

**A COMPARISON OF SME FINANCING PRACTICES/ FINANCING
VEHICLES OF PAKISTAN WITH INTERNATIONAL STANDARDS WITH
CORPORATE LENDING IN PAKISTAN
(FINAL Project)**

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ABSTRACT

SMEs play an important role in the growth of not only the economies of developing countries but also in that of developed countries. Their role cannot be neglected in their contribution towards GDP, generating low cost employment and assistance in achieving equal distribution of income. SMEs in Pakistan are facing many hurdles but one of the major issue is missing or very low financial support by financial institutions. Enough financing vehicles are not available for SME financing in Pakistan, banks focusing more on lending to corporate enterprises, information gap between banks and SMEs, and religious perspective about lending from banks are the major issues that would be discussed in this project. Data is collected from SMEs and employees of selected banks through questionnaires and interviews and, for secondary data, academic journals, websites, articles etc. have been used. The data clearly showed that there are not enough financing vehicles for facilitating SMEs in Pakistan as compared to other developed and developing countries. Our data analysis also showed that there is information asymmetry (on both demand and supply side), lack of many specialized SME banks and underutilization of already available products offered by banks. Furthermore the data revealed that financing to SMEs in Pakistan is low comparatively to other developing and developed countries, as well as to lending to corporate in Pakistan.

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Dedication

We dedicate this research to all the economists who endeavoured the road of knowledge with the aim of making this world a better place to live.

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