

SIMPLIFICATION AND PROMOTION OF LAWS AND PROCEDURES FOR CORPORATIZATION OF SMALL & MEDIUM ENTERPRISES

A Study conducted for the Ministry of Industries and Production, Government of Pakistan and Securities & Exchange Commission of Pakistan

Strategy Report

The Context:

Small & Medium sized Enterprises (SMEs) comprise a sizeable portion of and play a significant role in Pakistan's economy. According to one recent extensive study¹, total SMEs in the country number around 2 million, of which approximately 0.4 million are manufacturing units, 0.6 million are service sector units and the remaining 1 million are in the retailing/trade sector. According to the same study, SMEs constitute over 90% of the business establishments in Pakistan and contribute Rs. 34 billion (11%) annually to the GDP. 67% of the labour force in the Pakistani manufacturing sector works in SMEs engaged in manufacturing. Furthermore, 80% of the employment in the economy is created by SMEs. However, at the same time statistics from the same study tell us that 72% of the SMEs are sole proprietary concerns with only one third of the owners receiving a college education. Additionally, only 3% have received any technical training. In other words, the overwhelming bulk of SMEs are run in mostly an informal and unstructured manner as sole proprietorships, by people who have received little or no professional training and possibly limited access to technical advice and financial resources.

Extensive studies have also been conducted in the recent past to gauge how efficient the SME sector is, given that most SMEs are informal operations with little or no exposure to professional management leadership and management techniques and exist in a complex and constraining atmosphere. One recent study concludes that due to various specific financial sector, judicial, fiscal and regulatory constraints as well as generic infrastructure and human resource constraints, at present the SME sector in Pakistan is far from fulfilling its growth potential, being plagued by inertia and lack of structural change².

¹ *Small and Medium Enterprise Development Authority (2001). Creating a Policy Environment Conducive to Employment Growth within the MSMEs in Pakistan – A Study conducted for ILO/SEED Geneva.*

² *Cheema, A., Bari, Faisal., Haque, Ihsan-ul (2002). Regulatory Impediments, Market Imperfections and Firm Growth: Analyzing the Constraints to SME Growth in Pakistan – A Study conducted for the Asian Development Bank.*

Another recent study highlights multiple structural, regulatory and legal impediments in the existing business environment, which it finds as highly constraining for the growth of the SMEs³. A review of these studies and any serious analysis of the SME sector in Pakistan, divulges that it is a large and complex entity affected by many variables. For any meaningful academic analysis, it, therefore, becomes very important to identify the specific aspect of the SME sector, which is under scrutiny.

We have already briefly identified that most SMEs in Pakistan function as sole proprietorships. Sole proprietorship is an arrangement whereby the owner/manager and the business are but a single entity and the business enterprise does not have a separate legal entity from its owner, as in a company. Sole proprietorships can be tax paying and law obeying entities or businesses, which are invisible on all legal, regulatory and fiscal planning radar screens. They are by and large characterised by an informal style of operation by a loose and lean owner-manager structure which more often than not combines the two roles, lack of professional expertise and management practices, little or no documentation, reliance on personal sources of capital, weak market and financial access and an aversion to disclosures of any kind. Many advocates of the corporate structure are of the view that corporatization (a term which has come to mean the formal registration of a business as a limited liability company as well as the conduct of business under the structure and system of a limited liability company) is a sure shot solution for the many woes faced by SMES. This is quite apart from the phenomenon of corporatization being looked upon as a vital public policy imperative as it will bring many entities in the informal sector to the more transparent, regulated, taxed and accounted for formal sector.

The limited liability company is an ingenious phenomenon of the last couple of hundred years, which offers to business enterprises, the now widely recognised boons of distinct corporate personality and limited liability, perpetual succession, transferable shares, access to capital and certain tax advantages⁴. At the same time this legal structure also carries a certain inflexibility of internal procedure, expensive disclosure requirements and at times a legitimate fear of loss of control. What specially merits mention is that there may be a wide gulf between the nuances of theoretical advantages of a corporate structure or solution and the actual situation and challenges on the ground. A recent study on listed public limited companies in Pakistan coming under the rubric of a newly introduced, sophisticated good governance code provides a useful analogy. The study shows that many such companies had legitimate reasons for being averse to certain well-meaning but unrealistically onerous provisions of the said code, which did not adequately address their actual needs and constraints⁵. In view of this, while the expected advantages of a well-functioning corporate structure in a conducive atmosphere are well-known and its linkages with efficiency and growth demonstrable in many instances, its gainful

³ *Small and Medium Enterprise Development Authority and GFA Management GmbH (2003). Preparing SME Development Program. Environment Component, Diagnostic Phase – A Study conducted for the Asian Development Bank.*

⁴ *Davies, Paul L. (1999). Gower's Principles of Modern Company Law – Sixth Edition. Sweet & Maxwell.*

⁵ *Siddique, Osama. (2003). Research Study on Harmonizing Code of Corporate Governance with Other Laws/Regulations in Pakistan. – A Study sponsored by the SECP and UNDP.*

applicability to SMEs in Pakistan needs to be carefully gauged, given the special features and characteristics of the local economy and its players.

The Scope:

The focus of this study, therefore, is essentially to find out whether and how exactly it is advantageous to SMEs, existing in the informal sector and as sole proprietorships or limited liability partnerships, to take the plunge and get incorporated as limited liability private companies under the Companies Ordinance, 1984⁶. It is fairly apparent that from a policy maker and regulators' perspective, formal registration as a company and thus greater disclosures and transparency translate into higher tax collection, a clearer picture of the economy and more effective regulation. The picture from the SME perspective, however, is considerably hazy. What is, therefore, shrouded in ambiguity is what prevents SMEs from taking the corporate route, especially in view of the widely known advantages of such a legal structure. Leaving aside those SMEs, which deliberately evade any and all taxes and regulation and are bent upon leading a totally hidden and ignominious existence, what is of considerable interest and applicability to the instant study are the larger SMEs, which already pay various kinds of taxes and obey applicable labour laws and other regulations. What merits answering, therefore, is that why is it that such SMEs deliberately forego the access to capital and markets, the exposure to efficiency enhancing management systems and techniques and the legal cover of limited liability, which corporatization as a limited liability company seems to proffer.

Is it lack of information, fear of too many disclosures and excessive regulation, lack of actual need, difficulty of the process of incorporation as a company as well as sustenance as one, all of these factors or some other under-explored ones? Is it that the advantages of corporatization are merely on paper and merely house themselves in the perception of the academics so that there are many actual, on-the-ground disadvantages of any such shift, which far outweigh any advantage? While being fully cognizant of the advantages, which corporatization in an overall supportive and conducive atmosphere can bring to a business, the purpose of this study is to determine whether it can actually bring such advantages to the SMEs functioning as sole proprietors/limited liability partnerships in Pakistan. In this regard, the endeavour is to objectively gauge the advantages and/or disadvantages of the company structure in Pakistan as well as to determine how the SMEs themselves gauge these advantages and/or disadvantages. Furthermore, if the conclusion is that corporatization as it exists is desirable, how to make it more attractive and if it not desirable for any reason(s), how to first make it desirable and more marketable.

The Methodology:

In view of what has been stated above, the questions sought to be answered and the methodology adopted for answering the same under the three activities laid out in the instant study are as follows.

⁶ *The Companies Ordinance, 1984. Ordinance No. XLVII of 1984.*

Activity Number Two. Review legal and regulatory framework for corporatization of SMEs.

Questions:

Query No. 1. *Detailed review of the existing laws, regulations, rules and procedures governing company registration, post-registration formalities as well as exit (decorporatization).* This will involve a detailed review of all the main applicable laws and regulations in this context to gauge how easy or difficult it is for an SME to form a company, sustain a company and stop being a company. In this regard, a highly important comparative analysis will also be drawn. This will entail a comparison of the corporate legal regime as it existed a year or so ago and as it has significantly changed since then, in view of some important amendments to the Companies Ordinance, 1984 and related laws, as well as the various steps undertaken by the SECP to facilitate and expedite the company registration process and to make the company structure more attractive for business entities.

Query No.2. *Identify legal, regulatory, and other barriers and deterrents, which obstruct corporatization of SMEs and their development.* Having determined how easy or difficult it is to form, sustain and exit a company in Pakistan, the idea is to determine why SMEs are deterred from adopting the company structure. The reasons could vary from difficulty of the legal process and/or lack of information about the legal process, as determined from the response to Query No 1 to a determination that the company structure does not actually or adequately cater to any/some of the real legal needs and problems of the SMEs in Pakistan. Furthermore, even if the company structure does bestow certain legal advantages and fulfils some SME needs, the endeavour is to pinpoint the legal and regulatory as well as general obstacles and/or disincentives, which still keep SMEs away from the company structure and choose other options such as sole proprietorship or a partnership structure.

Query No.3. *Assess the adequacy and appropriateness of such laws, regulations and procedures to identify inconsistencies and gaps, and suggest amendments and changes in the same to facilitate entry of SMEs in the corporate sector, post-registration formalities and easy exit.* In view of the responses to Queries No 1 and 2, the endeavour would be to suggest and recommend legal, regulatory and procedural changes of substance as well as approach in order to make the company structure more attractive and useful a legal option for the SMEs in Pakistan.

Methodology for Activity Number Two: The following reviews shall be undertaken in order to comprehensively address the queries under Activity Number Two.

1. **Legal Review.** A detailed review of applicable laws, regulations and procedures including the Companies Ordinance, 1984 (the original and recently amended

versions), the Companies (General Provisions & Forms) Rules, 1985 (the original and recently amended versions), the Companies (Registration Offices) Rules, 2003, Statutory Forms under the Companies Ordinance, 1984, Sixth Schedule to the Companies Ordinance, 1984 (Fee Structure), SECP Guidelines for Formation and Incorporation of Companies, Single Member Companies Rules, 2003, SECP Circulars, the Partnership Act of 1932 and Prudential Regulations and Procedures of Banking and Financial institutions meant for resource mobilization (Access to Financing) for SMEs.

2. **Primary Data.** Primary information collected through detailed personal interviews with SMEs, based on the questionnaire annexed herein as Annexure A, which shall be used as a broad guideline by interviewers. A total of 50 SMES from the manufacturing, services and retail/trade sectors will be approached and spoken at length about their knowledge about the legal and regulatory regime of corporatization and their perception as to its applicability/fit vis-à-vis them as well as its advantages/disadvantages.
3. **Secondary Data.** Comprehensive review of relevant secondary materials generated in the past two years focusing on the SME sector in Pakistan, in order to develop a clearer understanding of the nature and problems of the SME sector and an analytical paradigm for conducting the instant study. These include, *inter alia*, studies conducted by SMEDA, LUMS, ADB, ILO and the World Bank as well as some pertinent recent studies conducted on the SME sector in India.
4. **CRO Evaluation.** Review of a selected sample of Company Registration Offices (CROs) to gauge their functioning in view of their recent restructuring and expected revitalization. A selected sample of recently incorporated Single Member Companies will also be interviewed to gauge their reasons for and experience to date of corporatization.
5. **Discussions with stakeholders and informed parties.** Input from detailed discussions with, *inter alia*, SECP, Ministry of Industries & Productions, SMEDA, LUMS, independent consultants and academics working in this area, a selected sample of banks extending loans to SMEs and mainstream lawyers and tax consultants dealing with SME clients.

Time Line

The legal and regulatory review, which has already started, will run simultaneously with the market survey. Market survey to procure 50 detailed interview results as well as interaction with CROs and other stakeholders will have to start from the 7th of February onwards (as the market is closed due to Eid) and will continue for 12 to 14 days after which the data will be processed. The documentary and legal review will continue simultaneously. The submission is on March 04, 2004.

Activity Number Three. Develop a policy framework for corporatization of SMEs.

Questions:

Query No 1: *Identification of the fiscal and non-fiscal barriers to the incorporation of SMEs.* Apart from the legal and regulatory barriers that can be identified from the legal side, we will identify other regulatory, fiscal and non-fiscal barriers that could hamper the corporatization of the SMEs. SMEs interact with almost all of the government departments that large firms interact with, they are subject to the same laws, receive services from the same utility and service providers, depend on the same markets as larger firms, and use almost the same networks as large firms do. But their small size, lack of formalization and incorporation, and lack of documentation can place (SME specific) impediments in the way of their optimal growth, and in the process of their incorporation. We will identify all such significant impediments.

Query No 2: *Defining a policy framework for SMEs, and suggestions for improvement of out-reach and dissemination of services of SEC and CROs.* The impediments identified above, which will lie beyond the jurisdiction of SEC and the CROs, will need to be addressed if corporatization is to be encouraged. It can well happen that even when SEC and the CROs make the process of incorporation as limited liability companies simple and effective, SMEs do not corporatize due to these other impediments. The SEC and CROs will not have the power to remove all of these impediments, but the impediments can be highlighted for the benefit of a) identifying the real problems, b) highlighting it for other departments for action, c) assessing how CROs and SEC out-reach can help firms deal with these impediments.

Methodology for Activity Number Three: As part of activity number three, the following will be undertaken

1. **Secondary Review:** In the last couple of years the World Bank, LUMS-ADB, and SMEDA-ILO have produced detailed studies documenting the impediments to growth and optimal functioning of SMEs in Pakistan. In addition there are sector level studies also which document similar impediments faced by SMEs in specific sectors. Reviews of these studies will allow us to formulate our initial questionnaire and hypotheses.
2. **Primary Data:** These reports give qualitative and sometimes quantitative valuations of these impediments. What is usually missing is the operationalization of these impediments. How do these impediments actually effect the behavior and actions of SMEs, what sub-optimal coping strategies do SMEs employ, and most importantly, how can SEC and CROs help SMEs either address some of these impediments or devise better coping mechanisms, post incorporation. This operationalization can only be studied and established through detailed interviews with SME entrepreneurs.

SMEs are differentiated on the basis of several cleavages. Corporatization and legal status, size, nature of business (manufacturing, services, retail/trade), industry and membership in clusters are the important ones identified in the reports cited above as well. We will interview about 80 SMEs in total, including the 50 mentioned above, across the various divides mentioned. Effort will be made to cover important sectors (textiles and light engineering in manufacturing, and retail in trade) as well as important clusters. Case studies of SMEs that have gone through the process of corporatization will be focused on to get details of difficulties encountered.

3. **Discussion with SEC/CROs:** The policy response and framework to the impediments, since these do not come under the purview of SEC/CROs, will be developed in close collaboration, and with the input of the SEC/CROs. SMEDA and SME Bank will also be consulted to see how the policy response can be better focused.
4. **Operationalization of Policy framework:** Based on the analysis above, and in consultation with the SEC, activity three will highlight ways of operationalizing the policy framework to allow SEC/CROs to help SMEs with corporatization and with developing coping mechanisms to deal with impediments that cannot be removed in the short-run. Development of policy framework will also focus on enforcement mechanisms to be designed for CROs, as well as improvements for capacity building of CROs.

Time Line

Some of the work on this activity will start in February while the second activity is being conducted. Market survey to procure 30 additional detailed interview results as well as further interaction with CROs and stakeholders will continue simultaneously with documentary review and data analysis of previously conducted interviews. Submission date is April 8, 2004.

Activity Number Four. Design and initiate a Promotional Strategy for corporatization of SMEs.

Tasks:

Task 1: *Blueprint of Promotional Strategy to market “corporatization concept” to the SMEs.*

It would only be possible to come up with a well-defined and focused Promotional Strategy to market the “corporatization concept” after clearly identifying legal, regulatory, fiscal and non-fiscal barriers that hamper corporatization of SMEs in Pakistan. In other words, our detailed Promotional Strategy would largely be based on the conclusions that we reach as to the advantages and/or disadvantages of corporatization

after consultations with all the stakeholders in carrying out the above Activities. Therefore, if our conclusion is that the current mechanism of corporatization is desirable, our goal will be to make it more attractive. On the other hand, if our conclusion is that corporatization is not desirable/deemed desirable for any reason, our aim will be to dispel such an impression and make it more marketable by articulating the various benefits and advantages related to the concept of corporatization as well as to suggest mechanisms to tackle/remove the undesirable features and/or suggest incentives.

Task 2: *Workshop for the SMEs, members from SEC and MOIP and other stakeholders to promote corporatization and disseminate information in the facilitation provided by the SEC to the SMEs in this regard in order to gain valuable feedback.*

The proposed Workshop will use all tools necessary in order to promote the concept of corporatization e.g. printed hand-outs, brochures etc. in both Urdu and English that clearly delineate:

- (i) incentivization linkages to the benefits of corporatization;
- (ii) the benefits of limited liability;
- (iii) public interest dimensions of corporatization such as ensuring public safety and protecting the natural environment.

Particular attention will be paid to the proactive role of the SEC in encouraging corporatization in recent times and the various steps it has taken to facilitate SMEs in corporatizing e.g. areas which will probably be highlighted are the legislative changes in the Companies Ordinance, 1984 to introduce the concept of single member companies and amendments to the Sixth Schedule to the Companies Ordinance, 1984 (Fee Structure). We could also mention the several steps that the SEC has taken in order to facilitate the corporatization of SMEs, which includes availability of names through the internet, SECP Guidelines for Formation and Incorporation of Companies (a comprehensive document with all the requirements for incorporation of companies), rapid incorporation of companies, efforts to create an efficient automated environment at the CROs so as to further expedite the company incorporation process and attempts to maintain easy-to-access records and to facilitate on-line registration of companies. The workshop shall involve an attractive power point presentation and may involve an attempt to bring about an active participation of SME owners who have recently incorporated their companies under SECP's expedited regime as well as other relevant SME stakeholders. Furthermore, the concentrated focus will in all probability be on the SECP and representatives of CROs with a view to sharing and highlighting on the essential issues hampering corporatization and the suggested strategic steps to be taken to tackle the situation.

Time Line

Once the second and third activity are over and the reports submitted, the workshop will be designed in view of the findings by April 15, 2004 and conducted according to the time frame discussed with SECP.

SME QUESTIONNAIRE

- 1. Name of Enterprise, its location and nature of business (manufacturing/services/retail/trade/other).**
- 2. Name and designation of person interviewed.**
- 3. Date of interview.**
- 4. Number of employees of the Enterprise.**
- 5. Size of the Enterprise.**
- 6. Legal Status of the Enterprise (Sole Proprietorship/Limited Liability Partnership/ Limited Liability Company).**
- 7. Growth in the last 5 years and growth plans in the next 5 years.**
- 8. Which laws are applicable to it (a) Labour Laws (b) Income Tax Laws (c) Sales Tax Laws (d) Other laws.**
- 9. Source of funds. Whether facing funding constraints.**
- 10. Whether the Enterprise is an export led industry needing better access to marketing/ information.**
- 11. Three main legal, regulatory, structural problems/constraints currently confronting the Enterprise.**
- 12. Level of information about what it takes to incorporate a company, especially in view of recent amendments to the law.**
- 13. Perception about the desirability or lack of it of functioning as a company instead of functioning in its current status.**

SURVEY METHODOLOGY

RESEARCH DESIGN

Target Organizations

Target organizations include manufacturing, service sector and retail/trade firms in the SME sector that have a total workforce of 10 – 50 and 50 -100 employees, depending on the nature and size of business. This is because any entity with less than 10 employees is technically a micro enterprise and very unlikely to be actively interested in corporatization due to its small size and limited resources.

Although, according to available statistics, around 20% of the existing SMEs are in the manufacturing sector, around 30 % in the service sector and the remaining 50% in the retail/trade sector, our sample of 80 firms will not be sub- divided according to the same lines. This is simply because SMEs engaged in manufacturing have a much greater likelihood of being more amenable to, interested in and informed about the concept of corporatization because of the larger sizes of their businesses, greater potential benefits from corporatization and the export led and capital intensive nature of their businesses. They are also the ones interested in ISO Certification and thus more likely to be cognizant of the benefits which corporatization can bring in that regard. Furthermore, unlike say the retail sector, which may have a more or less similar and a lesser informed response to our queries, the manufacturing sector is much more diverse and thus likely to have a variety of different perspectives and issues. Finally, the manufacturing sector is more significant in terms of overall economic output and employment generation perspectives. Because of all these reasons our research will focus more on the manufacturing sector. Therefore, we intend to have a 55/25 breakup of the 80 firm sample between manufacturing firms and service/retail/trade firms. Furthermore, most of the SMEs interviewed will be sole proprietorships or partnerships to gauge why they

have not considered corporatization, which is the essential ambit of the TOR, but some of the newly incorporated firms including single member companies will also be interviewed to develop short case studies of their experience of corporatization.

Target Respondent and Interview Technique

Detailed interviews will be conducted of the executive heads of the target organization. Every interview will be conducted using the questionnaire as a broad outline and an attempt will be made to get detailed responses about why corporatization has not been considered as an option with specific input on, *inter alia*, their extent of information about the concept as well as the process of incorporation, their financing mechanism, growth plans, legal and regulatory impediments which they face or perceive they will face and their market access. Every interview will be conducted and documented by two people, of which at least one will be one of the main team members and the other a research associate. This will ensure the quality and accuracy of the interviews.

Sample Size and Target Districts

By the 1980 Census there were 72 districts in Pakistan. According to the 1988 Census Establishment Survey more than 50 % of SME's in Pakistan were in the following 10 districts and of these 25% of SME's are located in the first three listed districts i.e. Karachi, Lahore & Faisalabad.

Karachi, Lahore, Faisalabad, Multan, Hyderabad, Sialkot, Gujrat, Shiekhupura, Gujranwala and Quetta.

From the above we have selected the Lahore, Faisalabad, Sialkot and Gujranwala districts as they offer a good cross-section of the diverse kind of SMEs we want to interview and are hubs of manufacturing.

Pilot Interviews

For pre-testing the questionnaire, a total sample of 5 to 10 interviews will be conducted collectively by the entire survey team in order to improve and further develop the questionnaire and to develop and agree upon an interview format. Given the expected reticence of some SMEs to answering questions it is estimated that in order to procure 80 quality and informative interviews, at least an additional 20 to 40 interviews may have to be conducted to weed out the ones which don't offer any useful information.

Sample Selection

(a) 55 of the 80 samples will be from manufacturing and the rest from trade/retail as trade and retail firms, respectively, have more overlap in their activity than the various SMEs in the manufacturing sector.

(b) Lahore, Faisalabad, Sialkot and Gujranwala are appropriate and highly suitable districts as (i) they are all major hubs of manufacturing activity; (ii) they have major clusters within them; (iii) they contribute substantially to the SME output; and (iv) they represent different clusters.

(c) Manufacturing firms will be selected on the basis of industries (a) that have the largest contribution and potential at the SME level and not at the large scale level (e.g. sugar, textile spinning, cement etc); (b) have large contributions to the GDP; and (c) are based in a cluster that could have large growth/export potential or performance.

(d) Smaller SMEs with great potential to corporatize are harder to trace but are essentially our target group as they are probably on the brink of corporatization and neither already corporatized nor too small to not even consider it at this particular stage.

(e) The business and industrial sectors/clusters that we have identified for interviews so far are: **Lahore (Retail: Hall Road, Trading: Azam Cloth Market, Manufacturing: Woolen and Nylon Fibre & Motor Parts manufacturing); Gujranwala (Manufacturing: Light engineering including manufacturers of fans/electrical equipment/washing machines and consumer durables) and Faisalabad (Manufacturing: Bed Linen and**

related items, Small Weaving firms). Gujrat is going to be included in the survey for the next report and we are in the process of identifying clusters there⁷.

Additional Explanation.

The basic justifications for the sample size of 80 are that (a) the number is in conformance with other surveys done recently (which have been shared with you), (b) it is a number, which can be realistically covered in the relatively short time duration of the study and the various other expected tasks under the TOR and (c) finally, given the fact that these 80 interviews will be spread across important sectors and cities from an SME concentration perspective, they are expected to be fairly representative of what significant SME regions in Pakistan are thinking. The Companies Ordinance (1984) and other related laws apply equally everywhere and we have already determined from our review of the relevant laws and legal regimes conducted so far that the main reasons why SMEs stay away from corporatization are not that it is difficult to incorporate a company. The obstacles we have determined and identify so far apply across the board and are of a nature that the reaction from SMEs from say two different regions in Pakistan is not likely to be different.

In our considered opinion, the TOR and the work visualized by it, does not contemplate or require a quantitative survey. What is required—given the nature of the Study, are detailed interviews with reticent SMES on a complex and sensitive subject. Rather than the quantitative aspect of a sample of 80 businesses, a lot will depend on who we are talking to and the quality of information gleaned from such interviews. That is why the choice of detailed interviews and the considered thought given to the choice of sectors and regions. While focusing on the quality and depth of information being sought, the choice of 80 businesses is by no means a random choice and the clusters/sectors selected in view of past studies and available data, can be taken to be fairly representative for covering important cross sections of SMES in the specific size category we are looking at – i.e. the cusp at which SMEs may consider corporatization. Their representativeness thus lies, in essence, in how they have been selected and from what areas.

As mentioned above, the eventual selected sample will not be randomly selected but selected on the criteria of whether they fall in the appropriate ‘size’ definition of SMEs we are looking at, are part of a selected cluster and whether they are already incorporated or not.

⁷ It needs to be reiterated here that it is very difficult to precisely predict whether we will be able to get a good response from a particular sector/cluster. Sometimes people refuse to talk at the last minute or give inadequate responses and one has to replace that selected sample with another. For every one good interview, there could thus be two to three inadequate ones. For a sample of 80 we may have to interview twice or thrice as many. The list of clusters provided at this stage is thus subject to some changes as the survey proceeds.

Access to the LUMS ‘SME-Pulse’ dataset.

As LUMS faculty, we also have legal access to the recently compiled LUMS ‘SME-Pulse’ data set which covers 600 plus firms and can well provide additional relevant information to further supplement the 80 detailed interviews.

