

# Ease of Doing Business in Pakistan

A Report developed by Gallup Pakistan for ICMA Pakistan

## Preamble

ICMA Pakistan and Gallup Pakistan - *the Pakistani affiliate of Gallup International, and a leading survey research agency and an emerging Social Science Research Lab in Pakistan* - signed an MoU recently, officiating Gallup as ICMA Pakistan's survey research partner. This partnership is aimed at utilizing the industry's best practices by employing Gallup's 40 years of research experience for opinion surveys of ICMA Pakistan's esteemed members. To this end, Gallup Pakistan will be periodically reaching out to our valued members individually on their emails to carry out opinion-based surveys on the current economic and social conditions of the country. This month's theme was to gauge the perception and the dynamics around the Ease of Doing Business (EODB) in Pakistan.

## Survey Objective

This first survey report developed by Gallup Pakistan for ICMA Pakistan is on the topic of 'Ease of Doing Business in Pakistan'. The purpose of the survey was to better understand how ICMA Pakistan's esteemed members perceive the prevailing business and investment climate in Pakistan; their opinion on the existing policies that directly or indirectly impacts businesses and steps that are essential for improving the ease of doing business (EODB) in Pakistan.

This report provides key findings of this exercise. The Report is classified into four specific sections.

**Section 1** highlights the obstacles that hinder Business Growth and Environment in Pakistan;

**Section 2** highlights opinions on 'Taxation Policies and Foreign

Investment on Businesses in Pakistan; Section 3 mentions Government Initiating Business Reforms; and

**Section 4** briefly details the demographic understanding of the total sample.

## Survey Methodology

The Research and Publications Department of ICMA Pakistan shared the initial questionnaire on EODB with Gallup Pakistan which undertook the task of reviewing and revising the questionnaire, based on their prior experience of conducting Market and Perception surveys across Pakistan. The review was done in consultation with ICMA Pakistan to ensure that they align with the objectives set by the organization. Gallup was responsible for the overall design of the questionnaire, with various waves of revisions based upon ICMA Pakistan's feedback. Gallup then scripted the agreed-upon survey into a specialized online software which enabled the electronic collection of data through a unique customized online link. The customized Questionnaire was disseminated amongst more than 5,000 members of ICMA Pakistan using unique customized online links, based upon the members' details. This was followed up by phone calls and WhatsApp contact attempts which enabled an extra layer of check to ensure that the database was updated while allowing outreach to maximum members.

Data from the complete survey was received by Gallup's online server on a daily basis. Total fieldwork was completed in a span of three weeks. More than 239 surveys were completed successfully. After accounting for Quality Assurance, data from a total of 233 surveys were used for this analysis. The findings from this exercise have been summarized within this report.

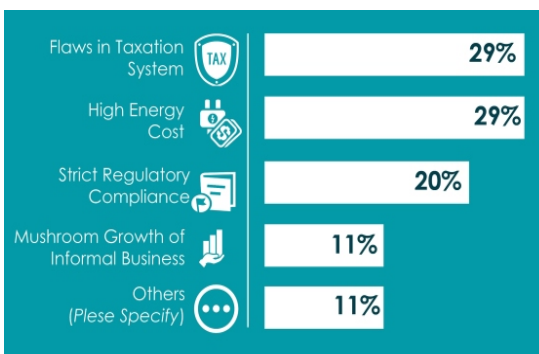
## Survey Results

### Section 1: Obstacles hindering Business Growth and Environment in Pakistan

**58%** points to flaws in the taxation system and high energy costs as the most pertinent obstacles hindering business growth in Pakistan

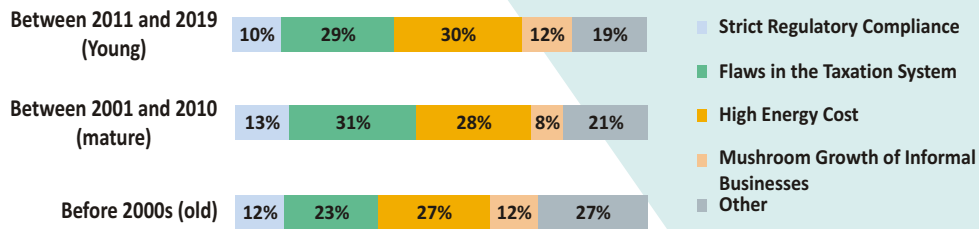
The survey respondents were asked to report what they perceived to be the most important obstacle they face in doing business in Pakistan. Almost half of the respondents (58%) reported 'Flaws in the Taxation System' and 'High Energy Cost' to be the most important obstacles hindering Business Growth. Almost 20% of respondents have reported strict regulatory compliance as a major issue faced. Around 11% of the sampled respondents reported Mushroom Growth of Informal Businesses to be a major obstacle whereas a small percent of respondents (11%) reported other reasons.

Amongst young respondent members, the highest proportion of 30% claimed that high energy cost was the major obstacle. A relatively greater proportion of mature member respondents claimed that strict regulatory compliance is the most pertinent obstacle while the largest proportion (27% each) of old respondents chose high energy cost and other reasons as major obstacles.



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

**Most Pertinent Obstacles (based on year of Associateship completion)**



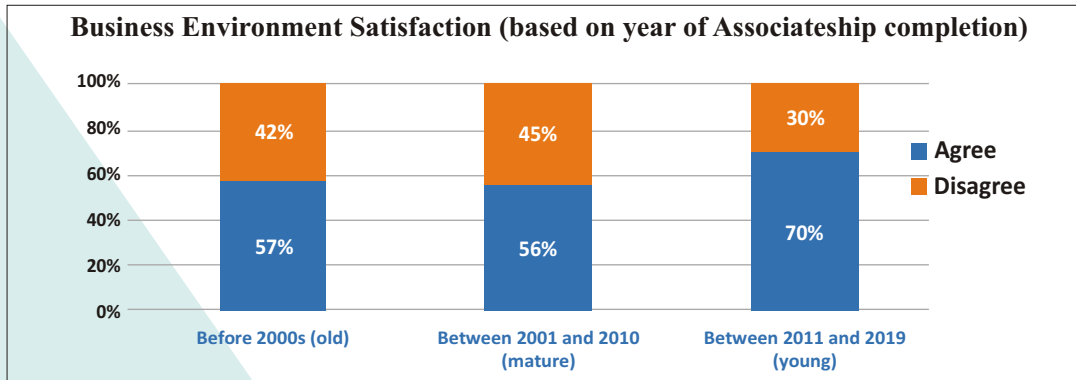
**65%** agrees Pakistan has a better environment for doing business compared to other countries in the region

The members were asked to report whether they agree or disagree that Pakistan has a better environment for doing business as compared to other countries in the region. Overall, 65% respondents agreed completely or somewhat that Pakistan has a better environment for doing business against other regional countries. Only 1 in 4 (25%) respondents disagreed completely or somewhat. This shows a high level of satisfaction with the business atmosphere in the country.

A large proportion of respondents who completed their Associateship after 2011 agreed (somewhat or completely) with the statement (70%) compared to graduates from before the 2000s (57%). Results indicate that younger graduates are more likely to have a positive opinion on the business environment of Pakistan as compared to other countries in the region.



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan



**Section 2: Taxation Policies and Foreign Investment**

**55%** says existing taxation policies are not business and industry-friendly

The members of ICMA Pakistan were asked to report whether they agreed or disagreed that the existing taxation policies are business and industry-friendly. More than 1 in 2 respondents (55%) responded they either disagree fully or partially that the existing taxation policies are business and industry-friendly. A lower proportion (45%) agreed fully or partially with the statement. Results indicate a low level of satisfaction with the existing taxation policies.



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

## Focus Section

### 64% believe Pakistan has not attracted sizeable foreign investment in last 5 years

The survey respondents were asked if, at any point in the last 5 years, Pakistan has been able to attract sizeable foreign investment. Only 28% of the respondents believed Pakistan has been able to attract sizeable foreign investment in the last 5 years, while a much greater proportion (64%) disagreed.



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

### 43% cites lack of policy consistency as the top reason for not attracting investment

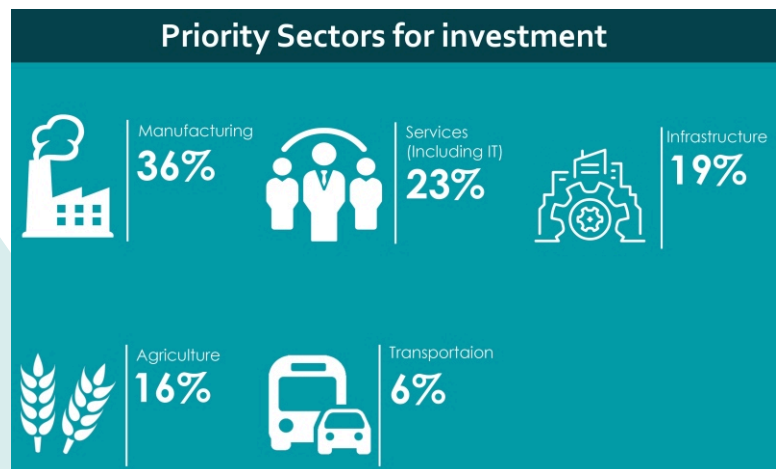


Lack of policy consistency has been cited by 43% of the survey respondents as the major reason for Pakistan not being able to attract investments. Around 21% respondents have indicated political instability as the major factor. Other reasons cited by respondents for the low foreign investment were law and order situation (11%), cumbersome procedures (7%) and high utility costs (5%). Overvaluation of Pak Rupee and weak contract enforcement and dispute resolution capacity were reported by just 1% of the respondents.

Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

### 36% suggests Government to prioritize the manufacturing sector to attract investment

The respondents were asked to report which sectors they perceived to be accorded priority by the Government to further attract foreign investment. Almost 36% of the surveyees are of the opinion that the government should prioritize the 'manufacturing sector', whereas, 23% opine that priority should be given to the 'services sector'. Less than 1 in 5 each cited Infrastructure (19%) and Agriculture (16%) as the priority sectors, while only 6% cited transportation. It is therefore concluded that the Government should prioritize the manufacturing sector to attract foreign investment.



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

## 60% opine that low level of taxes is collected from the business sector

The respondents were asked about the collection of taxes from the businesses in Pakistan. A significant proportion of the respondents (60%) were of the opinion that a low level of tax is collected from the business sector, whereas only 31% say tax collection from businesses is sufficient.



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

## 75% points towards 'lack of will and capacity of tax collecting agencies' and 'strong resistance from traders and businesses' as two major reasons for low tax collection



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

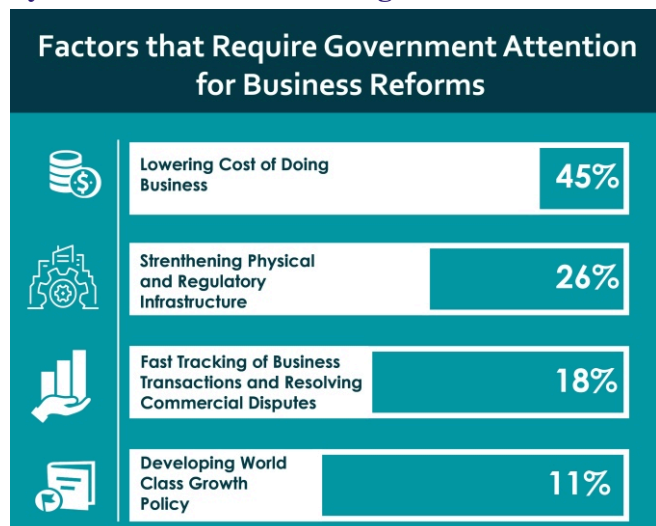
When enquired about the reasons for the low level of tax collections from the business sector, majority of the respondents (41%) cited lack of will and capacity of tax collecting agencies as the major reason, followed by 34% respondents who said it is due to strong resistance from the traders and businesses. 13% of the respondents reported a lack of political will as a reason for low tax collection.

## Section 3: Government Initiating Business Reforms

### 45% says the Government must give priority to lower the cost of doing business

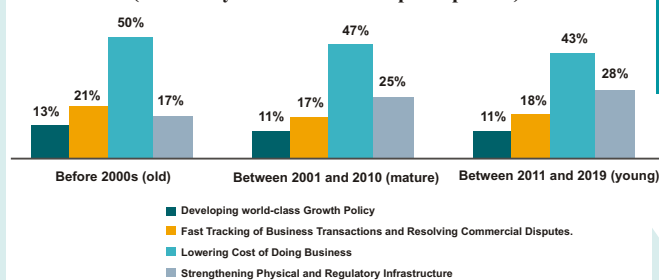
The survey respondents were asked as to which factors require the government's attention while initiating Doing Business Reforms. Around 45% of members cited 'lowering the cost of doing business' as the main factor requiring the government's attention whereas 26% stated that the government should strengthen the physical and regulatory infrastructure.

Almost 18% of respondents said that 'fast-tracking of business transactions' and 'resolving commercial disputes' need attention, and only 11% said that the development of world-class growth policies is required to be taken care of by the Government.



Source: Survey of ICMA Pakistan members on Ease of Doing Business in Pakistan by Gallup Pakistan

Factors that Require Government Attention for Business Reforms (based on year of Associateship completion)



between 2001 and 2010, and 43% who graduated between 2011 and 2019 cited lowering cost of doing business as main factor requiring government's attention.

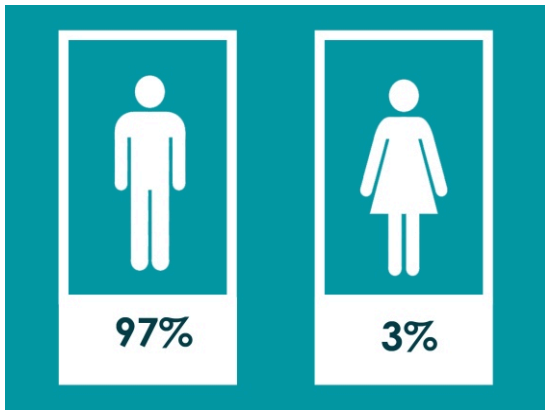
Respondents across the age groups continue to believe that to initiate doing business reforms, the government should lower the cost of doing business; 50% of the respondents who graduated before the 2000s, 47% of those who graduated between 2001 and 2010, and 43% who graduated between 2011 and 2019 cited lowering cost of doing business as main factor

## Focus Section

### Section 4: Demographics

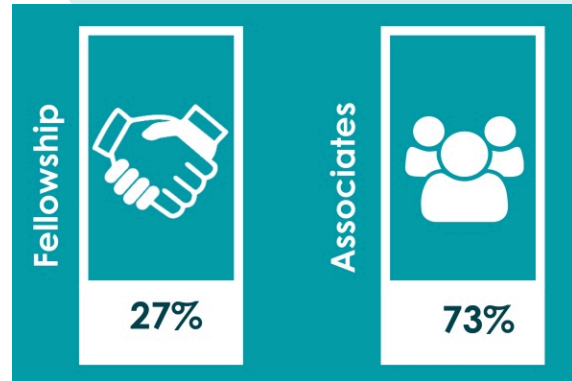
#### Gender Breakdown

The proportion of males in the total sample is much greater (97%) than that of females (3%).



#### Completion of Education from ICMA Pakistan

The majority of respondents to this survey [73%] are Associate members whereas 27% of respondents are the Fellow members of the Institute.



#### Year of Associateship and Fellowship Completion

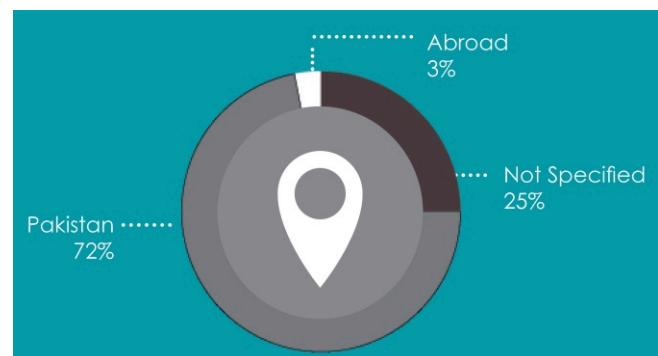
Most respondents (57%) finished their Associateships (ACMA) at ICMA Pakistan between 2011 and 2019. Around 32% completed the Associateship between 2001 to 2009, while only 11% of respondents were those who had fulfilled the requirements before the 2000s.

On the other hand, a vast majority of respondents (68%) finished their Fellowship (FCMA) at ICMA Pakistan between 2011 and 2019. Around 16% completed the Fellowship between 2001 to 2009, while only 16% of respondents were those who had fulfilled the requirements before the 2000s.



#### Location of Respondents

72% of the respondents are currently residing in Pakistan while 3% are based abroad. Around 25% of respondents did not mention their place of the location while filling up the survey.



**DISCLAIMER:** The views expressed by the survey participants do not necessarily reflect the official viewpoint of the Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan). Furthermore, Gallup Pakistan has conducted this poll according to the ESOMAR Code of Ethics and internationally recognized principles of scientific polling. The results of this Report do not represent views held by the authors or Gallup Pakistan. The results only represent public opinion, computed on the basis of views expressed by anonymous respondents selected through the procedure outlined in the methodology section of this Report.