

Services sector in pakistan essay

[Business](#), [Accounting](#)



5/21/2010 Institute of Business Administration, University of the Punjab | | |
 Impact of Services Sector on Economy of Pakistan| Submitted To Ms. Bushra Usman BBA 2007-Semester 6 (morning) University of the Punjab Institute of Business Administration Submitted By Junaid Khalid ButtRoll # 19| Roll #19| Wafa SohailRoll # 01| Roll # 01| Nida Tabbasum| Roll # 16| Saad KhalilRoll # 42| Roll # 42| Asma KiranRoll # 43| Roll # 43| Haris Khan| Roll # 04| Usman Ghani| Roll # 36| Zahara Raza| Roll # 41| Sibbtain Zia| Roll # 11| Sehrish Mubarak| Roll # 15| Rabia Javaid| Roll # 48| Anam Arif| Roll # 31| Mohsin Jaleel| Roll # 39| Zulqurnain Haidar| Roll # 08| Ahmad Javied| Roll # 05|
 Acknowledgement We are highly grateful to Almighty Allah who bestowed on us the ability to accomplish this project assigned to us. The kind guidance of our honorable course instructor Ms. Bushra Usman helped and enabled us to bind papers into project manner. | Contents Acknowledgement4 What are Services? 6 Indicator of an Economy6 Services sector contribution to REAL GDP growth7 Services impact in SME sector: 8 Services sub-sectors9 Pakistan's exports of services11Pakistan's imports of services11 Sectoral Contribution in GDP over the past 10 years: 11 Analysis of Sectors in Service over the past 10 years: 12 Growth of contribution of Services in GDP12 Important Highlights13 Transport, Storage & Communication15 a)Communication16 b)Railways18 c)Aviation19 Wholesale and retail trade20 Finance and insurance21 Ownership of dwellings22 Public administration and defense23 Social, community and personal services24 Issues faced by the services sector25 Appendix 130 Appendix 232 Service Sector in Pakistan
 What are Services? “ Services are deeds, processes, and performances. ”
 Valarie Zeithaml & Mary Jo Bitner * “ A service is a time-perishable,

intangible experience performed for a customer acting in the role of a co-producer.

” James Fitzsimmons * Intangible products that are not goods (tangible products), such as accounting, banking, cleaning, consultancy, education, insurance, know how, medical treatment, transportation. Sometimes services are difficult to identify because they are closely associated with a good; such as the combination of a diagnosis with the administration of a medicine.

No transfer of possession or ownership takes place when services are sold, and they (1) cannot be stored or transported, (2) are instantly perishable, and (3) come into existence at the time they are bought and consumed.

Indicator of an Economy Impact of any factor on the economy of any country can be measured by the factor’s impact on its national income which is indicated by GDP or GNP.

Therefore for analyzing affect on economy, we will address the impact of service sector on GDP, along with other features. “ GDP is Gross domestic product. For a region, the GDP is “ the market value of all the goods and services produced by labor and property located in the region, usually a country. It equals GNP minus the net inflow of labor and property incomes from abroad.

” Pakistan is one of the emerging economies of the world. It has shown great economic growth due to dynamism in its industrial, agriculture and services sectors. The services sector alone has continued to perform strongly and has

averaged growth of over 8% per annum since 2000. Snapshot of the services sector Number of services enterprises | 2.

5 million (80% of all enterprises)| Average employee size | less than 50

persons| Average sales | between PKR 60, 000 and PKR 400, 000|

Contribution to GDP X| Construction 2. 3%| Construction | 2. 3%| Retail & Wholesale | 19. 1 %| Transport & Communication | 10.

3%| Finance & Insurance | 5. 6%| Other services | 9. 6%| GDP growth rate | over 8. 7% annually since 2004| Employment generation | 40% of skilled labour force (70% of employed)| Share in global exports | 0. 13% (US\$3. 34 billion)| Share of local exports | 19. 2% (PKR 200.

7 billion)| FDI | US\$2. billion during 2006-07| Services sector contribution to REAL GDP growth Pakistan's economic growth is broad-based and is shared by all the major sectors of the economy. However, a major contribution towards growth has come from the services sector, which has emerged as a growth powerhouse over the past few years. The commodity producing sectors (agriculture and industry) have contributed two-fifths while the services sector contributed the remaining three-fifths of the 2006- 07 real GDP growths of 7. 0%.

Agriculture and industry contributed 30. %, or 2. 9% percentage points, while the remaining 59. 8%, or 4. 2 percentage points, came from the services sector. Within the commodity producing sectors, agriculture contributed 1. 1 percentage points or 15. 1% to overall growth, while industry contributed 1.

8 percentage points or 22.7% (see Table I. 2). The services sector has contributed the bulk of GDP growth for some time. Table I. 2: Sectoral contribution to GDP growth (% points at constant factor cost) Sector | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07| Agriculture| 1. | 0.

6| 1. 5| 0. 4| 1. 1| Industry | 1.

0| 3. 8| 3. 1| 1. 3| 1. 8| – Manufacturing | 1. 1| 2.

3| 2. 7| 1. 8| 1. 6| Services| 2. 7| 3. 1| 4. 4| 4. 9| 4.

2| Real GDP| 4. 7| 7. 5| 9. 0| 6. 6| 7. 0| Source: Economic Survey of Pakistan, 2006-07| Further services sector grew by 8.

5% in 2006-07 as against 9.6% growth the previous year. The finance and insurance sector remained the major driver of growth, while better performance in the wholesale and retail trade as well as the transport and communications sectors also contributed. All components of the services sector registered strong growth in 2006-07, with the exception of ownership of dwellings, and public administration and defense. The finance and insurance sector posted remarkable growth in 2004-05, 2005-06 and 2006-07 with growth of 30.8%, 33.0% and 18.2%, respectively.

The wholesale and retail trade, and transport, storage and communications sectors also registered strong growth of 7.1% and 5.8%, respectively.

Pakistan's reliance on agriculture is minimizing with the passage of time. It is encouraging to note that the contribution of wholesale and retail trade is increasing. It contributed 19.4% or 1.4 percentage points to GDP in 2006-

07. This sector is highly labour-intensive and this higher growth may have contributed to the rise in employment and income levels of people attached to the sector. Services impact in SME sector: SMEs have a pervasive presence across the economy with varying density. The wholesale & retail trade and restaurants & hotels sector has the lion's share (53%) followed by other services (27%) and the manufacturing sector 19.

7% . SMEs in the manufacturing sector are generally not capital intensive in nature. Instead the majority consists of labour intensive set ups involved in providing support services to larger manufacturing units catering to niche consumer markets. As for the pattern of ownership in the SME sector, 968% of enterprises are sole proprietorship concerns (or partnerships). Putting the above information together, SMEs are mainly concentrated in the trade and services sector with manufacturing comprising just a quarter of the whole. Most are personally or family owned and managed businesses. SME major Sub-Sectors Source: Economic Census of Pakistan 2005 Services sub-sectors A closer look on the composition of sub-sectors that contribute most to the services sector shows that retail trade, wholesale trade, research and educational consultancy services, restaurants and hotels, financial, construction, and some business services, such as computer and information technology (IT) services, and professional services, such as engineering, legal and accounting services. IT and related services are the most significant in terms of scope and scale of export markets and the extent to which these services are currently being delivered.

Professional services, such as legal and accounting, is a promising sector. While it is rare to find a Pakistani architectural firm with an office abroad, a handful of engineering companies have extended their presence outside Pakistan. Medical and health services are delivering primarily to foreign nationals in the domestic market. The courier services sector stands out in terms of scale, and the Internet-related services sector distinguishes itself in terms of scope. Environmental services have significant exports in the area of environmental impact assessments. The banking sector is very prominent, while securities and asset management firms are also actively involved in international transactions mainly to solicit funds from foreign institutional and private investors.

The insurance sector lags behind compared to the rest of the financial sector. Communications, distribution and transport services are significant in terms of scale of services traded but their supply is limited Pakistan's exports of services Pakistan's exports of commercial services in 2005-06 represented just 0. 1% (US\$3. 75 billion) of world services exports. Imports of commercial services amounted to US\$8. 15 billion. Services sector exports increased by 25% during 2004-05 and again by 13% during 2005-06. The star performers were sub- sectors dominated by small and medium enterprises (SMEs), namely computer software exports; professional (other business) services and travel services (see Table I.

5). Services were predominantly exported to the United States of America (USA), the European Union (EU) and Middle East countries. Pakistan's

imports of services The imports of services increased by 23% during 2005-06,; i.

e. from US\$6, 613 million to US\$8, 152 million. The major services imported included other business services (36%), transport (35%) and travel (17%) services. Services were predominantly imported from the United States (US), the European Union (EU) and Middle East countries. It is interesting to note that services imports are predominately from the same countries, where Pakistan exports its services.

Sectoral Contribution in GDP over the past 10 years: Year| Agriculture sector| Industrial Sector| Services Sector| GDP| 1999-2000| 923609| 830865| 1807546| 3562020| 2000-2001| 945301| 942263| 2035680| 3923244| 2001-2002| 968291| 989349| 2188527| 4146167| 002-2003| 1059316| 1083914| 2390988| 4534218| 2003-2004| 1164751| 1416986| 2668790| 5250527| 2004-2005| 1314234| 1659281| 3149049| 9122568| 2005-2006| 1457222| 1923698| 3777607| 7158527| 2006-2007| 1685240| 2214612| 4335247| 8235099| 2007-2008| 2016553| 2665897| 5279797| 9962247| 2008-2009| 2590185| 3026971| 6842383| 12459544| Analysis of Sectors in Service over the past 10 years: Sectors| 1999-00| 00-01| 01-02| 02-03| 03-04| 04-05| 05-06| 06-07| 07-08| 08-09| 1. Transport, st. communication| 400983| 512997| 542828| 609929| 575623| 759711| 908409| 1012206| 1178906| 1609904| 2. Wholesale & retail Trade| 621842| 691854| 720812| 785776| 896357| 1093114| 1262001| 1441786| 1829225| 2359205| 3. Finance & insurance| 132454| 116997| 142424| 144989| 165230| 236254| 344320| 447270|

565695| 667658| 4. Ownership of Dwelling| 110425| 124359| 126454|
135139| 146264| 165441| 184812| 206166| 239010| 304229| 5.

Public Admn. & defence| 220291| 235039| 260042| 285854| 312105|
343348| 404628| 467685| 530074| 665142| 6. Social community & P.
services| 321551| 354434| 395967| 429301| 473211| 551181| 653437|
760134| 936887| 1236250| Growth of contribution of Services in GDP YEAR|
Service Sector (Rs. in millions)| GDP (Rs. in millions)| %age Growth of service
sector in GDP (S.

S / GDP *100)| 1990-00| 1, 807, 546| 3, 562, 020| 50. 744%| 2000-01| 2, 035,
680| 3, 923, 244| 51. 88%| 2001-02| 2, 188, 527| 4, 146, 167| 52. 78%|
2002-03| 2, 390, 988| 4, 534, 218| 52. 73%| 2003-04| 2, 668, 790| 5, 250,
527| 50. 82%| 2004-05| 3, 149, 049| 6, 122, 568| 51. 43%| 2005-06| 3, 777,
607| 7, 158, 527| 52.

77%| 2006-07| 4, 335, 247| 8, 235, 099| 52. 64%| 2007-08 | 5, 279, 797| 9,
962, 247| 52. 99%| 2008-09 | 6, 842, 388| 12, 459, 544| 54. 91%| Service
sector's contribution in GDP has risen from 1999 to 2001, and declined after
a stagnant stage till 2004. A sharp rise was again seen till 2006 and
continued with little problems till 2008. 2009 proved to be very prosperous
for the services sector in Pakistan. Important Highlights *

Pakistan's service sector accounts for about 53.

3% of GDP. * Transport, storage, communications, finance, and insurance
account for 24% of this sector, and wholesale and retail trade about 30%. *
Pakistan is trying to promote the information industry and other modern

service industries through incentives such as long-term tax holidays. The government is acutely conscious of the immense job growth opportunities in service sector and has launched aggressive privatization of telecommunications, utilities and banking despite union unrest.

Various Heads in the Services Sector of Pakistan: Following are the various heads under the services sector as per included in GDP calculation and their details; * Transport, Storage and Communication * Wholesale and Retail trade * Ownership of Dwellings * Public Administration and Defense * Social Community and Personal Services * Finance and Insurance

The services sector though missing its growth targets during last two consecutive years is becoming an increasingly important dimension of Pakistan's economy due to its major contribution of about 54 percent in the GDP. Wholesale & retail trade, transport & storage, communication, community & social services and personal services are leading service activities in Pakistan. Other services are finance and insurance, ownership of dwellings, public administration etc. The services sector by missing its target growth of 6.1 percent grew by 3.

6 percent which is the lowest in the preceding eight years. Weakening activities in industrial sector slowed down the pace of wholesale and retail trade. Major setback to services sector growth came from sharp weakening of transport, storage & communication as well as decline in finance & insurance. Share in GDP and growth rate of Services sector FY 2008 | FY 2009 | | Growth rate | Percent share | Growth target | Growth rate | Percent share | Services sector | 6.1 | 3.6 | 53.8 | Wholesale & retail trade | 5.

0 | 6.1 | 3.6 | 53.8 | Wholesale & retail trade | 5.

| 17. 3| 4. 5 | 3. 1| 17. 5| Transport storage & communication | 5.

7| 10. 2| 5. 4 | 2. 9| 10. 3| Finance and insurance | 12. 9| 6.

4| 12. 0 | -1. 2| 6. 2| Ownership of dwellings | 3. 5| 2. 7| 3. 5 | 3.

5| 2. 7| Public administration and defense | 1. 2| 5. 9| 4. 0 | 5.

0| 6. 1| Community, social & personal services | 10. 0| 10. 6| 7. 0 | 7. 3| 11. 1
| Transport, Storage & Communication Periods| Year| Growth rate| 1| 1999-
00 & 2000-01| 5.

3| 2| 2000-01 & 2001-02| 1. 2| 3| 2001-02 & 2002-03| 4. 3| 4| 2002-03 &
2003-04| 3. 5| 5| 2003-04 & 2004-05| 3. 5| 6| 2004-05 & 2005-06| 4| 7| 2005-
06 & 2006-07| 4. 7| 8| 2006-07 & 2007-08| 5.

| 9| 2007-08 & 2008-09| 2. 9| Growth in transport, storage and
communication sub-sector missed the target of 6. 0 percent for FY07, but by
a smaller margin.

Value addition in the sub-sector increased by 5. 8 percent during FY07,
compared to the 6. 9 percent in the preceding year, but even this is the
second highest growth in this sub-sector since FY98. Transport, Storage &
Communication Sector (Jul-Mar 07) | % Share in value addition | Growth in
percent | Sub -sectors.

| FY07 | FY06 | FY07 | Pak railway | 1. 1 | 12. 0 | 23. 8 | Port and shipping | 2.
6 | 11. 2 | -1. 2 | Airlines | 4.

0 | -5. 2 | -9. 8 | Pipelines | 0. 6 | -15. | -7. 4 | Communication | 16. 0 | 6.

3 | 5. 7 | Road transport | 72. 3 | 7. 9 | 6.

9 | Storage | 3. 2 | 8. 5 | 6. 7 | Transport, storage & communication | 6. 9 | 5.

8 | Source: Federal Bureau of statistics | a) Communication * After deregulation of telecommunication industry, the sector has seen an exponential growth. * Pakistan Telecommunication Company Ltd has emerged as a successful Forbes 2000 conglomerate with over US \$1 billion in sales in 2005. The mobile telephone market has exploded fourteen-fold since 2000 to reach a subscriber base of 91 million users in 2008, one of the highest mobile tele-densities in the entire world.

In addition, there are over 6 million landlines in the country with 100% fiber-optic network and coverage via WLL in even the remotest areas. As a result, Pakistan won the prestigious Government Leadership award of GSM Association in 2006. * The contribution of telecom sector to the national exchequer increased to Rs 110 billion in the year 2007-08 on account of general sales tax, activation charges and other steps as compared to Rs 100 billion in the year 2006-07. * The World Bank estimates that it takes about 3 days only to get a phone connection in Pakistan. In Pakistan, following are the top mobile phone operators: * Mobilink (Parent: Orascom Telecom Holding, Egypt) * Ufone (Parent: PTCL (Etisalat), Pakistan/UAE) * Telenor (Parent: Telenor, Norway) * Warid (Parent: Abu Dhabi Group / SingTel, UAE/Singapore) * Zong (Parent: China Mobile, China) * By March 2009, Pakistan had 91 million mobile subscribers – 25 million more subscribers than reported in the same period 2008.

In addition to 3. 1 million fixed lines, while as many as 2. 4 million are using Wireless Local Loop connections. Sony Ericsson, Nokia and Motorola along with Samsung and LG remain to be the popular brands among customers.

* Pakistan is on the verge of a telecom revolution and it is by far the most attractive sector in Pakistan in terms of Foreign Direct Investment coming into the country. Since liberalization, over the past four years, the Pakistani telecom sector has attracted more than \$9 billion in foreign investments. During 2007-08, the Pakistani communication sector alone received \$1. 62 billion in Foreign Direct Investment (FDI) – about 30% of the country's total foreign direct investment. Present growth of state-of-the-art infrastructures in telecom sector during the last four years has been the result of the PTA's vision and implementation of deregulation policy. Paging and mobile (cellular) telephones were adopted early and freely.

Cellular phones and the Internet were adopted through a rather laissez-faire policy with a proliferation of private service providers that led to fast adoption. With a rapid increase in the number of Internet users and ISPs, and a large English-speaking population, Pakistani society has seen an unparalleled evolution in communications. * According to the PC World, a total of 6. 37 billion text messages were sent through Acision messaging systems across Asia Pacific over the 2008/2009 Christmas and New Year period.

Pakistan was amongst the top five ranker with one of the highest SMS traffic with 763 million messages. * Pakistan is ranked 4th in terms of broadband Internet growth in the world, as the subscriber base of broadband Internet

has been increasing rapidly. The rankings are released by Point Topic Global broadband analysis, a global research centre. Pakistan has more than 17 million Internet users in 2009. The country is said to have a potential to absorb up to 50 million mobile phone Internet users in the next 5 years thus a potential of nearly 1 million connections per month.

* Almost all of the main government departments, organizations and institutions have their own websites. * The use of search engines and instant messaging services is also booming. Pakistanis are some of the most ardent chatters on the Internet, communicating with users all over the world. Recent years have seen a huge increase in the use of online marriage services, for example, leading to a major re-alignment of the tradition of arranged marriages.

* As of 2007 there were six cell phone companies operating in the country with nearly 90 million mobile phone users in the country. * Wireless local loop and the landline telephony sector have also been liberalized and private sector has entered thus increasing the teledensity rate. In mid-2008, the Local Loop installed capacity reached around 5.5 million. * Telecom industry created of 80,000 jobs directly and 500,000 jobs indirectly. The Federal Bureau of Statistics provisionally valued this sector at Rs.

982,353 million in 2005 thus registering over 91% growth since 2000. * Teledensity is defined as “ the number of landline telephones in use for every 100 individuals living within the country. ” Wireless local loop is the use of a wireless communications link as a connection for delivering plain old

telephone services (POTS) and broadband Internet to telecommunications customers.

* Number of DSL subscribers reached 32. 2 thousand in March 2007, up from 26. 6 thousand in June 2006. Internet subscribers have increased tremendously during FY07 mainly due to * Reduction in prices of PCs and laptops, as well as; * A fall in internet charges and availability of cheap internet cards. * In addition, liberalization policies of the government have positive impacts on the growth of electronic media in Pakistan.

According to PEMRA report 2003-06, electronic media is earning annual advertisement revenue of around Rs 3 billion, while cable TV revenue amounts to almost Rs 5 billion. The total receipts of PEMRA amounted to Rs 626 million in FY06 up from Rs 138 million in FY05. Major component of these receipts is originating from cable TV and FM radio services b) Railways A massive rehabilitation plan worth \$1 billion over five years for Pakistan Railways has been announced by the government in 2005. A new rail link trial has been established from Islamabad-Pakistan via Tehran-Iran Via Istanbul-Turkey . Furthermore it would promote trade , tourism, and would also would serve as an effective link for the exports to Europe (as Turkey part of Europe and Asia. * A well functioning railway system is crucial for sustainable economic growth. Railways have a definite edge over roads for long haul and mass scale traffic movement, both for passenger and freight, as a safe, economical and environment friendly mode of transport. * It not only contributes to economic growth but also promotes national integration.

Pakistan Railways was the primary mode of transportation in the country till seventies. However, due to diversion of resources to expansion of road network, the performance of Pakistan Railway declined and its share of inland traffic reduced from 41 percent to 10 percent for passenger and 73 percent to 4 percent for freight traffic. During the last seven years (2000-2007), Pakistan Railways has shown improving trend in both passenger and freight traffic, registering an average increase of 5.

6 percent and 8. 0 percent per annum, respectively. * A positive growth of 5. 7 percent and 6. 9 percent has been recorded in passenger traffic and freight traffic, respectively during 2005-06. * Further, the passenger and freight carried by railways increased by 6.

3 percent and 7. 0 percent respectively during July-March 2006-07. The positive growth trend for seven consecutive years (2000-2007) can be attributed to the wide range of improvements made by the Pakistan Railways through completion of a number of development projects and better policies aimed at modernization of PR. * Pakistan Railways has introduced 9 new train services in Transport and Communications in order to facilitate passengers as well as freight In order to continue improvements and to consolidate reforms, Pakistan Railways has prepared a business plan for 2005-11. The plan places emphasis on encouraging private sector participation in order to increase its competitiveness, responsiveness and efficiency. Pakistan Railway is planning to take a series of interlinked initiatives, which will enable it to compete efficiently in the fast growing transport sector in Pakistan.

c) Aviation The Pakistan aviation industry was started up when Orient Airways merged with Pakistan International Airlines Corporation (PIAC) to become the national flag carrier of Pakistan called Pakistan International Airlines (PIA). PIA remained the only operator for many years after its creation, but soon private airlines arrived at the scene to compete with the national flag carrier as conditions of the country stabilized. It was not early nineties there was a major growth in the Pakistani aviation market with four new private airlines launching operations. The airline did very well to compete with the well established flag carrier, PIA which was controlled by the government.

However, this was not to last as the UN placed economic sanctions on Pakistan and its neighbor, India that caused the airline market to suffer. It caused two of the four airlines to file for bankruptcy and liquidate their assets. The airline industry remained quite stable with PIA developing a strong hold on the international and domestic market for many years. It was not until the early 21st century that the industry started to pick up again that allowed the entry of a new carrier in the market, Airblue which launched operations with new state of the art aircraft. As of August 2007, the aviation market is developing and allowing more services and facilities to be inaugurated as well as the development of a brand new airport to be built for the capital at Fateh Jang. Pakistan International Airlines, the flagship airline of Pakistan's civil aviation industry, has turnover exceeding \$1 billion in 2005.

The government announced a new shipping policy in 2006 permitting banks and financial institutions to mortgage ships. Private sector airlines in Pakistan include Airblue and Shaheen Air International. Many private airlines are in the pipeline including Air Mashreq, Dewan Air, and Pearl Air. Airblue is using state-of-the-art Airbus A320 and A321 aircraft for flying domestically, to the UAE, Oman, and UK; and will soon commence Norway, Kuwait, Malaysia, and India operations. Airblue has recently ordered six factory-fresh A321 aircraft, while two dry-leased aircraft will also soon be added to the existing fleet of five, making it the second biggest fleet behind PIA, which has 42 aircraft.. Wholesale and retail trade Periods| Year| Growth Rate| 1| 1999-00 & 2000-01| 4.

5| 2| 2000-01 & 2001-02| 2. 8| 3| 2001-02 & 2002-03| 6| 4| 2002-03 & 2003-04| 8. 3| 5| 2003-04 & 2004-05| 12| 6| 2004-05 & 2005-06| -2.

| 7| 2005-06 & 2006-07| 5. 8| 8| 2006-07 & 2007-08| 5. 3| 9| 2007-08 & 2008-09| 3. 1| * The Federal Bureau of Statistics provisionally valued this sector at Rs. 621842 million in 1999-2000; and Rs. 2, 359, 205 million in 2008-2009; thus registering over 279% growth since 1999 in this sector. * Wholesale and retail trade sub-sector covers the trading activities in the economy, and value added in this sector reflects the margins taken by the traders for transactions of domestically produced and imported products, in the wholesale and retail markets.

Services rendered by hotels and restaurants are also a component of this sub-sector. The wholesale & retail trade is the largest component of the services sector, contributing on average approximately one-third of the value

addition in the services sector during the preceding four years. * The FY07 growth for this sub-sector has been estimated at 7.1 percent – the lowest growth rate in this sub-sector since FY03.

The slowdown reflects the sharp deceleration in imports growth during the year. It is important to note that this sector is transforming towards modernization with the entry of large multinational chain stores. These new entrants are likely to bring new culture, management techniques and inventory systems, which would help the domestic trade sector to upgrade itself in the same lines.

Finance and insurance	Periods	Year	Growth Rate
1	1999-00 & 2000-01	-15.1	2
2	2000-01 & 2001-02	17.	

2	3	2001-02 & 2002-03	-1.3	4	2002-03 & 2003-04	9	5	2003-04 & 2004-05	30.9	6	2004-05 & 2005-06	42.9	7	2005-06 & 2006-07	14.9	8	2006-07 & 2007-08	12.9	9	2007-08 & 2008-09	-1.2
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* The Federal Bureau of Statistics provisionally valued this sector at Rs.

132,454 million in 1999-2000, and Rs. 667,658 million in 2009; thus registering over 404% growth since 2000. * A reduction in the fiscal deficit has resulted in less government borrowing in the domestic money market, lower interest rates, and an expansion in private sector lending to businesses and consumers. Foreign exchange reserves continued to reach new levels in 2007, supported by robust export growth and steady worker remittances.

Pakistan has been ranked 34 out of 52 countries in the World Economic Forum's first Financial Development Report, which was released in Pakistan through the Competitiveness Support Fund (CSF) in December, 2008. Under

Factors, Policies and Institutions pillar, Pakistan ranks 49th in institutional environment, 50th in business environment and 37th in Financial Stability. * In the Financial Intermediation Pillar Pakistan ranks 25th in banks, 42nd in non banks and 17th in Financial Markets; under Capital Availability and Access, Pakistan ranks 33rd. * Banking sector turned profitable in 2002. Their profits continued to rise for the next five years and peaked to Rs 84. 1 (\$1.

1 billion) billion in 2006. * Pakistan's banking sector has remained remarkably strong and resilient during the world financial crisis in 2008-09, a feature which has served to attract a substantial amount of FDI in the sector. Stress tests conducted on June 2008 data indicate that the large banks are relatively robust, with the medium and small-sized banks positioning themselves in niche markets. . * The credit card market continued its strong growth with sales crossing the 1 million mark in mid-2005.

Since 2000 Pakistani banks have begun aggressive marketing of consumer finance to the emerging middle class, allowing for consumption boom (more than a 7-month waiting list for certain car models) as well as a construction bonanza. Ownership of dwellings Periods| Year| Growth Rate| 1| 1999-00 & 2000-01| 3. 8| 2| 2000-01 & 2001-02| 3.

5| 3| 2001-02 & 2002-03| 3. 3| 4| 2002-03 & 2003-04| 3. 5| 5| 2003-04 & 2004-05| 3. 5| 6| 2004-05 & 2005-06| 3. 5| 7| 2005-06 & 2006-07| 3.

5| 8| 2006-07 & 2007-08| 3. 5| 9| 2007-08 & 2008-09| 3. 5| The Federal Bureau of Statistics provisionally valued this sector at Rs. 110425 million in

2000; and Rs. 304229 million in 2009; thus registering over 176% growth since 2000. * The property sector has expanded twenty-threefold since 2001, particularly in metropolises like Lahore. * Nevertheless, the Karachi Chamber of Commerce and Industry estimated in late 2006 that the overall production of housing units in Pakistan has to be increased to 0.

5 million units annually to address 6. 1 million backlog of housing in Pakistan for meeting the housing shortfall in next 20 years. The report noted that the present housing stock is also rapidly aging and an estimate suggests that more than 50 percent of stock is over 50 years old. It is also estimated that 50 percent of the urban population now lives in slums and squatter settlements. The report said that meeting the backlog in housing, besides replacement of out-lived housing units, is beyond the financial resources of the government.

This necessitates putting in place a framework to facilitate financing in the formal private sector and mobilize non-government resources for a market-based housing finance system. Public administration and defense Periods| Year| Growth Rate| 1| 1999-00 & 2000-01| 2. 2| 2| 2000-01 & 2001-02| 6. 9| 3| 2001-02 & 2002-03| 7. 7| 4| 2002-03 & 2003-04| 3. 2| 5| 2003-04 & 2004-05| 0.

6| 6| 2004-05 & 2005-06| 10. 1| 7| 2005-06 & 2006-07| 7. 1| 8| 2006-07 & 2007-08| 1. 2| 9| 2007-08 & 2008-09| 5| * The Federal Bureau of Statistics provisionally valued this sector at Rs. 220, 291 million in 2000; and Rs.

665, 142 million in 2009 thus registering over 200% growth since 2000.

Social, community and personal services Periods| Year| Growth Rate| 1|
1999-00 & 2000-01| 5. 6| | 2000-01 & 2001-02| 7. 9| 3| 2001-02 & 2002-03|
6. 2| 4| 2002-03 & 2003-04| 5. 4| 5| 2003-04 & 2004-05| 6. 6| 6| 2004-05 &
2005-06| 9. 9| 7| 2005-06 & 2006-07| 7.

9| 8| 2006-07 & 2007-08| 10| 9| 2007-08 & 2008-09| 7. 3| * The Federal Bureau of Statistics provisionally valued this sector at Rs. 321, 551 million in 2000 and Rs. 1, 236, 250 million in 2009; thus registering over 284% growth since 2000. * The sector includes all the rest of the services such as teaching, medicine, engineering, consultancy, lawyers, and the social and community services provided by government and private institutions. Issues faced by the services sector Unlike the manufacturing sector, services are a live concert. Things happen in the theatre of services on the spot.

There are no pre-recorded events that can be corrected and refined later on. Hence issues related to services cannot be discussed in a static context, i. e. as a formal list of impediments, accessibilities and constraints. The analysis following reflects the dynamism of services markets and the culture and environment that shapes them, particularly in developing societies. 1. A view of the services market While dealing with a service giver, I am constantly gripped by a fear of being cheated. I have to play extra vigilant; as the fear is not just about the conscious wrong doing on the part of a service giver but also about his skill and ability to deliver the right quality stuff”.

These remarks were made in the course of a series of focus group meetings conducted by SMEDA in the course of adaptation of this publication.

Feedback received during these meetings threw interesting light on the issues of service delivery. These issues are reflected below.

2. Lack of standardization Services are not standardized. Legislation protecting consumers is still at a very early stage and there are no strong traditions to support customers seeking recompense or damages from a services deliverer. International quality certifications are systems-based requiring a lot of documentation, besides being expensive.

There is a need for a simple but effective mechanism, at the level of the sectoral or professional associations, to certify the quality of services and thereby ensure adherence to a consistent set of quality standards. . Free entry and unemployment With rising unemployment, services businesses requiring a minimum level of skill, a small capital outlay and virtually no registration are an easy option for investment to earn a living. With scores of people entering the lower end of the market, competition is high and the range of pricing limited. Therefore, livelihoods are squeezed from the thin margin left after meeting all costs and overheads.

Expecting such a market to be quality conscious is an illusion.

4. Deficiency of trained HR Apart from a few organized sub sectors, like banking, medicine and engineering, there are no credible training institutions offering courses in the skills required for the services sector.

Resultantly, most of the artisans in trades like electricians, mechanics, drivers, tailors, barbers, cooks, masons, etc, are trained on the job. The level and quality of skill acquired by them is inconsistent and uneven depending on the source and environment of learning.

5. Informational asymmetryIn the

absence of professional and quality certification, the customer doesn't have adequate information about the pricing structures for various grades of services. Nor is she/he fully aware of their availability.

6. Lack of IP protection Informal and open services markets are not conducive to intellectual property protection, particularly as protection through copyrights, patents, trademarks, etc, are not yet much in vogue in the developing world. This has multiple consequences, such as • Hindering brand development • Discouraging innovation • Frequent copying and plagiarism discouraging competition and progress and availability of services to people at lower cost. 7. Constrained access to formal finance Access to formal finance is a challenge for all the SMEs in Pakistan. SMEs find themselves on the wrong side of the collateral-based lending paradigm of the banking industry. The problem is further exacerbated in the case of the services industry. In the absence of tangible assets to mortgage as security, and a lack of tradition for valuation of intangible assets and their use as security for borrowing, services businesses find themselves further excluded from the domain of formal finance.

. Lack of international gateway International gateway provides the back up support for Internet based transactions. Absence of an international gateway in Pakistan hinders potential for e-business.

Export of services also suffers in this context. In the course of the focus group meeting SMEDA also distributed a questionnaire specifically designed to gather feedback on the issues related to exports of services. The respondents included banks, hospitality firms, educational institutions, IT

firms, medical and engineering firms and other miscellaneous service firms. Following is a brief account of the findings. 9.

Level of competition in your sub-sector With the exception of the service monopolies in the public sector, like utility companies and health, education and other social service networks financed by the Government, competition ranged from medium to intense and even fierce in various segments of the private sector services provider's market. Competition among banks was intense. Among legal and accounting firms and IT businesses it was medium to intense. Competition among media, advertising and marketing firms was also quite intense. One can make a distinction between lower and upper end of the market: competition among the lower end firms serving the majority of services needs was quite intense and even fierce.

There was also a rural-urban differential in the degree of competition. 10. How do you market your services? Use of marketing methods was quite divergent. Banks made intense use of all means of marketing, including personal contacts, media, seminars and quality services. Legal and accounting firms and IT firms generally only rely on personal contacts. You do not see much advertisement in the media regarding ERP solutions, etc. Education, hospitality, construction, etc, services make a medium use of media.

11. Impact of taxation The survey threw an interesting light on the impact of taxation. Not all the respondents were sufficiently clear about the number and level of taxes that affected them. More importantly, the views on the incidence of taxation on their businesses and profit margins were also

inconsistent. For instance, with the exception of one bank all respondents were silent regarding the impacts of multiple taxation. 12. Impediments in import of inputs Most respondents either ignored or replied no to this question. One university listed problems with the import of lab equipment and research journals.

Otherwise, firms from the banking, hospitality, advertising and marketing, broadcasting and information and, most importantly, IT sector reported no impediments whatsoever. 13. Incentives offered by the Government All banks and the majority of legal and accounting firms said that the Government offered no incentives. One education sector respondent mentioned recognition as an incentive, although the meaning of this was unclear: perhaps they were referring to recognition of degree awarding status as the incentive. Among hospitality businesses, one mentioned incentives such as institutional development, faculty arrangement and reference material. In broadcasting and information, one radio station received financial incentives: the rest answered no. In the IT sector, incentives included a training and certifications subsidy, and foreign exchange remittance.

14. Availability of information regarding setting up a business There were mixed replies, with a slight tilt towards the negative, i. e. that good information is not always readily available. When asked about their sources of information, most respondents indicated institutions and government agencies, such as the State Bank of Pakistan (SBP), Central Bureau of Revenue (CBR), and Tourism Development Corporation of Pakistan (TDCP), Trade Development Authority of Pakistan (TDAP), Pakistan Software Export

Board (PSEB), and Institute of Cost & Management Accountants of Pakistan (ICMAP).

15. Mode of services delivery Some firms who had earlier said they were not services exporters reported here services that fell into the category of exports of services. There is confusion in roles and understanding about what falls into the domain of services exports. * Services sector has proved its significance in economic growth during the past few years, with share of services sector reaching an all time high of 53. percent in FY07.

* Nonetheless, the data compilation process is not in line with the importance of the sector. In contrast to the United Nations International Standard Industrial Classification (ISIC) Revision 4 for industrial classification outlines 15 categories for services sector data, data available in Pakistan for six sub-sectors namely, wholesale & retail trade, transport storage & communication, finance & insurance, ownership of dwellings, public administration & defense and community & social services. Since, international data reporting requirements include following these classifications (ISIC Revision 4 was approved in 2005 and is under implementation phase), Pakistan needs to reclassify the services sector for more disaggregated data collection and reporting. * Moreover, data reported across most of the categories is not compiled from source through surveys and value-added is estimated. For some sectors (e. g. ownership of dwellings), it is based on ratios/ growth rates compiled in a survey carried out in the re-basing year i.

e. 1999-2000. While for others, data from some indirect source is extrapolated to get estimates of services sub-sectors, e. g. value added by road transport (with 70 percent share in transport, storage and communication) is calculated by applying a ratio calculated in 1996-97 survey to the number of vehicles on road during the year. * Although due to complex nature of services industry, data compilation from source is not possible each year, however using ratios calculated almost a decade ago, is unlikely to present a true picture of the developments. Hence, there is a need to streamline the data collection by carrying out in-field surveys more frequently.

Since individual services sub-sectors differ markedly and require diverse statistical procedures, improving services data by reclassifying the sectors and conducting regular surveys for updated information requires serious commitment. It should also be noted that the under ISIC Revision 4, number of sub-sector increased it implies that the statistical agencies would require additional resources to perform this task effectively. Services Sector under International Standard Industrial Classification (ISIC) Revision 4 (draft) ? Wholesale and retail trade; repair of motor vehicles and motorcycles ? Transportation and storage ? Accommodation and food service activities (Hotels & restaurants) ? Information and communication ? Financial and insurance activities ? Real estate activities ? Professional, scientific and technical activities ? Administrative and support service activities ? Public administration and defense; compulsory social security ? Education Human health and social work activities ? Arts, entertainment and recreation ? other service activities ? Activities of households as employers; undifferentiated

goods- and services-producing activities of households for own use ?

Activities of extraterritorial organizations and bodies Appendix 1 List of

Airlines working in Pakistan: Current Airlines| | An air blue A 320-200| 17.

Regency Air| 1. Air blue | 18.

Royal Airlines| 2. Pakistan international Airlines| 19. Schon Air| 3. Shaheen

Air International| 20. Princely Jets| Cargo Airlines| 21. Vision Air International|

4. AST Pakistan Airways| Future Airlines| 5. Pakistan International Cargo| Air

Indus – due to start operations in 2010 with a fleet of 4 Airbus A320 series aircraft| 6.

Royal Airlines Cargo| Defunct Airlines| 7. Star Air Aviation| Aero Asia Boeing

737-200Adv on final approach| 8. TCS Couriers| 22. Aero Asia International|

9. Vision Air International| 23.

Bhoja Air| Charter Airlines| 24. Crescent Air Transport| 10. Askari Aviation|

25. Hajvairy Airlines| 11. AST Pakistan Airways| 26. Orient Airways| 12.

Aircraft Sales and Services Limited (ASSL)| 27.

Pak-Air| 13. Jahangir Siddiqui Charter| 28. Pearl-Air| 14. JS Air (Private)

Limited| 29. Raji Airlines | 15. Pakistan Aviators & Aviation| 30.

Safe Air| 16. Rayyan Air| 31. Baaz Air| List of Banks Operating in Pakistan: 1.

Arif Habib Bank| 2. KASB Bank Ltd. | 3. Askari Bank| 4.

MCB Bank Ltd. | 5. Atlas Bank Ltd| 6. Meezan Bank Ltd. | 7. AlBaraka Islamic

Bank| 8.

Mybank| 9. Allied Bank of Pakistan| 10. Habib Metro Bank| 1.

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Bank Alfalah Ltd| 12. JS Bank Ltd| 13. Bank Al Habib Ltd| 14. National Bank Ltd. | 15. Bank Islami Pakistan| 16. NIB Bank| 17. Bank Of Khyber| 18. Network Mic Bank| 19. Bank of . Punjab| 20. Royal Bank of Scotland| 21. Citi Bank| 22. Samba Bank| 23. Dubai Islamic Bank Pakistan Ltd| 24. Stand. Chart. Bank| 25. Emirates Global Islamic Bank| 26. SilkBank Limited| 27. Faysal Bank| 28. Soneri Bank Limited| 29. First Credit and| 30. United Bank Ltd. | 31. Habib Bank Ltd. | 32. Qatar Islamic Bank| Appendix 2