

## Impact of SMEs Business on Foreign Exchange Earnings of Pakistan Through Export from Sindh

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**Abstract:** This study investigates the share of SMEs in foreign exchange earnings. The data was collected from primary and secondary sources. The experience of ten developed nations showed that promoting SMEs sector is one of best way to boost up economic activity, and particularly its setup in less developed countries such as Pakistan. As Pakistan is a developing country and can increase its foreign exchange earnings through accelerating its exports, which can be achieved through promoting SMEs sector. Underlying research is case study of Sindh Province which is the hub of Pakistan's business activities and SMEs are playing a significant role in exporting the different varieties of fruits such as Dates, Guava and Mangoes and handicrafts, that contribute much in the export earnings of Pakistan. Based on the survey data in hand and its analysis justifies that the small scale business which are commonly known as small & medium enterprises are the back bone in certifying export activities. On the other hand research have proved that SMEs have major contribution in foreign exchange earnings by exporting major fruits and hand made garments to developed countries.

**Key words:** SME, Foreign Exchange Earning, Export, Impact, Economic Growth and Density

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### INTRODUCTION

SME's' growth & development contributed towards the mitigation of poverty, decline in existing unemployment and promotion of exports resulting in increase of foreign exchange earnings. The SMEs have played a vital role in overall economic development of developing countries such as Taiwan, Hong Kong, Singapore, Korea, Philippine and also developed countries such as America, Germany, Japan, Canada, and United Kingdom. The economic growth in Canada is visible through establishing SMEs, and in Japan 99% Enterprises are SMEs. The experience of ten developed nations showed that promoting SMEs is one of best way to boost up economic activity, and particularly it is necessary to set up in less developed countries such as Pakistan is a developing country and can increase its foreign exchange earnings through accelerating its exports, which can be achieved through promoting SMEs sector. Sindh Province is the hub of Pakistan's business activities and SMEs are playing a significant role in exporting the different varieties of fruits such as dates, Guava and Mango, which contributes much in the export earnings of Pakistan. The SMEs in rural areas of Sindh are directly contributing to exports.

Pakistan is the seventh largest population in the world and one of the dense populated countries in the world. Pakistan is recently facing lot of problems like unemployment, and slow growth in Agriculture we imported different agriculture related product from the world. Therefore, we have to look at sectors of the economy that have the potential to provide employment, and simultaneously we have to ensure that the youth of the country is provided quality education and training to become more productive sectors of the economy. The greater growth potential lays in the modern high technology industries but it is also present in the labour-intensive industries of the traditional Small Enterprise sector and in the services that support it. "Young people in the future are more likely to end (therefore) should be working in organizations closer to the entrepreneurial mode" (Allan Gibbs).

It is a worldwide phenomenon that Small Enterprises are an important part of a nation's economic and social structure. In the global perspective Small Enterprises have acquired a significant status in the economic development of a country. Globalization has put Small Enterprises directly in the limelight. Small Enterprises

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are increasingly a major force for national economic growth. The entrepreneurs who drive them are receiving serious attention from economists, planners, multilateral agencies and governments all over the world. (Carter, Camille. 1999).

**1.0 Problem Statement:**

The experience of ten developed nations showed that promoting SMEs sector is one of best way to boost up economic activity, and particularly it is necessary to set up in less developed countries such as Pakistan. As Pakistan is a developing country and can increase its foreign exchange earnings through accelerating its exports, which can be achieved through promoting SMEs sector. It was revealed that SMEs have major contribution in foreign exchange earnings by exporting major fruits and hand made garments to developed countries.

**1.1 Research Methodology & Design:**

The research design of this study is based on primary and secondary data. A questionnaire for the purpose of survey was designed, administered, and analysed by using the simple Cobb-Douglas production function model as given in equation (i) and by applying SPSS-16.5.

**1.2 Cobb-Douglas Production Model:**

$$Q=A+K\alpha+L\beta+M\gamma \dots\dots\dots (i)$$

In this production function, A denotes the technology scale that delivers the amount of gross output (Q) obtained from given quantities of capital (K), labour (L), and intermediate inputs (M). The parameters  $\alpha$ ,  $\beta$  and  $\gamma$  are related to the marginal product of factors and intermediate inputs (or percentage shares of gross income) under competitive market conditions. If the productions function is assumed to have no scale economies, they add up to 1.0 mathematically it can be written as;

$$\alpha+\beta+\gamma=1 \dots\dots\dots (ii)$$

If any cost reducing technological changes occur over time, they will be reflected in the shift of parameter A. The rate of change in the productivity parameter A can be calculated as the difference between the rate of change in output and a weighted average of the rates of change in the inputs as shown in equation (iii).

$$\Delta A / A = \Delta Q/Q - \alpha \Delta K/K - \beta \Delta L/L - \gamma \Delta M/M \dots\dots\dots (iii)$$

**1.2.1 Data Analysis by Substituting Values in Cobb-Douglas Production Model:**

1. Numbers are annual average to real terms
2. Each character in the first column denotes manufacturing sector as food, Beverages and tobacco, (b) Textile, apparel and related products, (c) wood, and furniture, (d) paper, publishing (e) chemicals, rubber, and plastics, (f) basic metals (g) metal products and machines, (h) electric and electronic products and (i) transportation equipment
3. Adjusted export growth rates are export growth rates deflated by corresponding export out put shares
4. Bold faced and shaded sector can be classified as SMEs oriented sector

Sector	Export Growth (A)	IPP growth (B)	Export out put share (c)	Adjusted Export Growth(D)	Correlation co-efficient (AB)	Correlation adjusted. (BD)
(a)	11.2	-0.63	4.8	0.5		
(b)	5.5	1.44	54.34	2.35		
(c)	2.6	.90	26.7	.95		
(d)	42.5	1.88	4.9	2.03		
(e)	23.2	1.05	22.67	4.85		
(f)	19.1	2.8	15.24	2.45		
(g)	34.4	4.37	30.5	10.5		
(h)	24.3	6.5	62.56	15.6		
(i)	37.2	4.25	27.33	9.23	0.55	0.73

### **1.3 Model Interpretation:**

Based on data shown underlying research justifies that the small scale business which are commonly known as small & medium enterprises are the back bone in certifying export activities. If any country wants to increase the export, it must be based on the practices of small businesses which bring the export activities more systematic. In Sindh province, the export of fruits, fish, fresh vegetables, marble, sports goods and dates in particular are the main hubs for export. Such business brings lots of positive things in the province.

No doubt, SMEs are the main sources of generating employment because any one starts a business; he needs people and talented manpower. Lots of people who are jobless can join these small businesses and then learn business techniques to start their own businesses. Such things ultimately pay something big to Sindh's exports.

Poverty reduction is very much possible when government gives them an opportunity to work. As it is already mentioned that people of our country don't need charity but they need a chance to work. The talent is right there but they require only a chance to play in a very profitable manner. Such is at the right direction of reducing poverty through small business activities.

Some of the respondents were of the view that they knew little bit of banks loans but totally unaware of such SMEs' wonderful opportunities to start off the business. The questionnaire was also translated into Sindhi language in order to collect accurate information from any common man. The government agencies and other young employees remained cooperative in providing data which helped to structure research data into proper research design

## **RESULTS AND DISCUSSION**

The survey of the study reveals that share of SMEs in total exports of Sindh Province has increased from 47.9% 1994-1995 to 48.3% during 2005-2006 (See Table-08).

The percentage growth of export share of SMEs from Sindh Province indicating a growth in fish and preparation of 19.7% during 2005-2006 from a negative growth of 46.5%, raw Cotton showed a growth of 6.4% during 2005-06 from a negative growth of 33.8% during 1995-96, Cotton Yarn 12.2% during 2005-06 from a negative growth 40.1% during 1995-96, and Vegetables & Fruits 18.4% during 2005-06 from a negative growth of 31.4% during 1995-96, it is interesting to note that in cotton thread there was a growth of 193.9%

**Table 1: Employment Indicators (Pakistan)**

Indicators	2001-02	2003-04	2005-06	2006-07
<b>Labour Forces (Million)</b>				
Total	42.39	45.23	50.05	50.33
Male	35.57	37.13	39.97	39.92
Female	6.82	8.1	10.08	10.41
<b>Employed</b>				
Total	38.88	41.75	46.94	47.65
Male	33.19	34.69	37.81	38.11
Female	5.69	7.06	9.13	9.54
<b>Un-employed</b>				
Total	3.51	3.48	3.11	2.68
Male	2.38	2.44	2.16	1.81
Female	1.13	1.04	0.95	0.87
<b>Employment by Sector (%)</b>				
Total	100	100	100	100
Agriculture	42.1	43.1	43.4	43.6
Non-agriculture	57.9	56.9	20.7	21
Formal	20.5	17.1		
Informal	37.4	39.8		
Services			35.9	35.4
<b>Unemployment Rates (%)</b>				
<b>Pakistan</b>				
Total	8.3	7.7	6.2	5.3
Male	6.7	6.6	5.4	4.5
Female	16.5	12.8	9.3	8.4
<b>Rural</b>				
Total	7.6	6.7	5.4	4.7
Male	6.1	5.7	4.6	4
Female	14.1	10.9	7.7	7.1
<b>Urban</b>				
Total	9.8	9.7	8	6.7
Male	7.9	8.4	6.9	5.6
Female	24.2	19.8	15.8	14.6

Source: Labour Force Survey 2003-04 & 2006-07, Statistics Division, Government of Pakistan, Islamabad.

in 2004-05 from negative increase of 54.5% in 1995-96, besides this the cotton cloth also showed an increase of 94.3% in 2003-04 against the decrease of 29.8% in 1995-96, apart from above footwear products also showed an increase of 58.1% in 2003-04 from decrease of 38.4% in 1995-96, towels of cotton witnessed remarkable increase of 64.7% in 2003-04 from decrease of 28.8% in 1995-96 (See Table-09 ).

Percentage growth of export share in rice also showed a significant increase from 33.8% to 198.1% in year 1996 to 1997, percentage growth of export share in leather has also increased from 43.7% to 195.8% in year 1997, synthetic textiles also showed increase of 259.7% from 52.9% in year 1996 to 1997, Readymade garments and hosiery also made increase of 236.8% from 52.0% in the same year, carpets and rugs also showed increase from 36.8% to 203.7% from 1996 to 1997 (See Table-09 ).

**Table 2:** Number of Institutions by Employment Size.

Major Industry Division	Employment Size				
	TOTAL	1-5	40091	11-50	51 +
PAKISTAN	2	3	4	5	6
TOTAL	2958321	2851061	79291	26352	1617
Agriculture, Forestry, Hunting & Fishing	46378	45164	1037	170	7
Mining & Quarrying	713	363	191	141	18
Manufacturing	583329	531101	38662	12444	1122
Electricity, Gas & Water	124	113	3	7	1
Construction	1410	1287	93	29	1
Wholesale & Retail Trade and Restaurants& Hotels	1566722	2e+06	13233	1822	42
Transport, Storage & Communication	51564	49917	1290	330	27
Financing, Insurance, Real-Estate & Business Service	48440	46264	1602	538	36
Community, Social & Personal Services.	659641	625227	23180	10871	363

Source: Labour Force Survey 2003-04, 2005-06 & 2007-08, Government of Pakistan, Islamabad

**Table 3:** Distribution of Non-Agriculture Workers into Formal and Informal Sector (Pakistan)

Sector	2001-02 (%)			2003-04 (%)			2005-06 (%)			2007-08 (%)		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total	100.0	100	100	100	100.0	100	100	100	100	100	100	100
Formal	35.4	35.3	37	30	29.6	34.3	27.1	27.3	25.8	28.1	28	29.3
Informal	64.6	64.7	63	70	70.4	65.7	72.9	72.7	74.2	71.9	72	70.7
Rural	100.0	100	100	100	100.0	100	100	100	100	100	100	100
Formal	31.7	31.5	34.3	27.1	26.7	30.1	25.2	25.7	20.6	26.9	27.3	23.4
Informal	68.3	68.5	65.7	72.9	73.3	69.9	74.8	74.3	79.4	73.1	72.7	76.6
Urban	100.0	100	100	100	100.0	100	100	100	100	100	100	100
Formal	38.9	38.9	39.3	32.8	32.2	38.4	29	28.8	30.9	29.3	28.6	35.7
Informl	61.1	61.1	60.7	67.2	67.8	61.6	71	71.2	69.1	70.7	71.4	64.3

Source: Labour Force Survey 2003-04, 2005-06 & 2007-08, Government of Pakistan, Islamabad

**Table 3:** Classification of SMES in Pakistan (2006)

Size	Sector	Employment (Full time employees)	Productive Assets (Rs. Millions)
Small	Manufacturing	< 50	Up to 30.0
	Services	< 50	Up to 20.0
	Trade	< 20	Up to 20.0
Medium	Manufacturing	51-250	30.0 to 100.0
	Services	51-250	20.0 to 50.0
	Trade	21-20	20.0 to 50.0

Note: Adopted by the SME Policy, 2006.

**Table 4:** Percentage Share of Manufacturing Sector in GDP (Pakistan)

Year	Total	Large Scale	Small Scale
1949-1950	6.39	1.83	4.56
1959-1960	9.91	5.67	4.23
1969-1970	16.0	10.4	5.6
1979-1980	14.51	10.55	3.95
1989-1990	17.59	12.70	4.89
1999-2000	16.66	11.65	5.03
2000-2001	17.66	13.48	5.18
2001-2002	15.9	10.4	5.6
2002-2003	16.3	10.6	5.7
2003-2004	17.3	11.7	5.6
2004-2005	18.3	12.9	5.4
2005-2006	18.8	13.2	5.6
2006-2007	19.0	13.4	5.6
2007-2008	18.9	13.3	5.6

Period Averages			
1950s	8.79	4.38	4.41
1960s	12.41	8.85	3.56
1970s	13.99	10.42	3.57
1980s	16.65	12.32	4.38
1990s	17.68	12.32	5.36
2000-08s	17.65	12.29	5.48
1950-2008	14.53	10.10	4.46

Source: 50 years of Pakistan volume 1 summary statistics supplement of economics survey 2007-08 and Economic advisors wing finance division 2007-08.

**Table 5:** Growth Rates of Manufacturing Sector in Pakistan

Year	Total Growth(GDP)	Manufacturing Growth	
		Large Scale	Small Scale
1949-1950	8.93	23.42	2.34
1959-1960	2.53	2.75	2.25
1969-1970	11.23	13.95	2.98
1979-1980	10.25	10.96	8.4
1989-1990	5.72	4.73	8.4
1999-2000	1.53	1.01	5.31
2000-2001	8.21	9.46	5.31
2001-2002	5	4.87	5.31
2003-2004	7.67	8.65	5.31
2005-2006	8.7	8.3	8.7
2006-2007	8.2	8.6	8.1
2007-2008	5.4	4.8	7.5
Period Averages			
1950s	7.73	15.75	2.30
1960s	9.91	13.39	2.91
1970s	5.50	4.84	7.63
1980s	8.21	8.16	8.40
1990s	3.88	3.54	5.06
2000-08s	7.20	7.45	6.71
1950-2008	7.07	8.86	5.50

Source: 50 years of Pakistan volume 1 summary statistics supplement of economics survey 2007-08 and Economic advisors wing finance division 2007-08.

Note: The growth rate is given of GDP of all sectors. While the growth of manufacturing sector is only single sector out of all sectors of GDP.

**Table 6:** Number of Institutions by Major Industry Divisions

Major Industry Division	TOTAL		ESTABLISHMENTS1		HOUSEHOLD2	
	No.	%	No.	%	No.	%
Pakistan	2	3	4	5	6	7
Total	2958321	100	2782051	100	1762270	100
Agriculture, Forestry, Hunting						
Mining & Fishing	46378	1.57	30995	1.11	15383	8.73
Mining & Quarrying	713	0.02				
	713	0.03	0	0		
Manufacturing	583329	19.72	466153	16.76	117176	66.48
Electricity, Gas & Water	124	0	124	0	0	0
Construction	1410	0.05	1410	0.05	0	0
Wholesale & Retail Trade and						
Restaurants & Hotels	1566722	52.96	15592266	56.05	7456	4.23
Transport, Storage & Communication	51564	1.74	51564	1.85	0	0
Financing, Insurance, Real- Estate & Business	48440	1.64	48366	1.74	0.74	0.04
Service						
Community, Social & Personal						
Services.	659641	22.3	623460	22.4	36181	20.53

Source: Economic Census of Pakistan, 2005, FBS, Statistics Division, Islamabad

**Table 7:** Distribution of Informal Sector Workers (Pakistan)

Major Industry Division	2001-2002 (%)			2003-2004 (%)			2005-2006 (%)			2006-2007 (%)		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Manufacturing	20.9	17.3	57.5	20.6	16.9	57.3	21.3	17.0	57.1	20.4	16.8	53.7
Construction	13.9	15.1	1.3	13.4	14.6	1.2	13.8	15.3	1.7	14.6	15.9	2.2

**Table 7: Continued.**

Wholesale and retail trade	34.0	36.5	7.6	34.4	37.3	7.6	34.5	37.6	8.9	34.6	37.1	10.9
Transport, Storage & Communication	11.7	12.7	1.0	11.7	12.3	0.3	11.1	12.3	0.9	10.8	11.9	0.7
Community, Social & personal services	18.9	17.6	32.4	18.7	17.2	33.5	17.7	16.1	31.2	17.9	16.4	32.2
Others*	0.7	0.8	0.2	1.5	1.7	0.1	1.6	1.7	0.2	1.7	1.9	0.3

Source: Federal Bureau of Statistics

\*Others (includes mining & quarrying; electricity, gas & water and finance, insurance, real estate & business EXTURES

**Table 8: Export share of SMEs from Sindh (million rupees ) (Thesis Survey)**

ITEMS	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Fish and preparation	285.6	152.8	521.9	491.8	231.6	661.5	530	1051.1	835.5	1397	1214	1453
Rice	841.5	557.1	1660.8	1638.3	1005.9	2570.9	2045.3	3733	3444.4	5794	8143	8666
Raw cotton	115.5	566.2	111.5	365.7	4.4	346	535.2	203.8	305.1	451.5	962.7	510
Leather	504	283.6	839	598.3	333.6	834.5	909.8	2000.2	1458.4	2387	2648	2188
Cotton yarn	2831	1695.3	4971.5	3334.2	1778.3	5104.6	4171.2	7753.2	5768.1	10681	9224	10349
Cotton thread	3.6	1.6	6.2	5.3	2.9	6.1	4	4.2	3	2.8	8.3	2.3
Cotton Cloth	2002	1406.6	4441.9	3601.2	2099.3	5221.7	4010.2	9403.6	8354.3	16230	16255	15774
Synthetic textiles	1065	501.7	1804.4	1782.8	748.9	2180.2	2115.7	3423.9	3561.3	4466	2618	1499
Footwear	90.9	56	181.3	124.4	65.9	177.4	165	466.3	532.9	842.3	1203	1087
Vegetables & fruits	104.2	71.5	324.3	260.5	200.8	583.5	426.2	881	680	1217	978.1	1158
Towels of cotton	268	190.7	681.5	577.5	333.5	932.1	997	223.2	2323.3	3827	4542	4398
Readymade Garments and hosiery	3091	1484.1	4998	4159.4	2619.2	7900	7129.5	14364	13905	23259	26000	22907
Carpets and rugs	367	231.8	703.9	581	383	1259.3	1194.8	2072.9	1371.1	2195	2656	1925
Total	11570	7198.9	21246	17520	9807.1	27778	24234	45581	42543	72749	76453	71915
Overall export share of SMEs (Sindh)	47.89	25.01	47.46	27.25	23.82	43.89	37.28	55.89	56.24	58.51	67.4	48.26

**Table 9: Percentage Growth of Export share of SMEs from Sindh**

ITEMS	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Fish and preparation	-46.5	241.5	-5.8	-52.9	185.7	-19.9	98.3	-20.5	67.2	-13.1	19.7
Rice	-33.8	198.1	-1.4	-38.6	155.6	-20.4	82.5	-7.7	68.2	40.5	6.4
Raw cotton	390.4	-80.3	227.8	-98.8	782.5	54.7	-61.9	49.7	48	113.2	-47
Leather	-43.7	195.8	-28.7	-44.3	150.2	9	119.8	-27.1	63.7	10.9	-17.4
Cotton yarn	-40.1	193.2	-32.9	-46.7	187.1	-18.3	85.9	-25.6	85.2	-13.6	12.2
Cotton thread	-54.5	280.9	-14.6	-45.7	113.1	-34.1	3.5	-28.6	-4.9	193.9	-72.1
Cotton Cloth	-29.8	215.8	-18.9	-41.7	148.7	-23.2	134.5	-11.2	94.3	0.2	-3
Synthetic textiles	-52.9	259.7	-1.2	-58	191.1	-3	61.8	4	25.4	-41.4	-42.8
Footwear	-38.4	223.7	-31.4	-47	169.3	-7	182.5	14.3	58.1	42.8	-9.6
Vegetables & fruits	-31.4	353.6	-19.7	-22.9	190.7	-27	106.7	-22.8	79	-19.7	18.4
Towels of cotton	-28.8	257.3	-15.3	-42.2	179.5	7	-77.6	941	64.7	18.7	-3.2
Readymade Garments and hosiery	-52	236.8	-16.8	-37	201.6	-9.8	101.5	-3.2	67.3	11.8	-11.9
Carpets and rugs	-36.8	203.7	-17.5	-34.1	228.8	-5.1	73.5	-33.9	60.1	21	-27.5

(Thesis survey)

**Table 10: Contribution of SMEs in Manufacturing and GDP of Pakistan (Percentage)**

Year	SME as a percentage of GDP	Percentage share of SME Manufacturing in Value Addition	SME as a percentage of Industrial Labour
1994-95	5.79	31.26	81
1995-96	5.9	32.8	80
1996-97	4.7	27	80
1997-98	-	35	-
1998-99	5	-	80
1999-00	-	-	80
2000-01	-	-	-
2001-02	30	30	80
2002-03	30	-	80

Source: Economic Survey of Pakistan, Various Issues

**2. Conclusion:**

The experience of ten developed nations showed that promoting SMEs is one of best way to boost up economic activity, and particularly it is necessary to set up in less developed countries such as Pakistan. Pakistan is a developing country and can increase its foreign exchange earnings through accelerating its exports, which can be achieved through promoting SMEs sector. Sindh Province is the hub of Pakistan's business activities and SMEs are playing a significant role in exporting the different varieties of fruits such as dates, Guava and Mango, which contribute much in the export earnings of Pakistan. Based on this data , the research justifies that the small scale business which are commonly known as small & medium enterprises are the back bone in certifying export activities. If any country wants to increase the export, it must be based on the practices of small businesses which bring the export activities more systematic. In Sindh province, the export of fruits, fish, fresh vegetables, marble, sports goods and dates in particular are the main hubs for export. Such business brings lots of positive things in the province.

### **3. Recommendations:**

Following are the suggestions for the banks incubators and businessman for carrying out business activities. Such steps can benefit the Pakistan in general and Sindh in particular as the banks will earn some interest and the beneficiary will start and support country by paying taxes and other royalties.

- Workshops, seminars and conferences should be arranged to create awareness by inviting people from foreign countries to get innovative ideas to increase the knowledge of Pakistani SMEs exporters to get benefited and set the strategies to develop SMEs in Pakistan.
- Micro-loans and micro-credits are basically given to beginner entrepreneurs, who lack capital.
- Credit schemes are used to target SMEs but most of banks they are not providing credit facilities because of the huge requirements of getting credit from different commercial banks. These are smaller amounts than are normally handled with by financial credit institutions. In general the funds are revolved so that the repayments made to the banks are lent again to SMEs. Credit guarantee schemes are designed to solve the problems of entrepreneurs who lack appropriate financial and other support. Commercial banks should be adopted simple procedures so SMEs can get easily this credit facility.
- Sanctioning of schemes which has been an accepted way in market economies for Governments to target aid to small enterprises or to particular regions and sectors while investment funds are used to facilitate equity to SMEs.
- The last area is based on training strategies. Training is one of the factors, which have resulted into the set up of many businesses. Training programs need to be established at faster pace because of unawareness. A great deal of talent is just spoiled, training in preparing business plans is much needed as many people have the idea but they lack to put it into business format.
- Pakistani government needs to adopt some drastic measures to promote the survival and sustenance of the SMEs in this competitive edge. Supporting the export orientation of SME groups by offering gradual/phased cuts tariff rates and streamlining import/ export regulations. This will provide a lot of projections to Pakistani SMEs and also open many doors to enhance the SMEs in Sindh province. Keeping pace with macro economic stability by adapting a stable fiscal and monetary policy. This will phase out some crucial problems of finance and help in achieving the stability at the greater extent. Opening a system of markets that encourage savings and further investments, for instance, the government may give special rebates/tax concessions to those firms which are making initial profits that they can either save the profit or and re-invest the same in the same or a different small and medium enterprises.

### **4. Area for Future Research:**

SMEs' play a significant role in export earnings of Pakistan and thus share from Sindh province can be more productive if some measures government should take to increase the export value. The main hindrances to compete with large sector industries, Pakistani government need to develop some effective strategies to boost up and understand the potential market of Small & Medium Enterprises sector. The government needs to take several steps to optimize the exports performance of the enterprises. Constitution of committees to suggest ex-chequer, the appropriate actions is a key step towards this direction.

Following are some of the points which need to be focused while formulating some innovative strategies for SMEs' development.

- The total share of Pakistan's in SMEs export earnings is 25% and Sindh province is contributing 9% share in the overall share of Pakistan by exporting different fruits, vegetables, crops and cotton made garments. This share can be increased up to 15% if some positive measures should be taken to increase the performance of SMEs sector in Sindh.
- Working Group opportunities between Pakistan & Europe, India & USA with the involvement of Governments, unions and associations for SME developments. This will also increase the information network which could be the main centre of business. In era of technological advancement should be sued to get the potential markets of SMEs.
- Formulate the export laid growth strategies to boost up a business forum in each country on selected business activities through business visions.
- Initiate certain measures to develop projects for sub-regional development and means of cooperating to utilize them by identifying of main objectives, resources and financial matters
- Appropriate and simple legislation, procedures for identification of location, opportunities and projects.
- Strategies to develop trade among member countries, like SAFTA reducing of hindrances and restrictions, ways and means of increasing trade exchange.
- Technology development in SMEs export to locate the untapped markets of the world and electronic commerce will be the vehicle to enhance the customer's oriented SMEs business and review of current position and prospects, and provision of SMEs access to modern technology propensity.

- Decrease of customs tariffs and border formalities specially CIF (Custom in land freight and FOB (Freight on Board) duties should be reduced to enhance the export laid growth in Pakistan.
- Innovating and set up of training programs based on the education of SME employees in two or more universities in different countries.
- Establishment of technical and technological cooperation; and liaison between SMEs exporters and Government.
- Change of experts and consultant for the adaptation and implementation of support and development programs and services.

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