Australian Journal of Basic and Applied Sciences, 1(4): 860-865, 2007
ISSN 1991-8178

Sickness in Small-Scale Industries of Sindh: Causes & Remedies. A Case Study of Larkana Estate Area

[1]Mumtaz Ali Junejo, [2]Chandan lal Rohra and [3]Prof Dr. Ghulam Murtaza Maitlo

[1]Assistant Professor Department of Commerce SALU-Khairpur
[2]Assistant Professor Department of Business Administration SALU-Khairpur
[3] Prof., Department of Commerce, SALU-Khairpur

Abstract: This research study is based on in-depth case study of Larkana estate area to find out the root causes of sickness in small industries and their solutions. This research reveals that 23.25 percent of the units fell sick because of lack of good management, 16.74 percent short fall of working capital, 13.95 percent inadequate feasibility reports and 13.95 percent marketing problems. Data was mainly collected through interviews of owners/managers of small industrial units at larkana estate area and Annual Reports of directorate of Sindh Small Industries Corporation.

Key words: industrial sickness, Sindh, causes, remedies, estate area.

INTRODUCTION

The importance of small scale industry has been increasingly recognized in Pakistan as a solution for the problem of scarcity of capital and widespread unemployment and poverty. But it has not served it purposes, started turning sick increasing numbers. The causes of sickness differ from industry to industry. The real or root causes have not been identified and corrective measures have been not taken on the basis of causes. More than 12 million people were added to the poor in Pakistan between 1993 and 1999. The rising poverty was the result of poor governance and slow economic growth. The government, NGOs and private sector are implementing programs aimed at improving governance and accountability of public institution to be able to better respond to the needs of the poor, assisting them economically through creating income and employment opportunities, and improving their access to better services. Employment creation is one of the most viable ways of reducing poverty levels in the country. This wins SMEs an important place in the economy since the declining growth of agricultural and large scale manufacturing (LSM) sector has crippled their abilities to absorb Pakistan's surplus labour. The capital to labor ratio in the SME sector is around one-fourth that for LSM industries. Thus SMEs also need less level of investment per job created, offering a rather inexpensive way of accommodating excess labour in the rural and urban areas alike. SMEs thus become tool of equitable wealth distribution through out the country. If approached strategically, million of jobs could be created in the five sectors of textile, leather, dairy, marble and fisheries. The interim PRSP (Reduction strategy paper) highlights the importance of pro-poor growth led by the private sector especially through SMEs. The strategy has identified four sectors, namely agriculture, SMEs, it (information technology) and energy (gas and coal). These sectors are generally labour intensive and their development will eventually lead to job creation (Report of SMEDA 2004).

Literature Review:

George Allen & Unwin, (1972-73) said that the main causes of poor performance and declining conditions of small firms have serious problems of managerial knowledge, that is why the most of small units have poor growth and profitability .

T.S. Reddy & L.V. Reddy (1988) found the causes of sickness in Small Scale industry are a manifestation of several maladies in the working of the units. The causes which contribute to sickness are generally related to production, marketing, finance management and environmental factors[1].

B. Ramesh and Dr. P.N. Misra found that a sick unit is one which is not healthy, because return on investment is not satisfactory. A healthy unit is one which ensures a minimum rate of return on the investment. Thus return investment is measuring tool to analyze the efficiency of the managers/owners of the small industrial units in the perspective of sales and profit per year.

Corresponding Author: Mumtaz Ali Junejo, Assistant Professor Department of Commerce SALU-Khairpur
Email: Prof.junejomumtazali@yahoo.com

MATERIAL AND METHODS

We have selected 83 total samples of scale industries from the Larkana Estate Area as a case study. This research study is based on descriptive, quantitative and qualitative methods. The focus is concentrated on the various variables and asked the relevant questions from the owners of small scale industries located in estate area of Sindh small industries corporation at Larkana. In order to increase the value of research, qualitative methods along with quantitative techniques have been used to interpret the results. Descriptive research seeks to determine the answer to, 'who', 'what', 'when', 'where', and how questions (Zikmund William G. 1986,p.36) states a phenomenon or a situation as it actually exits.

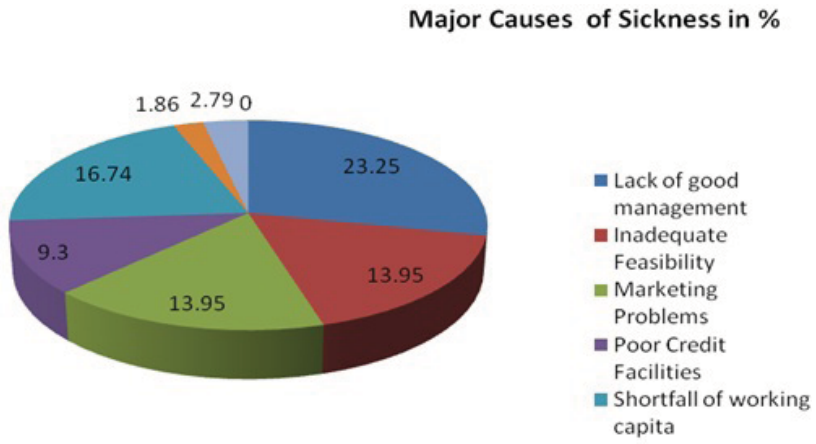
RESULTS AND DISCUSSIONS

Major Causes of Sickness in Small Scale Industries in Larkana Estate Area:

Table 1:

Serial No.	Major causes	Respondents of Firms	Results in %
1	Lack of good management	20	23.25
2	Inadequate Feasibility	15	13.95
3	Marketing Problems	15	13.95
4	Poor Credit Facilities	10	9.30
5	Shortfall of working capita	18	16.74
6	Load shedding problem	2	1.86
7	Tax problem	3	2.79
8	Law & Order problem	00	00
Total Respondents of the firms		83	

Source: Survey Study



Graph-1:

Above graph shows that the major cause of sickness was the poor managerial knowledge because we asked 83 owners of the small and cottage industries in the Larkana Estate Area and they have ranked the above problems in the proper order.

Second cause of sickness was short fall of working capital and third cause of sickness was marketing problems. On the bases of analysis through the case study, we make conclude that whatever may be the apparent causes but the root cause is poor management and the first generation entrepreneurs, without proper motivation, financial base and insight in to the problem. An inability and inefficiency to deal with these important factors, coupled with lack of motivation and diversified interest, result in under-utilization of capacity and dearth of working capital, cause and end in the closure of the enterprise.

Growth Rate of Established Units of Small Scale Industries at Larkana Estate Area:

$$P = \frac{\text{Number of Projects in Operation}}{\text{Number of Plots Available to the Estate}} \times 100$$

$$P = \frac{86}{313} \times 100 = 27.47$$

Average income of the individual employee is 55,000 per year.

Above result show that the growth rate of small and cottage industry is 27.47 per year which is not satisfactory because the number of plots have been not properly used. And average income of the individual employee is 55,000 per year. It proves that in Larkana Estate Area there is high exploitation of the labor which is also indicating the inhuman behavior of the owners of the small-scale industries with the different types of labors.

Table 2: First Generation & Community wise Owners of Small Industrial Units at Larkana estate area.

Name of Community	No: of Units Established	Investment in Millions Rupee	Results in % Share of each community for establishment of small industries per year
Shaikh	27	18.738	22.41
Hindu	10	16.574	8.30
Bhutto	4	4.554	3.32
Abbasi	4	5.916	3.32
Mahesar	3	3.126	2.49
Barohi	2	1.020	2.49
Soomra	2	4.554	2.49
Mughal	2	1.237	2.49
Jatoi	2	1.360	2.49
Jokhia	1	0.636	0.83
Merani	1	1.765	0.83
Chachar	1	1.100	0.83
Khorro	1	3.500	0.83
Ghori	1	0.300	0.83
Bangali	1	1.177	0.83
Bughti	1	0.268	0.83
Arain	1	0.155	0.83
Mangi	1	0.500	0.83
Chawro	1	0.988	0.83
Channa	1	1.163	0.83
Dayo	1	0.473	0.83
Panwhar	1	0.099	0.83
Mangsi	1	1.025	0.83
Sahito	1	0.754	0.83
Shah	1	3.775	0.83
Pathan	1	0.578	0.83
Sandelo	1	9.300	0.83
Mugheri	1	0.056	0.83
Singh	1	0.779	0.83
Unknown	5	2.749	0.83
Total		88.219	67.23

Source: Survey Study

First Generation & Community Wise Owners of Small Industrial Units at Larkana Estate Area:

Above table shows that there are so many different communities which are contributing in the economic development of the country and providing job opportunities to the various local peoples in the region. It is a quite clear that Shaikh community has dominated in the establishment of different type of small industrial units in the Larkana estate area and they have invested Rs.18.738 million in small industries. Shaikh communities have contributed in establishment of small scale industries i.e. 20.41% and it is a tremendous contribution. Second high contributor community is Hindu and this community has established ten different small industrial units and invested 16.574 millions rupees and share of this community is 8.30% in the establishment of small industries. Third contributor community is Bhutto and this community has established four small industries in the estate and invested Rs.4.554 million share of this community in establishment of industries is 3.32%. Fourth contributor community is Abbasi and this community has established 4 small industries and invested Rs.5.916 million and share of this community is 3.32%. Fifth high contributor community is Mehesar and this community has established three small industries and invested Rs.3.126 million and share of this community

in establishment of small industrial units is 2.49%. There are different communities such as Brohi, Soomara, Mughal and jatoi, who have established only two industries. Brohi community has invested Rs.1.020 million and share of this community is 2.49%. Soomara has invested Rs.4.554 million and share of this community is 2.49% Jatoi has invested Rs.1.360 million and share of this community is 2.49%. There are various others communities as well such as Jokhia, Merani, Chachar, Khohro, Ghori, Bangali, Bughti, Arain, Mangi, Chawro, Channa and Dayo.

Through the field study, we found that, there are some internal causes of sickness in small industrial units at the estate area of Larkana. The details of internal causes are given below:

Internal Causes:

Improper project feasibility

- Lack of managerial knowledge
- Poor educational background of lack of education
- Out dated technology
- Financial problem
- Poor marketing strategy
- Lack of motivational factor
- Traditional or rigid attitude

Improper Project Feasibility:

This factor acts mainly at the initial stages of the project. Many projects were sick by birth because of inadequate feasibility reports regarding the demand of product in various markets, wrong choice of technology, improper forecasting of financial requirements, delayed in supply of plant and machinery or in their installation or release of funds by financiers. No clear vision, goals and objectives. The root of all these problems may be traced to the lack of expertise in project planning and management on behalf of entrepreneurs and promoters.

It is a fact that, the directorate offices of Sindh Small Industries Corporation (SSIC) are also responsibly for this happening because they were not scrutinizing the project proposals properly or failing to provide their expertise in the planning and implementing the project.

The symptoms are escalation of project costs, high debts, high interest payments and wrong choice of technology.

Some of borrowers are also make responsible to the various commercial banks for the causes of sickness because these banks were not giving the expertise especially in the stages of feasibility reports.

After careful studies of the various feasibility reports, it is found that, there are so many crucial factors which are very essential to make the ground feasibility reports about the small industrial project. For example, the lists of these factors are given below:

- Industrial classification
- Methods of marketing
- Market outlook
- Plant capacity
- Utilities for the project
- Civil works
- Estimated project cost
- Production process
- Manpower requirements
- Per Kg manufacturing cost.
- Profit & loss account
- Production process
- List of machine

During the field study, It is found that, the most of entrepreneurs are completely unaware about the above mentioned requirements for making better feasibility reports.

Lack of Managerial Knowledge:

The majority of entrepreneurs are unaware about the knowledge of managerial field. Therefore, they were performing the non-managerial tasks. Rather the tasks of managerial functions such as planning, organizing,

leading and controlling. Indeed, in this dynamic world this sector needs qualified professionals to handle the every activity of business affairs more effectively and efficiently. It is clear that, the sound knowledge of managements is a key to success.

Poor Educational Background or Lack of Education:

This research reveals that, the most of owners/managers are very poor in sound educational background, and the rest of un-educated. Keeping in this scenario, it is concluded that, these owners/managers are not comfortable at their business units, they need some prescription to avoid this grave situation.

In order to be able cure a disease, we must give advise them, they should be prepared their next generation to handle the affairs of small industrial units.

Out- Dated Technology:

It is a known fact that technology plays an important role in the viability of an industrial unit. In sectors like processing of chemicals, petrochemicals, textiles, and agro processing, tried and established technologies are predominant and the pace of change is slow but developments information technology and micro-electronics which started in late seventies and eighties have considerable changed the scenario. The pace of change so far as new innovations and introduction of new technology is concerned, is much faster today than it was in fifties or sixties and even seventies.

In such a global scenario, small industrial units can not survive and with stand the global competition purely on the basis of cheap labor or adoption of simple labor intensive technologies and keep pace with changing situation, they would be maintained their competitive advantages.

***Financial Problems*:**

The most of units are sick by the reasons of lack of working capital, wrong choice of financiers, high interests payments, frauds, corruption, lack of financial control, an absent of costing systems and delay in release of funds by banks or financiers.

Obviously, the professional approach is missing on the part of owners/managers and promoters, either the officials of SSIC or bankers, even there are no concept of monitor and control the financial affairs of the industry in time.

Poor Marketing Strategy:

During the informal discussion with the owners/managers of small industrial units in both estates regarding the marketing strategy, they are layman, and not aware about the tools techniques of marketing strategy. For example, when we asked the few questions, like what kind of strategy you have made to penetrate the market? What is your market segmentation strategy? The answer to question I was quite astonished that when the most of owners/managers were said, we don't know about these terms! But they gave answer in Sindhi that we are uneducated therefore we don't know about these terms.

After discussion, it is found that they did not know about the marketing about the mix strategy and some important elements of market segmentation, such as,

1. Demographics variables
2. Geographic and Psychographics information

Conclusion:

As already indicated, a substantial proportion of the samples firms are conservation-oriented in terms of learning the latest techniques regarding the monitor and control of financial affairs like.

Double entry system, cost accounting, break-even analysis techniques, returns on investment technique, and balance sheet.

Indeed, most of owners/managers are using the old age methods of financial control; they are not maintaining the financial record of every transaction.

Several firm seemed to be more concerned with purely not defensive postures, notable in relation to taxation and the family wealth than with progress and efficiency.

Keeping in view of above mentioned facts, it is a virtually necessary for eight three owners / managers of small scale industries at estate area of Larkana, they must get the immediate training in the field of management and marketing otherwise their survival is in jeopardy.

It is a very important for the first generation entrepreneurs they must give the opportunities to their educated children for running the parent industries

Pakistan's economy has this amazing potential for development but sadly, Pakistan hasn't been able to derive optimal benefits despite a series of efforts launched by various policy makers at different times. The impetus of all these endeavors was on the large scale industries and manufacturing concerns. High rate of failures, owing to economic slumps, institutional malpractices, political motives and damaging activities of labor unions in that sector, left the formal lending institutions with huge infected portfolios, in addition to adverse effects on the entire economy e.g. insufficient and low quality production to meet the demands of local and international markets, deficit in balance of payments and ever rising unemployment, etc.

REFERENCES

Anderson, P., 1982. "Small Industry in developing countries. A discussion of issues," world development, 10(11).

Beck, T. and A. Demirgüç-Kunt, 2004. "SMEs, growth & poverty", World Bank, Public policy for the private sector, note 268.

Berry, A. and Armando Pinell – Siles, 1979. "Small-Scale Enterprises in Columbia A case study, studies in employment and Rural Development No. 56, (department of development economies, world bank).

Hoffman, K., 2005. "Enterprise solutions to poverty", Shell Foundation op. cit.

Navid Hamid and Ijaz Nabi, 1984. "Role of Small-Scale Industries in employment generation". Pakistan economic and social review Vol. XXII Nos 1 and 2 summer / winter, pp: 43-64.

Reddy, T.S. and L.V. Reddy, 1988. Found the causes of sickness in Small Scale industry.