

The Potential and Economic Role of Small and Medium Enterprises in Developing Countries like Pakistan: A Systematic View

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Abstract

In the development of any country, small and medium enterprises play a vital role. The small and medium enterprises in developing countries like Pakistan are backing a lot in international and national market of different sectors like banking, manufacturing, construction, fishing, tobacco, agri-business, mining, leather, retailing, paper industries and farming. The small and medium enterprises in Pakistan are active agent in development process. In reality most of Pakistan small and medium enterprises are managed and run by one person, family and friends network. In such small and medium enterprises for the most part at country regions of Pakistan the part of individual properties and rate of benefits and in addition its temperament does not assume an essential part in choice making process. In such type of small and medium enterprises the individual diversion are higher as contrast with corporate commercial ventures. This trait might build the possibility of danger and decline the productivity of enterprises.

Keywords: Role of Small and Medium Enterprises, Developing Countries, Pakistan

1. INTRODUCTION

In small and medium enterprises generally at country region of Pakistan the part of individual qualities and rate of benefits and also its temperament does not assume an imperative part in choice making process. In such type of small and medium enterprises the individual hobby are higher as contrast with corporate businesses (Murri & Sohag, 2006). This property might expand the shot of danger and abatement the proficiency of enterprises. The writing demonstrates that in Pakistan, the laborers are poor class in contrast with those small and medium enterprises working in formal sector. Interestingly the greater part of the small and medium enterprises working in formal sector contributes in country advancement (Chew & Chan, 2008). Due to the variety in formal and casual sector contrast among resources, capital, workers, usefulness, profitability and development makes issues in setting regular meaning of small and medium enterprises (Halkos and Tzeremes, 2010).

In Pakistan, in the light of existing research which indicates that the employee as poor class in contrast to those small and medium enterprises working in formal sector. In disparity, most of the small and medium enterprises effective in formal sector contribute in country development (Batool, Azra, Zulfikar, Salyha, 2011). Due to the variety in formal and casual sector contrast among resources, capital, representatives, usefulness, profitability and advancement makes issues in setting normal meaning of small and medium enterprises. There is no single meaning of SMEs is accessible and extremely organization characterize the concept of the small and medium enterprises on the premise of various resources level, number of representatives and profitability (Ali and Sharafat, 2013). Additionally distinctive money related establishments, government offices, partnerships, non-administrative organizations, exchanges unions and chambers, worldwide contributor offices characterize the concept as indicated by their organizational need and necessity. For the most part, enterprises can be characterizes as any business movement of trade, administration industry in structure and sole proprietorship, organization or joint endeavor (Chughtai and Alam, 2014).

2. THE LITERATURE REVIEW

2.1 The small and medium enterprises

Arrangement of quality management practices in small and medium enterprises had honed their business sector center, to wind up more productive, to saddle their HR better and to enhance their aggressiveness. Small and medium enterprises assume a vital part in country advancement (Bari, Ali & Haq, 2002). In Pakistan, small and medium enterprises are contributing a great deal in national and worldwide business sector of various sectors such as development, assembling, tobacco, angling, retailing, calfskin, mining, agri-business, cultivating, paper and saving money commercial enterprises. small and medium enterprises are dynamic operators being developed procedure extending from cultivating, angling, refreshments business in urban and also light modern exercises in electric, PC paper, chemicals request and development in nearby and abroad markets (Murri & Sohag, 2004). Completely, a large portion of the small and medium enterprises are run and oversaw by one individual/family and companions system.

There is no single meaning of small and medium enterprises is accessible and not very many organization characterize the concept of the small and medium enterprises on the premise of various resources level, number of representatives and profitability. Likewise distinctive government offices, partnerships, non-administrative organizations, money related foundations, exchanges unions and chambers, universal benefactor offices characterize the concept as per their organizational need and necessity (Nguyen, 2009). Progressive and adaptable small and medium enterprises are said to have served to make vocation, acquire remote trade, overhaul the quality of the work power, enhance the business management abilities, and diffuse innovative skill all through Pakistan. These enterprises have additionally prepared residential sources towards gainful use which generally might have stayed unmoving and unutilized (Halkos & Tzeremes, 2010).

2.2 The Potential Role of Small and Medium Enterprises

A noteworthy test to financial approach in Pakistan right now is to empower the SMEs sector of the economy. This follows to some extent from the way that diverse sectors are far-fetched, under current situations, to give the required development both of yield or of sensibly gainful job; actually, there will be a noteworthy occupation challenge over the coming years as work supply keeps on expanding quickly and as neither the huge scale private sector nor people in general sector are ready to make critical quantities of employments and most likely will do as such the levels of profitability and consequently of compensation are prone to be grossly low (Murri & Sohag, 2004). By complexity, the small and medium enterprises has considerable undiscovered potential to add to those targets; both financial basis and the encounters of other developing nations point to that potential, and also giving proof on how it might be accomplished.

A dynamic small and medium undertaking sector is a vital supplement to a more open economy; in the greater part of the nations which appear to have profited from fare introduction the small and medium endeavor sector has been critically included in that procedure. Accomplishing the top level input from small and medium endeavor, in any case, will require noteworthy augmentations in the emotionally supportive linkage. On the off chance that accomplished it won't just constitute a vital source of dynamism all by itself, though will also extra productive huge endeavor, fortify the demand for managing an account administrations and make it simpler for microenterprise to graduate into the small and medium undertaking size reach (Murri & Sohag, 2006). One of the significant complications to monetary strategy in Pakistan right now is to stimulate the private small and medium undertaking sector of the economy.

Antagonistically, this takes after from the way that different sectors are impossible, under existing settings, to give the required development both of yield or of sensibly gainful occupation; certainly, there will be a noteworthy vocation challenge over the coming years as lab our supply keeps on expanding quickly. Positively, it takes after from the way that this sector has substantial undiscovered potential to add to those destinations; both rationale and financial the encounters of other developing nations point to that potential, and additionally give proof on how it might be accomplished (Chew & Chan, 2008). A dynamic small and medium venture sector is an essential supplement to a more open economy; in the greater part of the nations which seem to have profited from fare introduction the small and medium undertaking sector has been significantly included in that procedure.

Accomplishing the top level augmentation from small and medium undertaking, nonetheless, is not planned in spite of the fact that the sector regularly shows impressive dynamism notwithstanding little arrangement support. That dynamism is liable to be greater when great support is given, in any case, and support is particularly liable to be urgent in a more open economy where incapability to rapidly accomplish sufficient levels of effectiveness and profitability is refused rapidly. With beginning conditions such as those depicted in the figure, solid development, whose organic products are sensibly all around conveyed among the populace, depends considerably on the small and medium endeavor sector and on the microenterprise sector (Halkos & Tzeremes, 2010). Easing of destitution can be imagined as a procedure including two fundamental systems: the moving of livelihood offer from the microenterprise (low profitability) sector to the (center efficiency) small and medium venture sector, and the bringing of profitability up in the remaining microenterprise sector.

2.3 The Economic Context of Small and Medium Enterprises

Before considering how open approach might energize a solid execution from small and medium enterprises, it is important to have a sensible understanding of their setting and subsequently of their issues and needs. Like different firms, small and medium enterprises exist in systems of clients. More than bigger firms, which in any event have the choice of handling a considerable lot of their needs in-house, small and medium enterprises depend on different firms or establishments for their inputs, for the preparation of their laborers, frequently for help with their showcasing needs (Parker & Wright, 2001). One can recognize three general gatherings of small and medium enterprises as per the way of their associations with different firms: those which are subcontractors (for the most part yet not generally with bigger firms); those which are individuals from "bunches" made up for the most part of small firms; and those which are pretty much autonomous, in that they fall in neither of the

above two classifications.

Numerous requirements change extensively as indicated by which these gatherings of small and medium venture are normal paying little mind to setting. Firms must accomplish a specific level of proficiency either to have accomplishment as independents or to qualify as candidates for both of alternate courses of action. At present, intriguing endeavors are being made in different developing nations to encourage vast small firm connections, to create denser subcontracting frameworks and to cultivate powerful aggregate activity among small and medium enterprises in territories such as trading and buy of inputs (Gunu, 2004). These advancements are empowering and characteristic of inventiveness; some of them will presumably give fascinating models which can be summed up. Despite the setting in which a small and medium enterprises gets itself, it is progressively likely that its prosperity will rely on upon capacity to partake adequately in worldwide exchange, either as immediate or backhanded exporter or as fruitful contender with imports. It is along these lines critical to consider what strategies help small and medium enterprises to make progress of this sort.

What trust is there that SMEs, regardless of the possibility that the business visionaries are prepared and willing, can succeed in an undeniably aggressive world? The answer is impressive, particularly if approach is strong and viable. Closer to home as far as monetary structure and level are the encounters of a few nations, particularly Pakistan (Batool, Azra, Zulfiqar, Salyha, 2011). There remains however the greatest inquiry of all, to what degree does such amazing achievement owe itself to exogenous variables such as an abundance of entrepreneurial ability, a society which supports the business attributes that are benevolent to the advancement of SMEs, a geography helpful for a thick system of small firms, or a history which did not deliver a considerable measure of substantial firms? As it were, the amount of the experience of a country such as Pakistan is plain good fortune, and subsequently couldn't be rehashed even by the most keen and very much executed approach in some other country that did not have the same institutional or different elements which helped it down that specific street (Johari & Hadi, 2012).

3. DISCUSSIONS

In the same way as other developing nations, Pakistan has likewise understood the need and significance of small and medium enterprises to way out unemployment and to expand yield and profitability. The new period challenges the aggressive qualities of the small and medium enterprises sector (Batool, Azra, Zulfiqar, Salyha, 2011). The emergency confronted by the SMEs in Pakistan requires a wide based examination of the elements that affect the intensity of the sector, both from the business point of view and that of government strategy. Distinctive studies distinguished that low efficiency, non-intensity, ill-advised strategies, smaller backing from the administration, the state-drove model of industrialization, vitality emergency, unemployment, wrongdoing, low development trap, no presence of small-extensive linkages (Ali & Sharafat, 2013). Further, small and medium enterprises are segregated in term of money related help since vast scale enterprises get more credits when contrasted with small firms. So these remain the real obstacles in the advancement and improvement of small and medium enterprises (Chughtai & Alam, 2014).

The above examination mirrors the small and medium undertaking sector's commitment to monetary execution could on a fundamental level be enhanced either by raising the inward productivity of the assets effectively utilized inside of it or by expanding the offer of the economy's assets utilized by it. The essential inquiry is the amount of contrast such changes could make in quantitative terms (Ali, 2012). Concentrating on the exchange off between utilization of assets in small and medium venture and in different ways gives a static proficiency point of view. Be that as it may, flow are similarly or more imperative, including both the ramifications of the extent of the small and medium endeavor sector for funds, speculation and mechanical change, what we might call the development suggestions, and additionally the elements of alteration when an endeavor is made to reshuffle the structure of the economy with a perspective to raising its proficiency and general execution (Chughtai & Alam, 2014).

The effects of budgetary liberalization are a wellspring of good faith to the individuals who trust that people in general sector banks which concentrated on small and medium enterprises were insufficient and that the private sector could improve work, particularly when financing costs were conveyed closer to harmony levels so that credit allotment would more probable be guided by which sectors had a solid compelling demand for credit (Subhan, Mehmood, Rahet & Sattar, 2013). The writing uncovered that smaller and by and large less all around set small and medium enterprises depended all the more vigorously on open sector banks while their better put partners draw more on the private banks. It appears to be likely that the entrance of small and generally hindered small and medium enterprises to outside wellsprings of account, and particularly to bank credits, depends intensely on the level of advancement of the budgetary markets; in nations such as Pakistan it is moderately great while in many nations it is extensively less so.

4. CONCLUSION

Pakistani land is extremely ripe with common assets yet absence of current innovation, development and

particularly mismanagement of recourses, as the outcome the economy of the country is going towards its demise. Consequently, to restore the financial quality, there is a desperate need of giving consideration by the government on the improvement of small and medium enterprises. The present study endeavors to know the impacts of leadership part on small and medium enterprises development and to know the effect of small and medium enterprises on financial development of Pakistan by considering a few parameters as independent and dependent variables. The above results presume that there is a positive relationship found between leadership styles and the quality management practices in the development of small and medium enterprises. With the change of procedural advancement, there would be an expansion in the development of small and medium enterprises which at last prompt improvement of the economic retrieval in the country.

Keeping in mind the end goal to use the maximum capacity of the small and medium enterprises in Pakistan there are exceptional measures that are should have been be taken by the administration which would secure and advance the presence of such enterprises. At present one of the significant issues confronted by these makers is the absence of funds accessible because of which numerous makers and business visionaries can't satisfy their essential prerequisites which has kept them from any further upgrade of quality and likewise went about as a colossal boundary in the last items and administrations from achieving the business sector. In our present managing an account and monetary framework for the acknowledgment of any major long haul advances, to decrease the odds of defaults, banks require security stores or insurances from the borrowers. Keeping in mind the end goal to minimize such issues the administration of banking industry of Pakistan needs to present the concept of small scale financing and insurance free advances which would give such makers startup speculations and money related establishments and help in the fundamental cash cycle management.

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