobs for the youth. This could be explained with the traditional participation of women in the textile sector compared to industries such as construction and manufacturing. The aggregated services created more than 54 percent of full time positions for women and 23 percent of full time jobs for the youth.

- (4) **SMEs prefer financing instruments with flexible repayment terms.** The majority of firms interviewed used HBL's credit lines for working capital purposes. HBL and the banking industry have long recognized that these facilities provide SMEs with an appropriate form of working capital loan product, which is suited for the cyclical funding needs of small and medium size companies, allowing them to continue to run and expand their businesses. These revolving lines of credit, which allowed the businesses to draw funding when needed and whose interests could be repaid quarterly, were particularly useful at a time of declining SME financing across the country. This is also in line with the outcomes of the State Bank of Pakistan's Development Finance Review (December 2012) which highlights a similar behavior of SMEs nationwide. According to their facility-wise breakup, working capital financing constituted more than 80 percent of total SME financing, followed by trade finance and fixed investment, with their respective shares of 9.4 percent and 10.5 percent, HBL's running finance facilities were mainly used to buy stocks, inputs and materials for production and also pay salaries.

- (5) **Regional business environment and sector of operation pose specific challenges for SMEs.** The location and the sector in which the firm operated were important determinants to assess key obstacles to business performance. For instance, the majority of firms located in Punjab (Lahore and Faisalabad) listed persistent energy shortages as their primary constraint, while firms in Sindh (Karachi) mentioned law and order as one of the most pressing issues. Furthermore, it should be noted that in both regions, the consecutive 2010-2011 floods, severely impacted small sized firms that had little financial resources to rebuild and revitalize their businesses. The analysis did not differentiate job creation rates across regions. This is due to the fact that the sample of firms surveyed belonged mainly to the Punjab and Sindh regions, with 80 and 30 firms respectively. The region of Islamabad was only represented by three firms. The Punjab and Sindh regions are the main contributors to GDP growth in Pakistan (close to 60 percent for Punjab and over 25 percent for Sindh). When looking at sectors, some commonalities among sector of operation and key constraints can be identified in the sample. For instance, issues arising from law and order were predominantly cited among firms in the service sector, particularly in wholesale, retail, and trade. These trends reflect the importance of a stable operating environment for the service industry to grow. On a different note, for companies in the manufacturing sector, lack of infrastructure, and particularly energy shortages, was by and large the main impediment to business growth.

Figure 2: Women & Youth Jobs by Medium Sized Firms

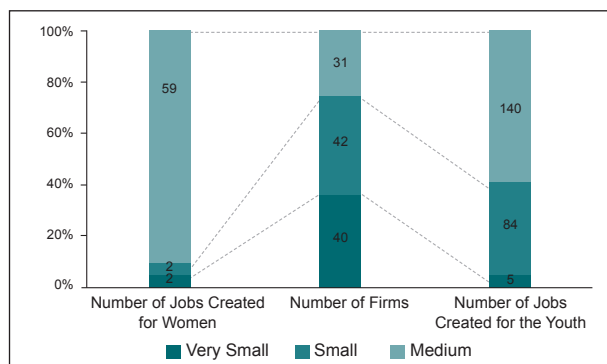
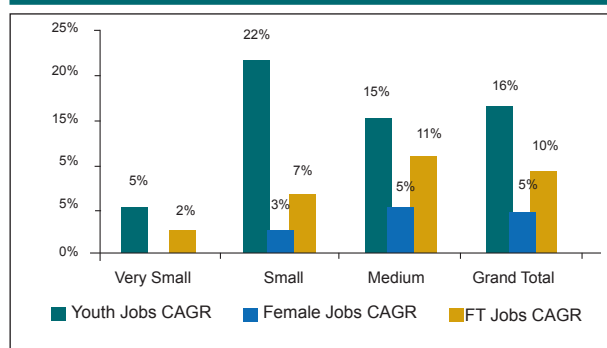


Figure 3: CAGR by Firm Size



Jawed Brothers Ltd Embroidered Fabrics

Zulfiqar Ali started his fabric embroidery firm in 2003 with one embroidery machine and his family's savings. With the support of HBL and pledging personal property as collateral, he obtained a working capital loan in 2004 and began expanding his business. By 2009, he had 3 embroidery machines and 60 employees, including 2 women employees. From 2009 to 2012 he requested an increase in his credit line to buy more embroidery machines. By the end of that period, Mr. Ali had 14 machines in operation, doubled his sales and was employing 150 workers, 15 of which were women. Despite challenging economic conditions in the country, he is confident about continuing to grow his business. He has plans to buy new machinery and continue increasing its production capacity with the support of HBL.



Conclusions and Strategic Implications for IFC and HBL

During the past five years, Pakistan faced enormous challenges which have exacerbated the country's binding constraints to growth. Among these, macroeconomic instability, poor access to electricity, and a protracted fragile security situation, have taken a toll on the private sector, worsening the investment climate and reducing access to sources of finance. Inevitably, economic growth, private sector development, and job creation have suffered. IFC has responded to the urgent needs of the private sector in Pakistan, with an important focus on increasing access to finance for SMEs. The results of this study validate IFC's strategy of using access to finance for SMEs as a tool to address job creation needs. For instance, this study shows that, despite the difficult context, the SMEs in the sample that received financing from IFC's client HBL were able to sustain growth and create jobs at a higher rate than the average for the country. Even though the analysis of this study is limited to a portion of HBL's SME portfolio, the results are insightful and could provide lessons for impacting job creation in other economies experiencing similarly external and internal constraints as Pakistan.

This study highlights the following ideas and strategic choices:

- 1) **Smaller firms could be helped to grow and expand into medium sized businesses – to achieve higher impact on the economy and job creation.** Smaller firms constitute the bulk of the SMEs operating in Pakistan; these firms showed significant employment creation (with a rate higher than the country average) and therefore need more support from financial institutions in the form of finance and other services to enable them to expand to medium sized companies and contribute to greater job creation.
- 2) **Provide support to SMEs in key sectors of high potential for job growth and inclusion.** The services (wholesale, retail and trade) and manufacturing sectors, particularly textiles, were among the greater contributors of job growth. The textile sector was also leading in offering the largest opportunities for women and youth employment. The sectors in which SMEs operate and their potential for long term growth could offer critical insights to banks when they engage in developing new products and financing instruments to expand their SME client portfolio.
- 3) **SME credit instruments, particularly revolving credit lines could be encouraged.** The majority of firms interviewed used HBL's credit lines for working capital purposes with flexible installments. In Pakistan, SMEs face a number of barriers to obtain credit; from low financial literacy to high collateral requirements, from high transaction costs to inappropriate product offering. The firms interviewed expressed their preference for financing instruments with flexible repayment terms as these suited their funding needs and cyclical operations. Considering that in Pakistan, SMEs constitute more than 90 percent of total private enterprises in the formal industrial sectors and employ over 70 percent of the labor force, the argument for finding ways to support their development with specific financing products that suit their needs and cash flows is compelling. With the continued support of organizations like IFC, private banks and DFIs should consider further exploring this area, which caters better to the SME sector.

Areas for further engagement. While this study did not investigate SMEs in the agribusiness sector, there seems to be ground for further research in this sector. For instance, the World Bank's Pakistan Economic Memorandum, released in July 2013, points out the potential for growth generation at the regional level, including an evaluation of regional domestic and international trade opportunities. In the Punjab region alone, agriculture contributes 27 percent of the GDP and employs 40 percent of its labor force. Almost 90 percent of Punjab's labor force works for private firms, the majority of which employ fewer than 10 employees. Furthermore, Punjab has both domestic and international cost-effective trade opportunities. The case of agribusiness provides a strong argument for financial institutions to further look into supporting local SMEs and find ways to respond to their financing needs and sustain their growth while creating new jobs and opportunities. Similar analysis of sectors and regions could help in highlighting new sectors for expanding access to finance for SMEs with a view to increasing job impact.

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