

Gallup Pakistan Analysis of World Bank Enterprise Survey

*Corruption – World Bank
Enterprise Survey 2022*



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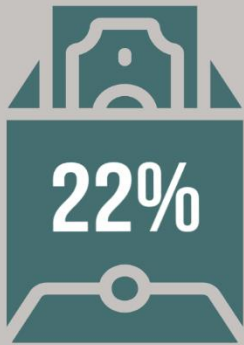
CORRUPTION AS A BUSINESS CONSTRAINT:

In 2022, 32% of Pakistani firms identified corruption as a major business constraint. This number has decreased from 59% in 2007 and 62% in 2013.

2022% 32%

2013% 62%

2007% 59%

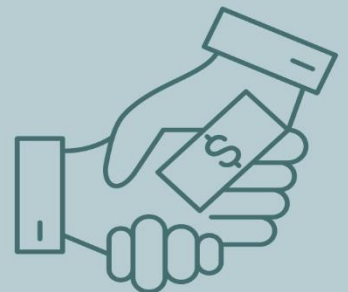


PREVALENCE OF CORRUPT PRACTICES:

Approximately 22% of enterprises in Pakistan assert that public officials anticipate receiving presents to facilitate the accomplishment of tasks or objectives.

CORRUPTION IN DIFFERENT SECTORS:

16% of firms in Pakistan spanning both the manufacturing and services sector report experiencing at least one bribery request.



PRESS RELEASE

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*In 2022, 32% of Pakistani firms identified corruption as a major business constraint. This number has decreased from 59% in 2007 and 68% in 2013. – **Corruption – World Bank Enterprise Survey 2022***

Islamabad, August 22, 2023

Gallup Pakistan, as part of its Big Data Analysis initiative, is looking at Corruption (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. 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 Business Informality as of 2022. Corruption can negatively effect a country by hindering economic growth and distorting competition for businesses. 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 "Corruption (2022)"

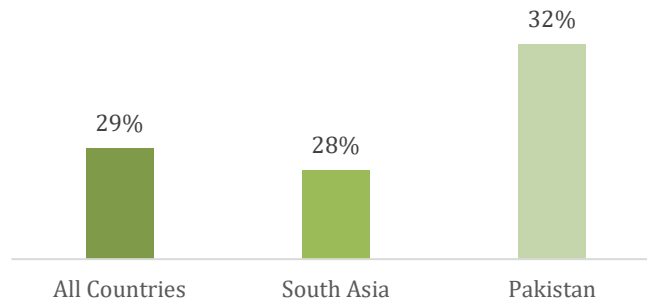
Key Findings:

- 1. Corruption as a business constraint:** In 2022, 32% of Pakistani firms identified corruption is a major business constraint. This number has decreased from 59% in 2007 and 68% in 2013.
- 2. Prevalence of corrupt practices:** Approximately 22% of enterprises in Pakistan assert that public officials anticipate receiving presents to facilitate the accomplishment of tasks or objectives.
- 3. Corruption in different sectors:** 16% of firms in Pakistan spanning both the manufacturing and services sector report experiencing at least one bribery request.

1. Corruption as a business constraint

32% of the firms in Pakistan identify corruption as a major business constraint. This is higher than the average for South Asia, which is 28%, and higher than the global average of 29%. Constraints such as corruption which are high in Pakistan compared to other regions in the world, can reduce opportunities for new entrants into the market and raise overall costs of operating.

Figure 1: Percent of firms identifying corruption as a major constraint

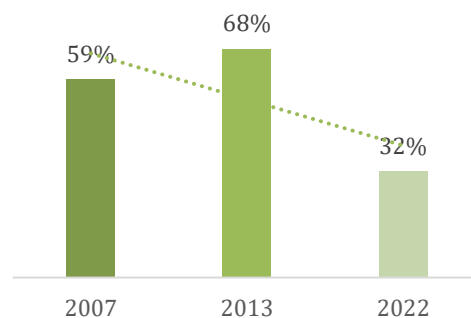


Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

The proportion of firms in Pakistan experiencing at least one bribe payment request has reduced significantly in the last few years coming down to 16% in 2022 from 31% in 2013 and 60% in 2007.

In 2022, approximately 32% of Pakistani firms considered corruption a major constraint marking a steep decline from 68% in 2013 and 59% in 2007. This could be due to businesses being co-opted by officials or other business constraints which are felt worldwide being on the rise.

Figure 2: Percent of firms identifying corruption as a major constraint



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

This may signify a change in attitudes and behaviors of individuals who give and receive bribes. 16% of firms in Pakistan report at least one incidence of bribe requests, which is lower than the South Asian and worldwide average of 21% and 16% respectively. These changes can occur if

channels of payments or gifts have changed in nature or if governments are stricter in regulating business activities.

Figure 3: Percent of firms experiencing at least one bribe payment request



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

11% of the surveyed firms identified the courts system as a major business constraint. This estimate is in line with 14% of firms in South Asia reporting courts as a major business constraint and firms worldwide reporting 15%.

The effects of corruption can be exasperated when firms are unable to receive timely and fair court decisions and can decrease the overall ease of doing business.

Figure 4: firms identifying the courts system as a major business constraint



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

That being said, firms may be less likely to report instances of bribery in order to increase their chances of survival and ensuring that the services provided by such officials are continued.

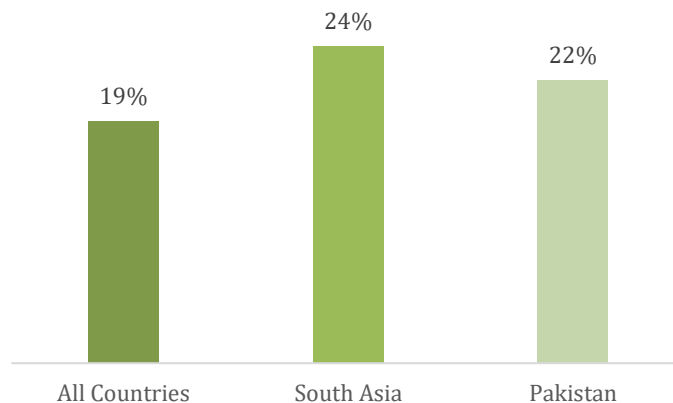
These practices make it harder for individuals who are unaware of industry practices to enter into the market and can cause unexpected delays and rise in the cost of goods produced.

2. Prevalence of corrupt practices

22% of firms in Pakistan report giving gifts to government officials in order to “get things done”. This is lower than South Asian average of 24% and global average of 19%.

Instances of corruption across all industries in Pakistan vary but are widely seen as ways to get electrical and water connections at 57% and 81% respectively as well as securing licenses to import and export goods (20%). This is particularly true for the manufacturing industry.

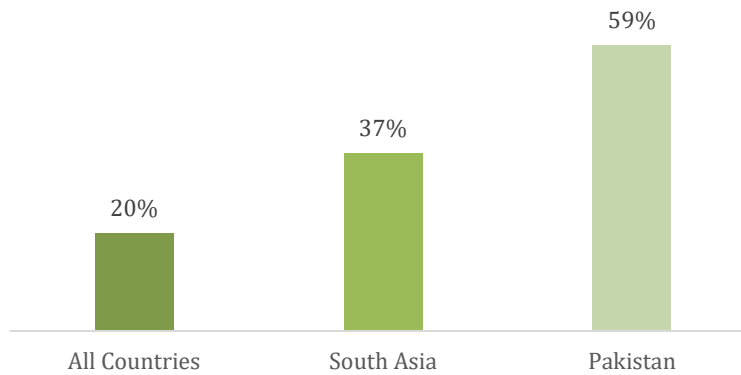
Figure 5: Percent of firms expected to give gifts to public officials "to get things done"



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

59% of firms in Pakistan are expected to give gifts to receive construction permits. While only 37% of firms are expected to pay in South Asia and only 20% of firms are expected to pay worldwide. This marks further increased costs for businesses who want to expand and decreases willingness to invest in businesses when combined with other costs such as gifts expected for tax officials, government contracts and other bureaucratic procedures.

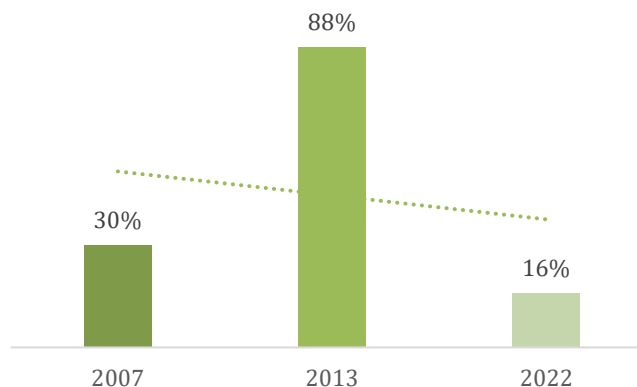
Figure 6: Percent of firms expected to give gifts to get a construction permit



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

While executing agencies such as the National Accountability Bureau (NAB) are granted extensive powers, the issue of routine corruption practices faced by business owners is not being adequately addressed. Many businesses may also be observed utilizing these practices and failing to meet specified requirements for tax payments. This may potentially impact their motivation to disengage from these activities and could have potential benefits such as reduced tax payments and decreased regulation and scrutiny on their activities.

Figure 7: Firms expected to give gifts in order to receive contracts (2007-2022)



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

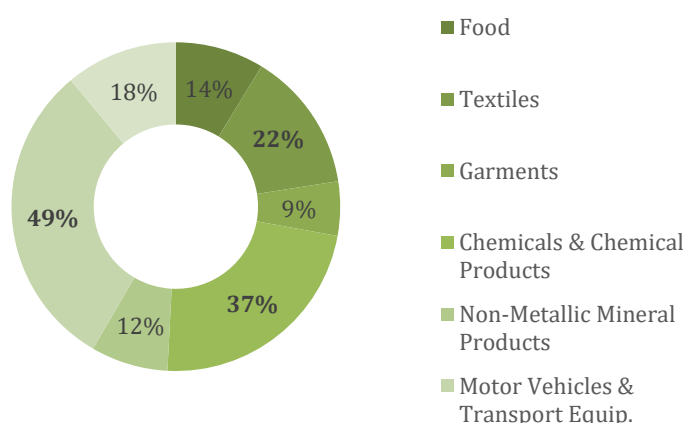
The above figure shows that firms expected to give gifts in order to receive contracts has varied significantly over the 15 years with 30% of firms expected to pay in 2007, approximately 88% of firms in 2013 with a sharp decline in 2022 with only 16% of firms expected to give gifts. This significant drop is worth exploring and may mark a positive shift in the relationships between government officials and the success of firms.

Practices of receiving and giving gifts to government officials may be rampant when firms are engaging in activities that involve payment of taxes and in order to gain government contracts. This reduces opportunity of growth for smaller and reduces willingness of investors who cannot operate amidst informal roadblocks.

3. Corruption in different sectors:

As discussed above, 32% of Pakistani firms believe that corruption is a major business constraint. These figures may vary between sectors and industries. In Pakistan, approximately 16% of organizations operating in both the manufacturing and service sectors have acknowledged receiving at least one request for a bribe payment. Trends may vary even within a given industry, with businesses in the South Asia region reported a slightly higher rate of 22%, while firms in other parts of the world reported a slightly lower rate of 15%.

Figure 8: Bribery incidence (percent of firms experiencing at least one bribe payment request)



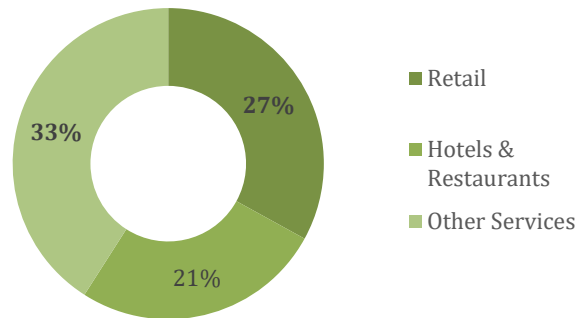
Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Particularly in the manufacturing industry, 49% of firms in the motor vehicle and transportation equipment sector, 37% of firms in the chemical products industry and 22% of firms in the textile sector report receiving at least one request for a bribe.

These requests may depend on factors such as the size of the business itself and aspects such as the number of permits and government approval that they need to operate such as firms in chemical manufacturing require extensive government support in order to function. Similarly, vehicle manufacturers require large scale approvals and continued support to operate on a mass level.

These industries need consistent and regular approvals in order to operate and thus may be encouraging government officials to take advantage of the situation at hand.

Figure 9: Percent of firms identifying corruption as a major constraint



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Similarly, in the services sector, 28% of all firms identify corruption as a major constraint. 27% of firms in retail, 21% of hotels and restaurants and 33% of firms that provide other services view corruption as a major constraint. When compared to the manufacturing industry it is clear that the nature of the firm and business affect how prevalent corrupt practices are.

Firms that are in the informal sector may not face these challenges as much as other sectors, thus are less likely to interact with government officials, they are also less likely to expand in ways that require extensive government support.

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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