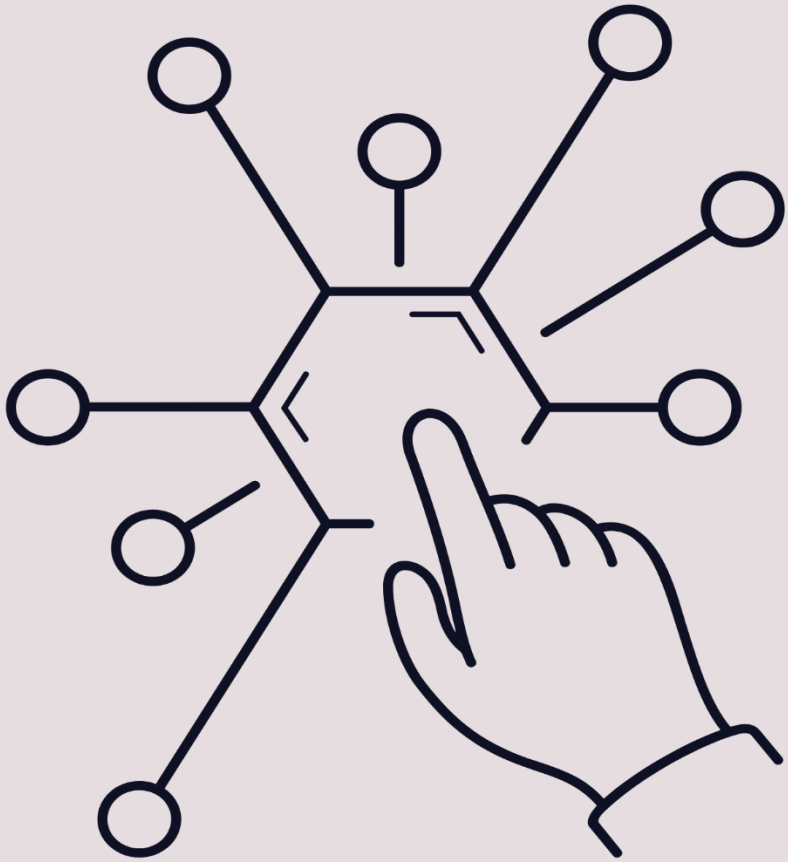
Gallup Pakistan Analysis of World Bank Enterprise Survey

Innovation and Technology – World Bank Enterprise Survey 2022



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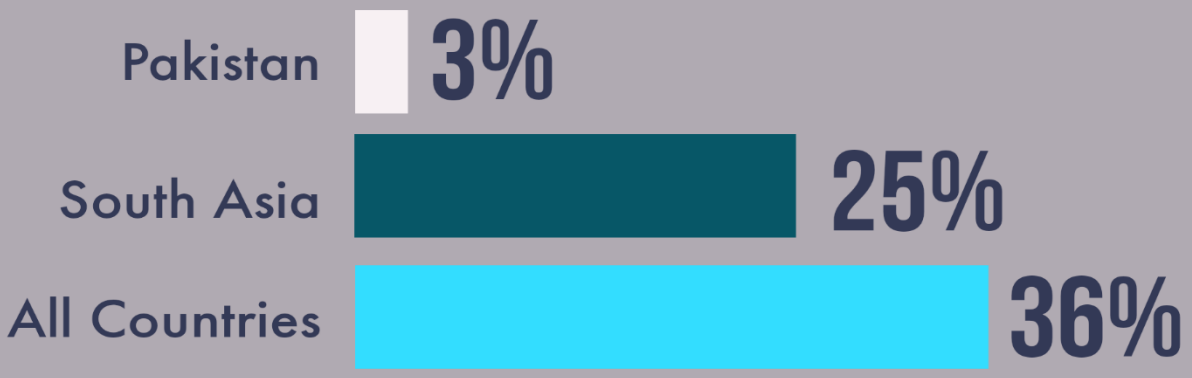
Only 3% of firms in Pakistan introduced a new product or service, 8 times less than the regional average (25%) and 12 times less than the global average (36%).



There are no Pakistani firms, out of the 1300 surveyed, whose new product or service is also new to the main market.

Only 2% of the firms in Pakistan spend on research and development. 10 times more firms across the world do so (20%).

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Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

PRESS RELEASE

Gallup Pakistan Analysis of World Bank Enterprise Survey

Only 2% of Pakistani firms spend on research and development, 10 times less than the global average (20%) – **Innovation and Technology – World Bank Enterprise Survey 2022**

Islamabad, July 25, 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 Innovation and Technology as of 2022. The use of Innovation and Technology in business practices help make processes more efficient and operations smoother. It allows technological advancement to speed up and keeps a business relevant. 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 "Innovation and Technology (2022)"

Key Findings:

1. **Firms that introduced a new product/service:** Only 3% of firms in Pakistan introduced a new product or service, 8 times less than the regional average (25%) and 12 times less than the global average (36%).
2. **Firms whose new product/service is also new to the main market:** There are no Pakistani firms, out of the 1300 surveyed, whose new product or service is also new to the main market.
3. **Research and development:** Only 2% of the firms in Pakistan spend on research and development. 10 times more firms across the world do so (20%).

1. **Percent of firms that introduced a new product/service**

Only 3% of firms in Pakistan introduced a new product or service, 8 times less than the regional average (25%) and 12 times less than the global average (36%). The use of innovation in business practices helps make processes more efficient and operations smoother. It allows technological advancement to speed up and enables a business to stay relevant.

With an exponentially lower percentage of firms within Pakistan introducing new products and services, the rate of growth could get impacted. Innovation drives competition and is beneficial for both the suppliers and the consumers, since novel solutions also see a surge in demand and customers' propensity to pay for a product or service.

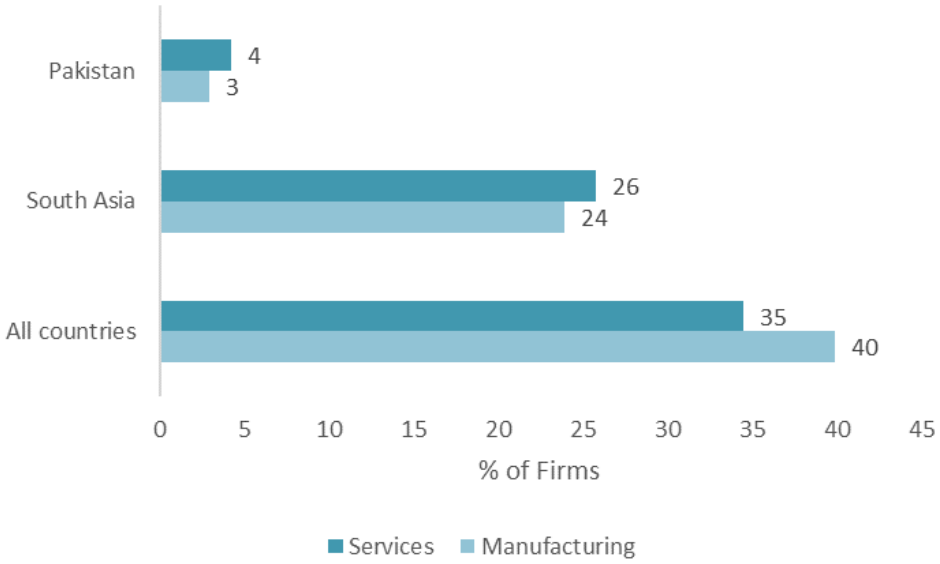
Figure 1: Percent of firms that introduced a new product/service

Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

A sector-wise breakdown reveals that the services sectors of Pakistan and South Asia are both doing better compared to the manufacturing sectors when it comes to introducing new products and services. This could either be because the services sector is absolutely more innovative than its counterpart, or since it is less developed relative to the manufacturing sector, there is more room for innovation. The same analysis could be applied to the services sector of South Asia.

On the other hand, in all countries as a whole, the manufacturing sector is 5% more innovative compared to the services sector, given that the metric for innovation is introducing a new product or service. This could be because manufacturing and retail businesses typically have higher room for growth through diversification and tweaking steps in different processes.

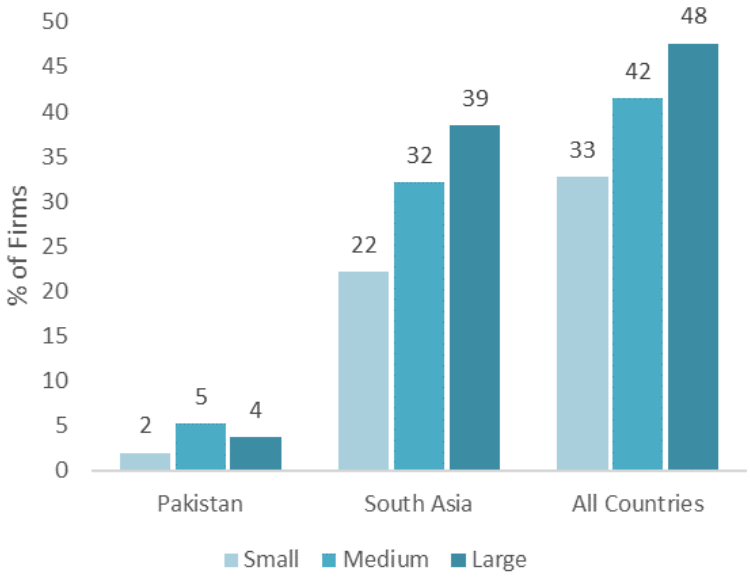
Figure 2: Percent of firms that introduced a new product/service - sector-wise breakdown



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Breaking down the percentage of firms that have introduced a new product or service according to firm size reveals interesting insights. The trend in South Asia and the world shows that large firms are the most innovative (39% in South Asia and 48% in Pakistan) followed by medium firms (32% in South Asia and 42% globally), with small firms being the least innovative (22% in South Asia and 33% firms across the world).

Figure 3: Percent of firms that introduced a new product/service - size-wise breakdown



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

However, in the case of Pakistan, it is the medium sized firms that are more innovative than both small and large firms. Only 2% of small firms and 4% of large firms have introduced new products or services, but the number is 5% for medium sized firms. This could be an indication of a growing number of medium sized firms that are valuing innovation and new ideas. Such a sign is positive for the economy because as these medium sized firms grow into larger businesses, the impact they will have on innovation will become even greater. Regardless, the percentage of firms in Pakistan engaging in introducing new products and services is still much lower compared to the region and the world, and will require significant time and effort to catch up. Catching up is important to ensure that the products and services the country exports are up to the standards of a growing global technological space and constantly improving standards.

2. Percent of firms whose new product/service is also new to the main market

Figure 4: Firms whose new product/service is also new to the main market

Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

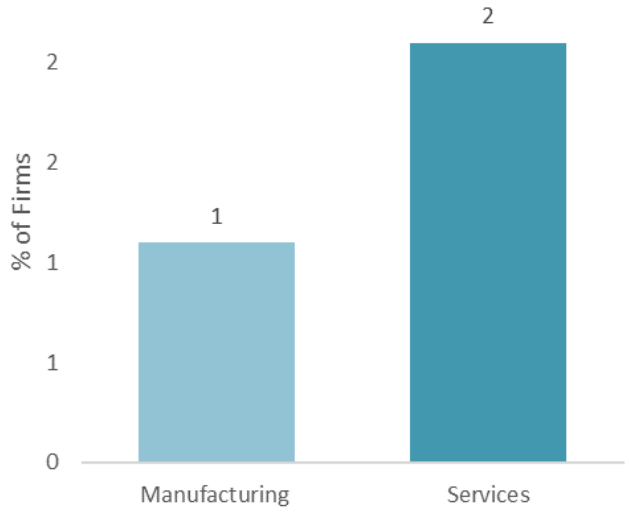
There are no Pakistani firms, out of the 1300 surveyed, whose new product or service is also new to the main market. This means that out of the 3% who have introduced new products or services, none have been novel to the market itself, even if they were new for the company. Compared to Pakistan, there have been 52% such firms in South Asia and 68% in the world. These figures are particularly bleak because even if a firm is innovative in its own capacity, those advances may eventually grow redundant if the business is not contributing novel ideas to the market. Let alone the world, Pakistan is also very behind in the South Asian region as well.

Figure 5: Firms that introduced a process innovation

Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Even in terms of firms that introduced process innovations, Pakistan is very behind South Asia and the world in general. In fact, South Asia is ahead of the global average as well, indicating the rapid growth of technology and innovation in the region. Only 2% of the firms in Pakistan introduced process innovation, compared to 32% in South Asia and 27% in the world. This means that for every Pakistani firm that innovates its process, there are 16 firms in South Asia and more than 13 firms in the world doing so. This also adds extra pressure on the firms that are being innovative in the first place.

Figure 6: Firms that introduced a process innovation - sector-wise breakdown



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

A sector-wise breakdown of process innovation for firms in Pakistan reveals that even within the small percentage of firms doing so, the proportion of those in the services industry is higher than those in the manufacturing industry. 2% of service-oriented businesses have introduced new process innovations compared to 1% manufacturing businesses. Processes are vital in manufacturing related industries in order to make production more cost-effective while also improving quality. Innovation in this regard gains and retains not only local but also foreign customers. These numbers also imply that the services sector is also strong in terms of innovation, and perhaps with more attention paid to it, could make up for the deficit in innovative practices and processes by the manufacturing sector in the short run.

3. Research and Development

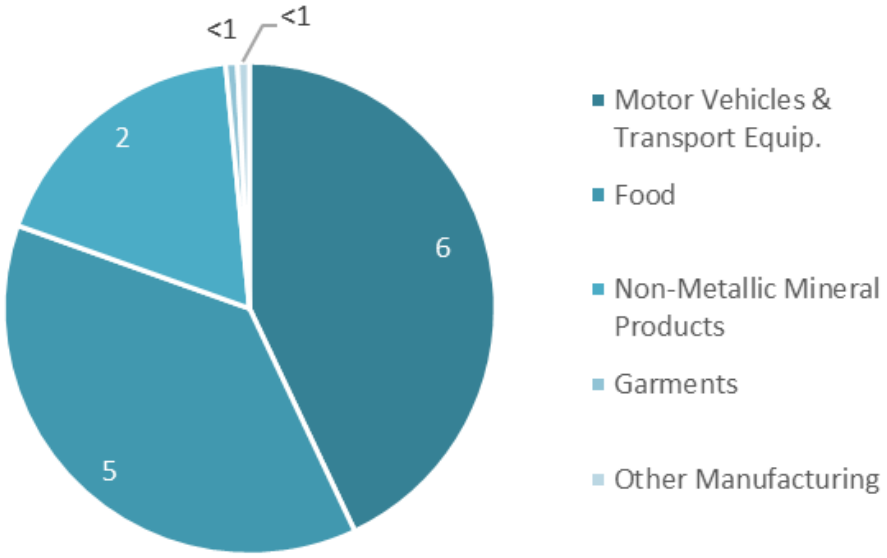
Only 2% of the firms in Pakistan spend on research and development. 10 times more firms across the world do so (20%). South Asia is somewhere in the middle with 12% of firms spending on research and development.

Figure 7: Percent of firms that spend on R&D

Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Research and development is an aspect of business that may not yield immediate profits and thus might get overlooked, but its long term benefits can be attested by the percentage of firms worldwide allocating parts of their budgets towards it. Even though Pakistan's economy is a growing one, shifting some focus on research and development early on would ensure a sustained growth in businesses and may contribute to lower costs as new methods are discovered and devised.

Figure 8: Percent of firms that spend on R&D - manufacturing breakdown



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Of the 2% manufacturing firms that invest in research and development, 6% of firms in the motor vehicles and transport equipment industry claim to do so, followed by 5% in the food industry. These are positive signs as investment in the transport industry could lower transport costs as well as wear and tear on products. Similarly, new innovations and research in the food industry has the potential to mitigate health risks that may arise and can bring Pakistan's food industry to a position where it may start exporting as well.

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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