

A Comparison Analysis of Barriers to the Development of the Smes in Pakistan

Faiz M. Shaikh¹⁺, Anwar Ali Shah G. Syed², Khalid Shaikh³ and Kamran Shafiq⁴

¹SZABAC-Dokri-Larkana-Sindh-Pakistan

²Dean Faculty of Commerce & Business, University of Sindh-Jamshoro

³Deptt: of Commerce, University of Sindh Jamshoro

⁴COMSATS-Abbottabad

Abstract. This research investigates the impact of Small & Medium Enterprises on Employment sector with reference to Sindh. Data were collected from 100 respondents from 30 organizations by using simple random technique. A structural questionnaire was developed to get reliability of the Data. Data were analyze by using SPSS-18 version. It was revealed that SMEs are the major source of foreign exchange earnings, SMEs have a major contribution in Pakistan's GDP, A known feature of SME sector is its ability to create jobs, SMEs maintain the poverty alleviation activities through creating employment, SMEs assist in fostering a self-help and entrepreneurial culture, SMEs boost up an entrepreneurial strength which puts forward flexibility in the economy, SMEs are more capable in resource allocation as compared to large scale industries, SMEs in general consider employees as their most important resources, SMEs are pioneer in developing new products and services and finally SMEs are in general very quality minded in the products and services they provide.

Keywords: SMEs, Employment, Sector, Sindh

1. Introduction

SMEs on creation of employment, section three investigates the importance and significance of SMEs, section four addresses behavior of employer/manager in official and un-official matters with the employees, section five explores the appointment procedure in SMEs, section six discovers the contribution of SMEs to private sector employment section seven find out the contribution of SMEs to government sector employment, section eight highlights on the growth of SMEs in Sindh, section nine determines the performance/improvements of SMEs in textile industry of Pakistan during last five years, section ten assesses the role of textile industry of Pakistan in creation of job opportunities in the country, section eleven evaluates the fundamental role of textile sector in the exports of Pakistan, section twelve inspects the performance of textile sector in the development of the manufacturing sector in Pakistan and finally section thirteen observes the contribution of SMEs in employment of Pakistan.

2. Literature Review

SMEs have historically taken as an significant part in contributing to economic progress of many countries around the world (Kongolo, 2010). There is no growth when the advantages of economic improvements are utilized only by a small number of people, whereas the greater parts are being expelled (Todaro and Smith, 2003). The unconstructive effects of current economic turn down have seriously influenced the socio-economic conditions of many people universally. As a reply to these negative conditions, it is necessary that the small, medium and large entrepreneurs improve their employment formation capabilities (Barakat, 2001). It was also pointed out by the Advani (1997) that from the socio-economic development point of view, SMEs provide a variety of benefits. A well-supported and

⁺ Corresponding author.
E-mail address: (faizanmy2000@hotmail.com).

enhanced small business sector is likely to continue contributing to the economic development process in the same way as a large business (Abraham, 2003). One of the noteworthy distinctiveness of a prosperous and emergent economy is a booming and blooming small and medium enterprises (SMEs) sector (Feeney and Riding, 1997).

3. Data Collection Methodology

Data were collected from 100 respondent from 30 organizations by using simple random technique. A structural questionnaire was developed to get reliability of the Data. Data were analyze by using SPSS-18 version.

4. Results

As was noticed in reviewing the literature and the empirical evidence discussed earlier chapters, SMEs can bring considerable employment opportunities. In the present study however an attempt was made to take this analysis further by comparing managers and employees responses with in the same industry. In summary, the findings were as follows: Significant differences were observed however among the two groups' attitudes towards perceived unstable legal environment, low purchasing power of the population, lack of qualified human resources, lack of clear government SME program, lack of management skills and lack of proper marketing skills as reflected by paired sample t-test shown in the following table .1

TABLE .1: Barriers to the development of the smes in pakistan: comparison of perceptions across two groups (managers and employees).

Items	Managers (n=100)		Employees (n=200)		t	p
	Mean	SD	Mean	SD		
a. Unstable legal environment	20	7.681	40	15.604	-3.976	0.016
b. Low purchasing power of the population	20	9.924	40	15.890	-6.704	0.003
c. Lack of qualified human resources	20	6.245	40	19.131	-3.143	0.035
d. Lack of clear government SME program	20	8.514	40	19.013	-3.701	0.021
e. Lack of management skills	20	14.679	40	19.544	-5.590	0.005
f. Lack of proper marketing skills	20	24.667	40	17.131	-3.519	0.024

According to coefficient of correlation there is a significant correlation was found among both the groups (managers and employees) in 50% of the items such as low purchasing power of the population, lack of clear government SME program and lack of management skills. However remaining 50% of the items were not significantly correlated among both the groups these items were unstable legal environment, lack of qualified human resources and lack of proper marketing skills as illustrated in the following table .2

TABLE .2: Barriers to the development of the smes in pakistan: coefficient of correlation between the two groups (managers and employees)

Paired Samples Correlations				
S. #	Items	N	Correlation	Sig.
1.	Unstable legal environment	5	0.734	0.158
2.	Low purchasing power of the population	5	0.972	0.006
3.	Lack of qualified human resources	5	0.847	0.070
4.	Lack of clear government SME program	5	0.889	0.043
5	Lack of management skills	5	0.930	0.022
6	Lack of proper marketing skills	5	0.876	0.051

4.1. Growth of Small and Medium Enterprises (Smes) in Sindh

In this section, attention is given to the perceived growth of small and medium enterprises (SMEs) in Sindh. As illustrated in table .3 however, statistically significant differences were noted among managers and employees attitudes where $t=-4.100$ and $p=0.015$

TABLE .3: Growth Of Small And Medium Enterprises (Smes) In Sindh: Comparison Of Attitudes Across Two Groups

Managers (n=100)		Employees (n=200)		t	p
Mean	SD	Mean	SD		
20	9.617	40	19.532	-4.100	0.015

As revealed by the coefficient of correlation that there is significant correlation between managerial and employees groups of all the three sample SMEs where $r=0.945$, $p=0.015$ as mentioned in the following tabl-4.

TABLE .4: Growths Of Smes In Sindh: Coefficient Of Correlation Between Two Groups

Paired Samples Correlations				
		N	Correlation	Sig.
Pair 1	Managers & Employees	5	0.945	0.015

4.2. Importance and Significance of Small and Medium Enterprises (Smes)

A significant difference was observed among both the groups relating to all the twelve items of importance and significance of SMEs these items were: SMEs play a very major role in the economy of Pakistan; SMEs are the major source of foreign exchange earnings, SMEs have a major contribution in Pakistan’s GDP, A known feature of SME sector is its ability to create jobs, SMEs maintain the poverty alleviation activities through creating employment, SMEs assist in fostering a self-help and entrepreneurial culture, SMEs boost up an entrepreneurial strength which puts forward flexibility in the economy, SMEs create the best rising export sub-sectors, SMEs are more capable in resource allocation as compared to large scale industries, SMEs in general consider employees as their most important resources.

5. Summary and Conclusion

Overall, there was a strong measure of agreement among the two responding groups. The similarity of opinion across these two was remarkable. In relation to perceived barriers to the development of the SMEs in Pakistan items. There was a significant relationship among three items of the barriers and development of the SMEs in Pakistan such as: low purchasing power of the population, lack of clear government SME program and lack of management skills. However, relating to the other three items unstable legal environment, lack of qualified human resources and also lack of proper marketing skills were not significantly correlated with each other. Regarding the growth of SMEs in Sindh the significant differences is found among both the managerial as well as employees groups perceptions and there was also significant correlation among the groups.

6. References

- [1]. Acs, Z. J. and Audretsch, D.B. (1990), *The determinants of small-firm growth in US manufacturing*, Applied Economics, Vol. 22 No. 2, pp. 143-54.
- [2]. Acs, Zoltan J. & David B. Audretsch (1987). \Innovation, Market Structure and Firm Size. Review of Economics & Statistics 69(4) (November): 567-7474.
- [3]. Acs, Zoltan J., David B. Audretsch & Maryann P. Feldman (1994), *R&D Spillovers and Recipient Firm Size*. Review of Economics & Statistics 76(2) (May): 336{340.
- [4]. Audretsch, David B. (1998) The Economic Role of Small- and Medium-sized Enterprises: The Untied States. Paper prepared for the June 11–12, World Bank Workshop on Small and Medium Enterprises, p-30.
- [5]. Aharoni, Y. (1994), “How Small Firms Can Achieve Competitive Advantages in an Interdependent World”, in T. Agmon and R. Drobnick (eds.), *Small Firms in Global Competition*, N.Y.: Oxford University Press.
- [6]. Ballentine, J., Levy, M., & Powell, P. (1998). Evaluating information systems in small and medium-sized enterprises: Issues and evidence. *European Journal of Information Systems*, 7, 241-251.
- [7]. Beck, Thorsten, Asli Demirg u_c-Kunt & Ross Levine (2005), *SMEs, Growth, and Poverty: Cross-Country*

Evidence. Journal of Economic Growth 10(3) (September): 199-229.

- [8]. Berry, Albert, and Dipak Mazumdar (1991) Small-scale Industry in East and Southeast Asia: A Review of the Literature and Issues. *Asian-Pacific Economic Literature* 5: 2, 35–67.
- [9]. Bhutta M. K. S. Rana A. I. and Asad U. (2008) *Owner characteristics and health of SMEs in Pakistan*, Journal of Small Business and Enterprise Development Vol. 15 No. 1, 2008, p-130.