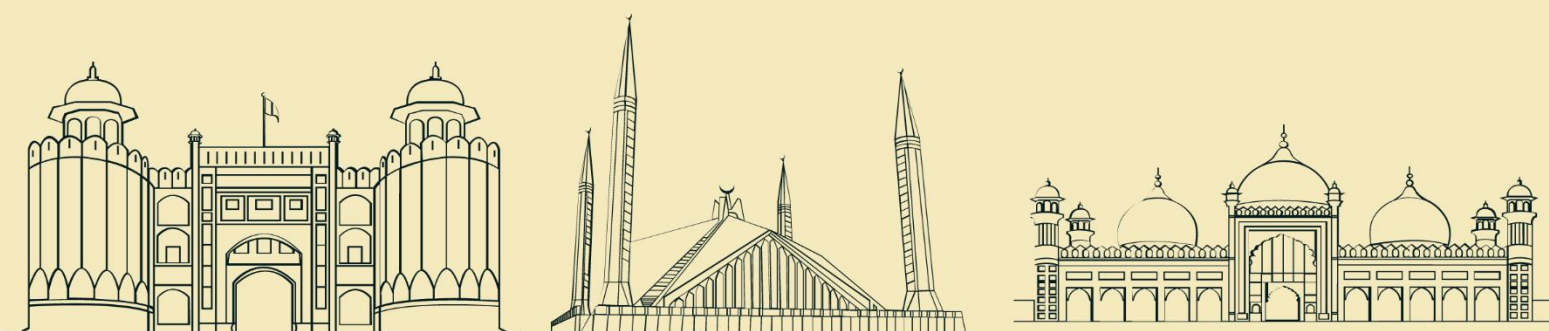


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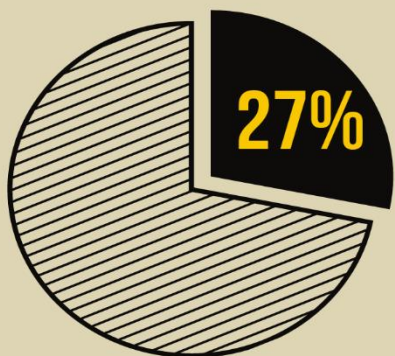
Gallup Pakistan Analysis of World Bank Enterprise Survey

*Business Environment Obstacles –
World Bank Enterprise Survey 2022*



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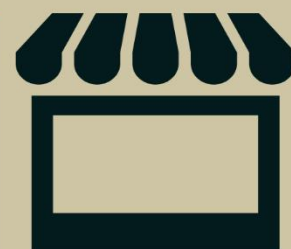
27% firms chose political instability in Pakistan as their biggest obstacle.

37% of the small firms cite political instability as the largest business environment constraint.



16% citing access to finance as their biggest obstacle.

Compared to businesses that export more (12%), more than twice as many businesses that are non-exporters consider political instability their largest obstacle (28%).



PRESS RELEASE

Gallup Pakistan Analysis of World Bank Enterprise Survey

27% firms choose political instability in Pakistan as their biggest obstacle – Business Environment Obstacles – World Bank Enterprise Survey 2022

Islamabad, June 27, 2023

Gallup Pakistan, as part of its Big Data Analysis initiative, is looking at Business Environment Obstacles (2022). This data is part of a publication by the World Bank called the ‘Enterprise Survey 2022’.

The complete Enterprise Survey 2022 is available [HERE](#).

Gallup Pakistan has not conducted the survey work. We are only analyzing the publicly disclosed data and reports provided by World Bank. This is a public service activity done on individual initiative of Gallup Pakistan and not in any way endorsed or commissioned or supported by WB or its agents.

What is the Big Data Analysis Series by Gallup:

Gallup Pakistan’s Big Data series was started by Bilal I Gilani, Executive Director of Gallup Pakistan. Bilal explains the rationale of the series: “The usual complaint from academics and policy makers is that Pakistan does not have data availability. Our experience negates that. Pakistan has lots of data, but it is not available in a usable form and not widely accessible. At Gallup we plan to bridge this gap in terms of accessibility and use of data. The Gallup Big Data series has earlier worked with data sets such as PSLM, Labor Force Survey, and Economic Survey reports as well as National Census Reports and Election Commission Data sets. The current series is using the World Bank Enterprise Survey, a periodic compilation which reports facts and perceptions of enterprises and businesses operating in Pakistan. We hope that these series are useful, and we welcome both feedback as well as possible collaborations as we create a public good in the form of useful data sets in Pakistan.

What data points this current edition covers:

This series aims to present the important learnings from the Enterprise Survey 2022 for policy makers, the public, as well as for marketers in an easy and understandable way. In particular, this edition looks at the Business Environment Obstacles as of 2022. What businesses deem as a large obstacle is important to study in order to promote business growth in Pakistan. This also conveys the grievances of smaller or medium sized businesses that would otherwise go unheard. The series’ main aim is to provide data. Implications of these data points for the development sector as well as wider socio-political ramifications is something we would like to trigger in relevant circles.

Today's topic is "Business Environment Obstacles (2022)"

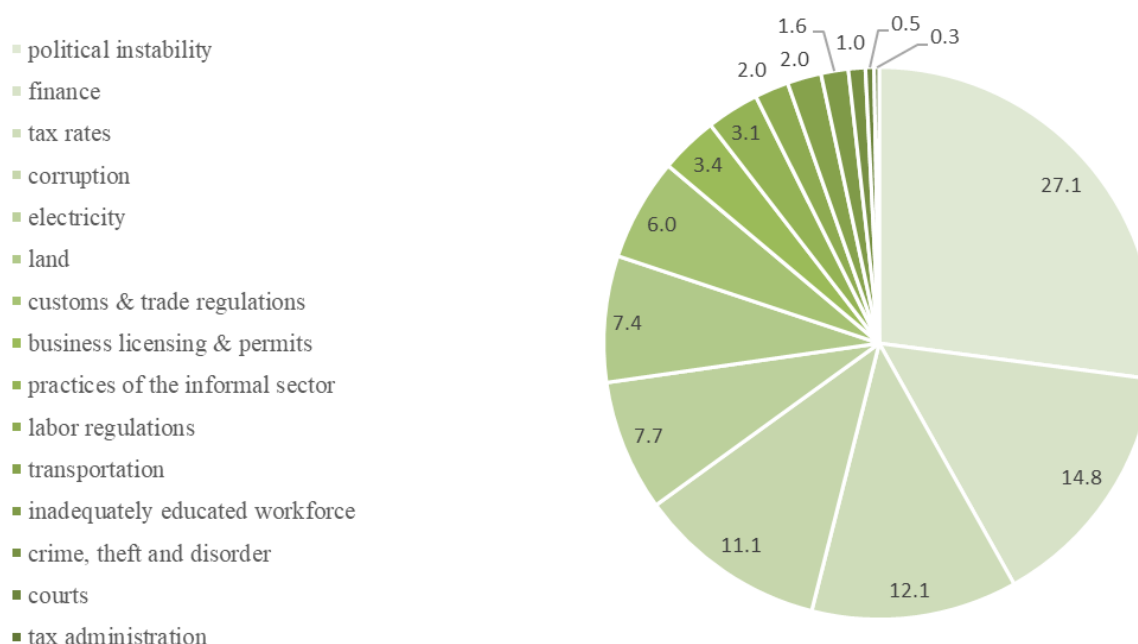
Key Findings:

- 1. Biggest obstacles faced by businesses:** 27% firms chose political instability in Pakistan as their biggest obstacle.
- 2. Top three business environment constraints by size:** 37% of the small firms cite political instability as the largest business environment constraint, with 16% citing access to finance as their biggest obstacle.
- 3. Top three business environment constraints by exporter type:** Compared to businesses that export more (12%), more than twice as many businesses that are non-exporters consider political instability their largest obstacle (28%).

1. Biggest obstacles faced by businesses

Out of the 1300 surveyed, 27% firms chose political instability in Pakistan as their biggest obstacle. The next largest obstacle was reported to be finance at 15%, followed by tax rates at 12% and corruption, at 11%. Electricity and land also made up a significant chunk of the obstacles faced by businesses with 11% and 8% businesses reporting these are their biggest obstacles respectively. However, it is important to note that firms from the agriculture, mining or fishing sectors were not surveyed, where the impact of having access to land and transportation may be greater. Similarly, in the public administration sector, an inadequately educated workforce may be a more serious obstacle compared to the manufacturing or construction firms.

Figure 1: Biggest obstacle faced by firms - Pakistan



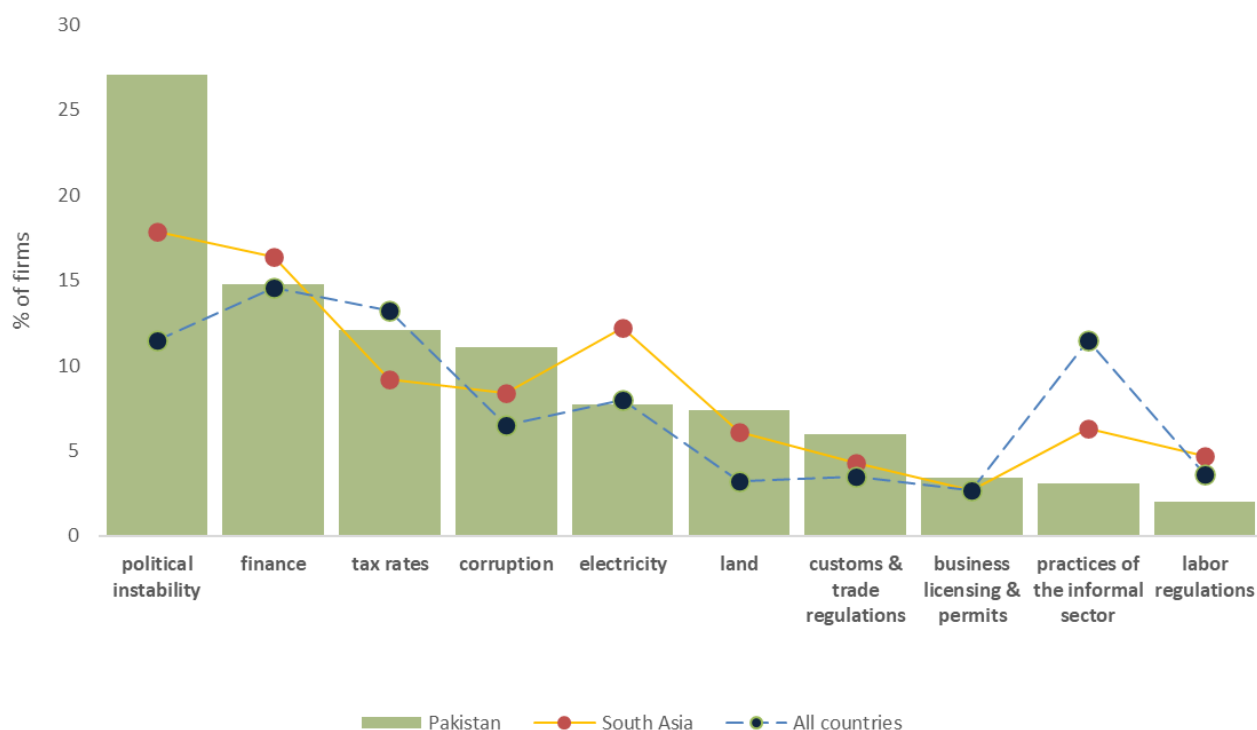
Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Comparing the top ten biggest business environmental constraints in Pakistan to their proportion in South Asia and the rest of the world presents useful insights. Political instability is a significantly larger concern in Pakistan (27%) than it is in South Asia (18%) or the world as a whole (12%).

On the other end of the spectrum, practices of the informal sector and labor regulations are less of an obstacle for Pakistani firms (2% each) than they are for South Asian firms and businesses around the globe. They are the largest obstacle for 6% South Asian firms and 12% firms around the world - for every business in Pakistan seriously concerned about the informal sector, there

are 6 around the world that are worried about it. For policymakers and business analysts, studying the reasons for this difference despite the large size of Pakistan's informal sector, would be an interesting exercise.

Figure 2: Top 10 biggest obstacles - Pakistan, South Asia and the world



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

In addition, while electricity is not a major concern for most businesses in Pakistan and also worldwide (only 8% businesses consider it a serious obstacle), 12% of South Asian businesses consider it their top constraint. Further research into which of the South Asian countries is driving this number up and what the businesses there are doing to combat the electricity problem could produce relevant analysis for Pakistan.

Figure 3: Comparison between Pakistan, South Asia and the world

Economy	inadequately educated workforce
Pakistan	1.6
South Asia	3.4
All countries	10.3

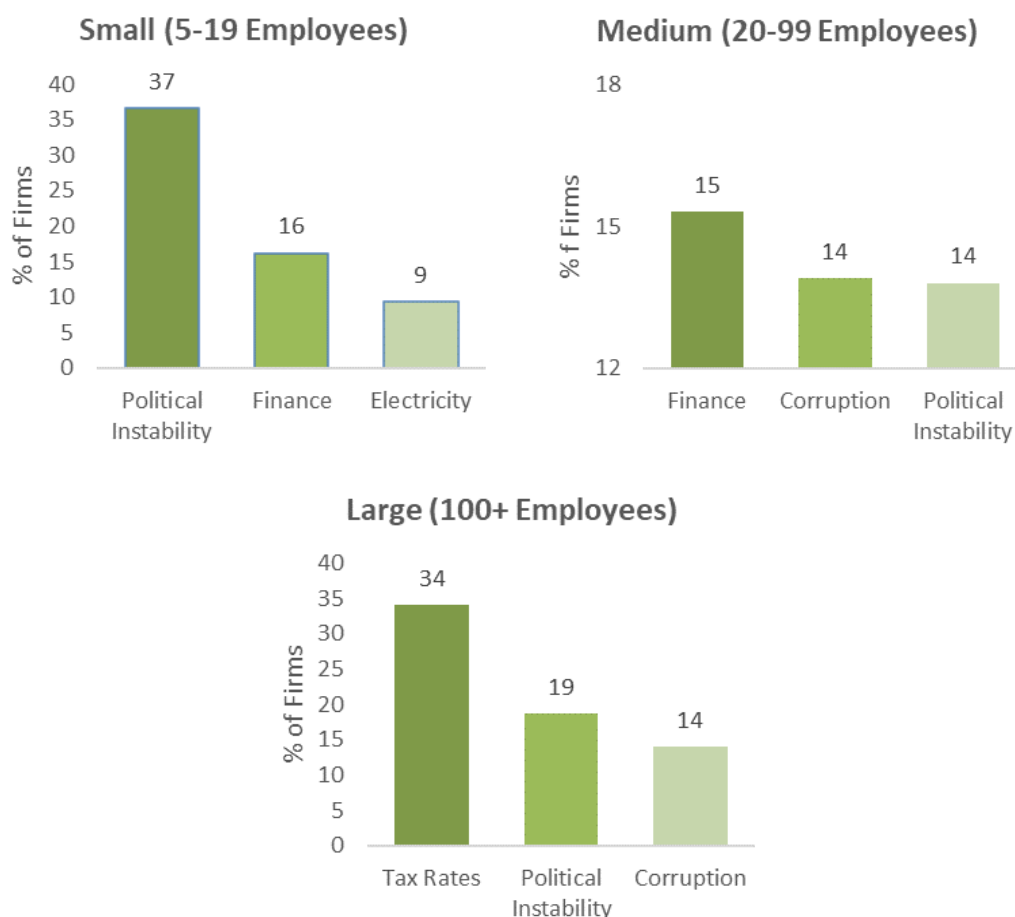
Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Another factor, while not in Pakistan's top ten largest business environment obstacles but intriguing nonetheless is "inadequately educated workforce". For South Asia, double the amount of companies as Pakistan stated this to be their most pressing obstacle. However, at the world scale, the education of the workforce is a much larger cause of concern. 10% of global businesses, a number 6 times larger than that of Pakistan, consider this their biggest obstacle. Since Pakistan has a much lower literacy rate (58%) compared to the global average (86%), the reason for this difference in priority is something worth exploring. It may be due to the overwhelming threat businesses feel from the political instability, or an indication of the importance each region gives to the quality of their workers' education.

2. Top three business environment constraints by size

37% of the small firms cite political instability as the largest business environment constraint, with 16% citing access to finance as their biggest obstacle, followed by electricity (9%).

Figure 4: Top three business environment constraints by company size – Pakistan



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

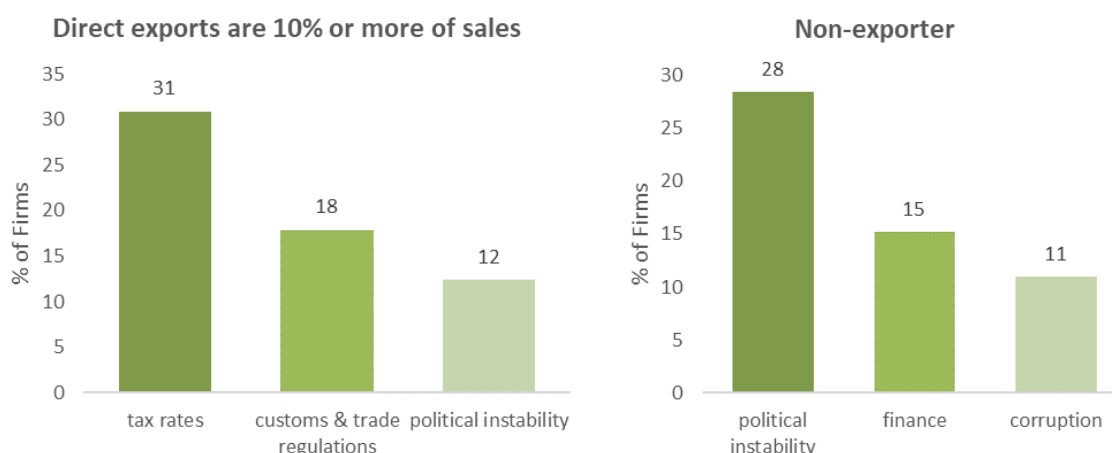
Medium-sized firms, on the other hand, have a less concentrated distribution of constraints, with access to finance at the top with only 15% medium sized firms claiming it to be their biggest obstacle. Corruption and political instability both come second at 14%. For larger firms, tax rates are a significantly large obstacle, with 34% firms claiming as such. 19% think political instability is their biggest problem while 14% deem it to be corruption.

The sizes of the firms surveyed change what they think is the largest obstacle they are facing. For all three, political instability is one of the major concerns even if it is not the largest one. Smaller firms may be more affected by it because of the uncertain nature of such disruptions and their lack of capital or stock to keep up with it. Access to finance is also a major problem identified by both small and medium sized firms, perhaps reflecting their ability to take loans and invest in technology. Large firms, on the other hand, have to worry about taxes and tax rates because of their size, and consequently their taxable income. As far as problems like access to finance go for larger firms, they are more likely to have contingency plans in place in case anything unusual occurs.

3. Top three business environment constraints by exporter type

Compared to businesses that export more (12%), more than twice as many businesses that are non-exporters consider political instability their largest obstacle (28%). Social unrest and closure of infrastructure that accompanies political instability may be a larger cause of concern for businesses that operate within Pakistan and are reliant on the transport routes and customer bases within the country. Their businesses are more likely to be impacted by driver strikes or protests on the road, for example. Similarly, corruption is also considered a major obstacle by 11% of non-exporting businesses, while not a lot of exporting firms consider it a serious problem.

Figure 5: Top three business environment constraints by exporter type



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

For businesses where 10% or more of their sales are exports, tax rates are bigger obstacles for 31% of the firms because a business that exports is likely to be a larger business, thus getting more deeply impacted by tax and interest rates. This can also possibly be the reason why even though 15% non-exporters say access to finance is a major concern for them, financing problems do not make the list for exporting businesses. However, customs and trade regulations are the top business environment obstacle faced by 18% of exporting firms. This is understandable since trade regulations directly affect them, and are also the means in which political instability materializes for international sellers.

Wish to Contribute to Gallup Big Data Analysis?

Gallup Pakistan is looking for collaboration with researchers to expand the Big Data Analysis project. If you have any ideas, please write to Bilal I Gilani, Project Director, Big Data Analysis at Gallup Pakistan.

Wish to know more about the Enterprise Survey 2022?

The Enterprise Surveys (ES) focus on many aspects of the business environment. These factors can be accommodating or constraining for firms and play an important role in whether an economy's private sector will thrive or not. An accommodating business environment is one that encourages firms to operate efficiently. Such conditions strengthen incentives for firms to innovate and to increase productivity — key factors for sustainable development. A more productive private sector, in turn, expands employment and contributes taxes necessary for public investment in health, education, and other services. Questions contained in the ES aim at covering most of the topics mentioned above. The topics include infrastructure, trade, finance, regulations, taxes and business licensing, corruption, crime and informality, access to finance, innovation, labor, and perceptions about obstacles to doing business.

The ES are repeated approximately every four years for a particular economy (or region). By tracking changes in the business environment, policymakers and researchers can look at the effects of policy and regulatory reforms on firm performance. Repeated surveys aid in studying the evolution of the business environment and how it affects the dynamics of the private sector.

You can find more information on the Enterprise Survey, and complete tables, on

www.worldbank.org

Or visit:

[Enterprise Surveys 2022](#)

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Contact Details:
Email: isb@gallup.com.pk
www.gallup.com.pk

