

Impact of Small Industries in Pakistan

Taqadus Bashir

Foundation University

The small industries are an integral part of economic lifeline around the world and especially of developing countries. They are a major source of ideas and employment, sustaining and stimulating the growth of industrial sector. Though these small enterprises are full of enthusiasm but also fail owing to their inexperience, lack of finances and management skills. The multinationals of the world are endeavoring to make their ingresses all over the world. Apprehension is that these small industries may not be overshadowed under the multinationals. Despite the efforts of multinationals to capture the world industry, the importance of small industries cannot be ignored. They can benefit by the disciplined approach to direct settings, which harnesses their character sense of enterprise, their capabilities and potentialities to their provision of goods and services. The study provides a brief picture about the growth of small industries in Pakistan and also reflects the attitude of government of Pakistan about this sector. A comparison of Small Industries of Pakistan & rest of the world has been presented. The study shows that various countries of the world have planned to pay proper attention on the development of small industries considering them vital for the growth of their economy and a good source of employment generation. The small industries grew at their own in the country without government planning and support. Majority of the industries are family owned in which a few persons have been employed. The agro based small industries are setup in the rural areas and remaining are in the urban areas. These small industries cover most of the industrial field out of those the prominent are light engineering, textile, garments, knitting, surgical, sports goods, hosiery, embroidery, leather goods, poultry, handicrafts, agriculture, woodwork, nursery, fisheries, lodging industries etc. The focus needs to be on setting up export oriented and value added small industries so that foreign exchange may be earned through these industries. The small industries can be utilized for producing the raw material for the large-scale industries as well as vice versa to utilize the waste of large industries. A comprehensive planning is required to channelize small industries to produce raw material for large industries and provide financial incentive to establish small industries in rural areas of Pakistan.

Introduction

Pakistan is an agrarian/developing country that is striving hard for transition of its economy from agriculture to industry. The policies of the incumbent government have been instrumental in bringing about basic structural changes in the social and economic milieu of the country. Efforts are being made for requisite sustainable growth in the manufacturing sector and restoration of Macro Economic Stability. The manufacturing sector contributes 17 to 18 % of the total GDP of the country and employes 11.2 % of the labor force. The total target fixed by the government in manufacturing sector in GDP is 24 to 25 % by the year 2010 and per capita income from US \$ 450 to 1000.

The surveys to bifurcate small and medium industries have not been carried out in Pakistan, therefore only joint figures of the small and medium industries are available. The small and medium enterprises form the backbone of any economy in the world and play key role in the successful economic growth. Hence all countries are focusing their special emphasis for the development of their small industries. In Pakistan the large enterprises were considered as the real force for the growth of the economy, hence the small industries remained neglected. Despite their problems the Small and Medium Enterprises contribute over 90% of business in Pakistan and provide employment to 83% of the work force in the manufacturing sector. They contribute over 30% to GDP and are generating one fourth of the manufacturing sector's export earnings. They are big source for generating self-employment in the country and substantiating the family's income. Small industries, the key drivers for value-added exporters are important for being biggest source of low cost employment, for helping in regional and local development, in achievement of fair and equitable distribution of wealth, employment opportunity provider to women, assist in fostering a self-help and entrepreneurial culture in the country.

There is no single definition of small industries in Pakistan. The Federal Bureau of Statistics (FBS) implicitly uses the limit of 10 employees for small industries. The State Bank of Pakistan considers an establishment as small if its employees are less than 100 people or the value of its assets is less than Rs. 20 million. The Small and Medium Enterprises Authority (SMEDA) defines the small industry, which employes 10 to 35 persons and its production assets are between Rs 2 million to Rs 20 million. Thus presently the industry having 2 million to 20 million assets is defined as small industry.

Technological or managerial economies of scale may permit large-scale enterprises to operate with lower production costs than the small industries. These industries lack the research capacity, the ability to take substantial risks or any other advantage of expansion such as entering a new market, which requires well-developed sales capacity. The role of small industries at economy wide level is very important. The International Labor Organization (ILO) in its Kenya report has argued for a number of special measures for the growth of small industries and removal of restrictive public policies. India has gone so far as to reserve certain branches of industry for small producers, India has also supported the small industries by taking certain measures like better access to credit, greater availability of services so that the small industries may enhance managerial capacity and upgrade operational technology and improvements in the input and output markets.

The products of SMES tend to originate from indigenous craft traditions and they satisfy the need of poor people comparatively being cheap than the products of the large enterprises as well as foreign technology. One of the examples is that a ceiling fan manufactured in Pakistan with indigenous raw material and technology and another manufactured with imported raw material and foreign technology by the same manufacturing company costs double the price than the local ceiling fan. Thus the small industry is a source of cheaper products than the large enterprises. Moreover the small industries can manufacture

smaller quantities where as the large enterprises cannot go in it otherwise their cost of production enhances. Small industries are also the source of preservation of local handicrafts being capable of such necessary skills and styles of the production of those handicrafts. For example the artisans of Multan (Pakistan), produces very good table lamps and other handicrafts from the camel leather.

The majority of small industries utilize local raw material for the products as well as local machinery, are source of saving the foreign exchange. In addition to that these industries are useful in producing the by products from the waste of large enterprises and can contribute in the GDP of the country. Such waste cannot be utilized by the large enterprises or may not remain economical if used by the large enterprises.

The small industries are the main source of employment than the large enterprises. The small and medium enterprises sector provides 54% of the total employment in the country whereas major share in it is of the small industries (ILO, 2000). These industries provide 83% employment in the manufacturing sector whereas the large-scale enterprises sector provides only 9%. The small and medium industries in nonagricultural sector contribute 44% of the total labor force of Pakistan. The world experience shows that an economical and sustainable source of employment can be generated through development of small and medium enterprises sector. In Japan employment provided by small and medium industries is 81% of the total employment of the country, where as these industries provide 57% of the total employment in USA. The share of employment generated by small industries in manufacturing sector in Pakistan is 83% of the total employment of the country, where as its investment comprise of 15% of the total capital investment in the whole manufacturing sector (Pakistan Economic Survey, 1997-98). It is evident that the small industries generate more employments with less investment. The economic survey of 1985-86 published by the government of Pakistan stipulates that creation of one job in the large scale manufacturing sector cost 80 times more than in the small scale sector. Thus more investment in the small industries is better source of creation of more employment opportunities in the country.

The small industries are good source of foreign exchange earning especially of its wooden, metal and embroidery handicrafts, which have, attain a special significance in the international markets. The share of SMEs is 26% of the total exports of Pakistan (Pakistan Economic Survey, 1997). It is increasing day by day and there are ample opportunities in the world market to export the products of the small industries.

The gainful employment of labor in the village in small industries reduces their migration to cities. They are the main sources of provision of employment opportunities to the rural population otherwise unemployed rural population would migrate to the cities for obtaining employment. The influx of the rural population is enhancing the civic problems of urban areas. Thus the small industries being labor intensive are the only source of reducing the rural migration to the urban areas.

Small industries provide an ample and valuable opportunity for earning income and personal development to women especially in rural areas. Female owned tradition enterprises has a long history in many parts of the world such as West Africa etc but female owned traditional enterprises, like apparel industry, knitting, embroidery, carpet weaving and other such handicrafts have long history in Pakistan. The small industries are very helpful in creating opportunities for women entrepreneurs as well as artisans and workers to develop their faculties fully in garments, hosiery, and embroidery and knitting industries. Since these industries can be established with small amount and limited employees, therefore these are easy to manage. Moreover the women entrepreneurs and workers can exclusively run these industries.

The use of embroidered badges is increasing in USA and Europe day by day and they are discarding the metal badges. To meet this huge requirement, those countries are dependent

on such countries where there is expertise in embroidery work. Few firms of Islamabad, Sialkot and Lahore by employing women workers are engaged in the business of producing embroidered badges for USA and Europe. It reflects that small industries in Pakistan are conducive for entrepreneurship opportunities for women as well as provision of employment to women. The small industries can be easily managed and do not require highly formalized management structures. Scarcity of managers can pose serious constraint on economic development. Managers are vital for the management, operation and successful functioning of any enterprise. The small industries are informal in nature can be easily managed by the owners themselves. Moreover the small industries can be managed by employing part time managers even.

The small industries play a vital role in the balanced growth of economy in the developing countries. The large enterprises are installed in the urban areas owing to certain managerial constraints or installed in the industrial clusters where as the small industries can be installed in the rural areas or remote / far furlong areas. Thus these industries are sources for development / provision of balance economic growth in the countries. The regional disparity can be reduced through the small industries.

The business which emphasizes more in creation of capital plays important role in the economy of any country. The capital mobilization is a very positive step towards economic development. Most of the owners of the small industries utilize their own or friends or relatives savings for the installation of their industries. This act of their, is good source in mobilization of capital. The large-scale industries are mostly installed by borrowing loans. In case the small industry's owners do not utilize these savings in the small industries these savings would remain unutilized. Thus the capital in shape of saving would remain stagnant, which is not healthy sign for the economy of the country, Therefore the small industries play an important role in the mobilization of the capital of country.

International and Regional Scenario for Small Industries

The small industries are an integral part of economic lifeline of most countries around the world. They are a major source of ideas and employment. They both sustain and stimulate the growth of industrial sector. Though these small enterprises are full of enthusiasm but also fail owing to their inexperience, lack of finances and management skill. The multinationals of the world are endeavoring to make their ingresses all over the world. It is apprehended that these small industries may not be overshadowed under the multinationals. Despite the efforts of multinationals to capture the world industry, the importance of small industries cannot be ignored. They can benefit by the disciplined approach to direct settings, which harnesses their character sense of enterprise, their capabilities and potentialities to their provision of goods and services.

The small industries are vital for world prosperity, job creations and creation of wealth. The small and medium industries according to an estimate are capable of creating almost one billion new jobs in the world, which it will need in the near future. In the developed countries these industries have constituted a significant portion of Gross Domestic Product (GDP) varying from 90% - 58% and provided ranging between 55% to 80% jobs of the total employment in Western Europe, USA and Japan (World Bank, 1997). These industries feed to automobile industries in Japan and other countries of the world at lower cost.

Bangladesh Experience under Special Credit Program

In Bangladesh small industry is currently defined as an industrial undertaking either in manufacturing process or service activity within a total investment of Bangladeshi TK 1.5 Million and the investment in machinery and equipment not exceeding Bangladesh TK 1.5 Million excluding taxes and duties. The Tangail Saree Technology was successfully transferred to west Bengal due to migration of a number of weavers from Tangail to West Bengal, where they established a new enterprise.

Bangladesh Tobacco Co. Ltd. Successfully transferred the technology of wrapping a “birri” by cigarette paper to small sector. Other examples include the Bengal Chemical and Pharmaceutical works founded by Captain Dr. Dutta. Such manufacturers of chemicals have promoted the transfer of technology to the small sector in Bangladesh through provision of employment opportunities and investments.

The Government of Bangladesh had taken up different financial assistance programs with a view to extending financial assistance to small industries at favorable terms and conditions. The Special Credit Program (SCP) was initiated by the Bangladesh Bank in 1978 to disburse local currency loans and working capital to small and cottage industries. Bangladesh Small and Cottage Industries Corporation (BSCIC) monitor the credit program and the interest rate is 10% for the capital as well as working finance. A debt equity ratio of 80% and 20% is maintained for the small as well as cottage industry. The capital finance is directly given to the supplier of the machinery and working capital to the entrepreneur. The finalization of loan period is 2 months. This disbursement procedure helps to check diversion of fund and investment is gainful in short term. The small and cottage industries are flourishing in Bangladesh.

Development Strategy of Small Industries in China

The small industries have played very important role in the economic development of China. At present there are more than 10 million small and medium enterprises registered in the Bureau of Industrial and Commercial Administration, comprising 99% of the total number of enterprises in China (Report by World Bank, 1997). SMEs contributed 60% of industrial output volume and 40% of the total taxes and profits realized by enterprises in china. In the annual export value of US \$ 150 billion of the country, SME’S contribution is 60%. The SME’S provides 75% employments to the total TOWNSHIP and Urban employment of China after the reforms and opening the country to outside world. Moreover the SMES has forcefully supported the continuous development of national economy of China and 76.6% of the newly increased industrial output value was created by then since 1990. Thus the SMES play a vital role in releasing the employment pressure and maintaining social stability in China.

The State Owned SME’S in China have started their restructuring in accordance with the requirement of market economy to overcome the accumulative problems of the post-planned economic system. The Chinese government has established a Small and Medium Enterprise Department in the State Economics and Trade Commission in 1998 whose mandate is solely small and medium enterprises. The focus of study of this department is on SME supporting policy, functions of micro control and administration of SME development, guiding the restructuring and promoting of supporting service system for SME’S. Another organization China Industrial Corporation Association of SMES was established in 1990, which actually worked in 15 countries including Japan, Korea, Germany, France, Italy and USA. This agency was set up to promote international cooperation between Chinese and

foreign small and medium enterprises through exhibitions, trade talks, seminars and business visits.

The People's Bank of China declared that the loan service of urban commercial banks and townships and urban credit cooperatives should focus on SME'S. All the commercial banks in China have set up their own SME loans and credit developments under the directions of People's Bank of China. The financial institutions have started supporting the development of SME'S. China has also decided to facilitate Science and Technology Parks and established SME incubators to promote technology transfer.

The Chinese Government is mobilizing various social sectors to engage in the supporting and promotion of SMES service system under the macro administration and policy guidance. The government has also proposed to set up a SME fund for which an administrative committee has been framed to stimulate the regulations for management utilization and supervision of the funds. The government has focused four kinds of SMES i.e. Scientific and Technical SMES, Labor Intensive, having market demand at home or abroad and serving large enterprises.

The Japan & South Korea also attach lot of importance to the Small & Medium Enterprises. Japan provides 50% credit loan facility of the total credit loan of the country to SME'S & these industries imply 81% labor force of the country. The contribution of SME'S in the GDP of Japan is 53% & in it's total export is 38% (SMEDA, 1999). The South Korea has allocated 47% share in credit loan of the total loan of the country to SME'S & these SME'S contribute 20% in the total exports of South Korea. Moreover the SME'S generate 63% employment opportunities in the total work force of South Korea. In India the SME'S employ 57%, in Indonesia they employ 60% & in USA they employ 63% of the work force.

Small Industries in Pakistan

The history of small industries in Pakistan is not very old because very small number of industry came in the share of Pakistan after it's independence in 1947. The areas, which formed the part of Pakistan, were already backwards as compared to the areas, which formed the part of India. Three textile mills and insignificant manufacturing units were installed in the areas of Pakistan before the partition of Sub-continent. The government of Pakistan had very meager resources, which were not even sufficient to pay the salaries of its employees.

After its consolidation the government focused its attention on the industrialization process, which was accelerated during President Field Marshal Mohammad Ayub's regime. The preferential treatment was given to the large scale manufacturing instead of small-scale industries. The big industrialists had every access to the cheap credit and foreign exchange from the banks, whereas the small industries had no such facilities nor they could influence any policy favorable to them. For promotion of small industries in the country the government had set up the National Small Industries Corporation in 1956, which was later on merged with Pakistan Industrial Development Corporation in 1965. The performance of the NSIC can be very well judged from the growth rate of small-scale industries in the country, which was 2% only in sixties. After the separation of East Pakistan the NSIC was dissolved in 1972 & Provincial Small Industries Corporations / Departments were set up in all the four provinces. These organizations supposed to provide advisory services, assist in obtaining credit and provide training and common facilities for establishing the small industries in their respected provinces for selected industries like metal, leather, ceramics, woodworking, pottery, cutlery, small tools and textiles.

The government of Pakistan kept on focusing its attention on large scale industries which became the cause of the growth of small scale industries in seventies. The important feature of Pakistan's economic development since 1950 was the high rate of growth of the

large and medium scale manufacturing. During the first half of fifties the growth rate was 25% per annum, which decreased to 8% per annum in the second half. The growth rate of LSE again accelerated in sixties, which was 17% per annum in the first half and decreased to 10% per annum in the second half. Emboldened by this growth rate, Mr. Zulfikar Ali Bhutto, nationalized most of the large-scale industries of Pakistan. This nationalization scared the industrialists and they preferred setting up of a small-scale industry in apprehension of nationalization of large scale. Moreover the large inflow of remittances from Pakistani workers abroad to the tune of US\$ 2 to 3 billion annually in seventies and early eighties created large market for a variety of consumer durables, produced by the small industry sector. Thus the growth rate of small industries in 70s increased up to 27.5% per annum.

The government of Pakistan realizing the importance of the small industries while formulating the industrial policy statement in June 1984 emphasized on the importance of small industries for the economic growth and employment generation. The unit involving fixed capital investment of up to 10 million was defined as a small industry. Major measures include provision of timely credit; opening new and strengthening existing training facilities; development of specific programs for marketing of small unit products; were enunciated for the development of small industries in the country:

The government except announcing above mentioned policy guidelines practically did nothing for the uplift of small industries. The Small Business Finance Corporation (SBFC) could have effectively chalked out any program for the growth of small industries but its performance was not satisfactory. There was only one Development Financial Institution (FDI) i.e. SBFC for the financial assistance to small industries, whereas there were so many DFIS for provision of financial assistance to large-scale industries. The SBFC became politicized and corruption remained rampant in it from end of eighties. The Small Industries Corporation functioning in the provinces also remained inefficient in devising effective policies for the small industries owing to paucity of funds. Thus the small and medium industrial sector could not grow more than 8.4% in eighties and further declined to 5.7% in nineties.

The Government of Pakistan again realizing the importance of SME and needs to provide a focal institution for them, in October 1998 established the small and Medium Enterprise Development Authority (SMEDA) at federal level. The primary objective of SMEDA is to provide a fresh impetus to Pakistan economy through launching aggressive SME support programs. The major role of the SMEDA in financing SME'S is recommendatory. The SMEDA would provide the knowledge to the potential entrepreneur regarding opportunities in different market segments and would help in choosing the project at reduced risk level. Once the potential entrepreneur chooses the project, SMEDA after screening the SME project will recommend the project to the banking community. Moreover the SMEDA will also provide marketing information's to the entrepreneurs as well as trade leads and references to approach these trade links. It will also provide information to the entrepreneurs on the field of export as well as explore the international markets for consumption of the merchandised manufactured by the small and medium industrial sector.

The government in the past as well as present is concentrating on the development/growth of large-scale enterprises. Most of the economists of the country and policy makers consider that large-scale manufacturing is essential for development of the economy. The formation of SMEDA is also mere consolation and may not be able to play any significant role in the growth of small industries in the country because they are located in Lahore and it is difficult for entrepreneurs of other parts of the country to approach them.

According to Pakistan Economic Survey, 2004-05, the Small and Medium Enterprises (SME) represents a signifying component of Pakistan's economy in terms of value. They are highly labor intensive and provide employment to the bulk of the non-agricultural labor

force. The growth of SMEs has mainly been hampered by the non-availability of credit in past. Realizing this constraint the government has opened two specialized non-credit banks, namely, the “SME Bank” and “Khushali Bank”. The Small and Medium Enterprises Development Authority (SMEDA) is also actively developing programs for managerial skill development and technical and informative support to the SMEs.

The SME Bank was established on 1st January 2002 with the primary objective of providing financial assistance and business support to small and medium enterprises. A large number of SMEs are being financed under its program lending scheme namely “Hunarmand Pakistan Scheme” in such businesses as fan manufacturing, cutlery manufacturing, surgical instruments, doctors and dentists clinic, women entrepreneurs, CNG stations, auto looms, auto parts manufacturing, furniture manufacturing, motorcycle rickshaws etc. Up to 31st January 2005 the SME Bank financed 4522 SMEs and disbursed loans amounting to Rs. 3031.57 million and has been successful in creating 9044 employment opportunities in the country. Realizing the importance of microfinance in improving the lives of the poor people, the government has established Khushhali Bank in 2000 – a microfinance institution – under a public-private partnership program. It has also encouraged private sector to setup microfinance banks in Pakistan. So far three microfinance banks have become operational during 2001-04. The Khushhali Bank alone has so far disbursed Rs.4.5 billion and nearly 33 percent of its clients are women. The services of these institutions will be the most effective instruments in improving the lives of the poor people in both urban and rural areas.

Discussion

The concept of supporting small industries in Pakistan could not get support from the government quarters and real engine for the economy were considered to be the large enterprises with the concept of import-substitution. The small industries grew at their own in the country without government planning. Majority of the industries are family owned in which few persons have been employed. The agro based small industries are setup in the rural areas and remaining is in the urban areas. These small industries covers most of the industrial field out of those the prominent are light engineering, textile, garments, knitting, surgical, sports goods, hosiery, embroidery, leather goods, poultry, handicrafts, agriculture, woodwork, nursery, fisheries, lodging industries etc. The small industries sector is facing the following problems:

The small entrepreneurs face difficulties in obtaining loans for the small industries. Moreover, the laid down procedures for obtaining loans are cumbersome which discourage the small industries & DFIs. The other problem is additional security. The small business finance corporation or small industries corporation which extending loan requires additional security equal to the amount of loan beside 40% contribution of the entrepreneur in that venture. The above condition is only for the small business where as the large scale enterprises are exempt from the condition of additional security. Moreover the interest rate for large and small-scale industries differs the large-scale industries obtain loan at the interest rate of 10% whereas the small scales are given the loan at rate of 15% or above.

The small industries lack the quality of their products. Majority of them neither apply nor can afford to apply the modern methods in their production owing to lack of funds. Their machinery and techniques are old, which deprive them from getting proper price of their products in the market. The size of industry itself restrains these industries from the access of modern technology. The entrepreneurs in different sectors of small industries are semi skilled who have acquired the knowledge of their industries either from their ancestors or from semi skilled technicians working in their own industry or these entrepreneurs had been working

with some other entrepreneur. Majority of these industries are still applying the obsolete technology etc.

The small industries are deprived from the research and development facilities. Owing to their meager resources and small size, these industries can not incur expenditures on research and development. Thus they can hardly innovate the products. Since this sector has remained neglected, therefore no such facility is provided to these industries from government side. Few institutions established by the government in the sectors of pottery and steel products are situated near one cluster of industry i.e. Gujrat, Gujranwala and Sialkot. The remaining parts of the country cannot take benefit from these institutions. The new sector of information and technology is still in developing stage, no efforts are being made to create awareness of the small businesses towards this sector. This deprivation of research and development facilities is one of the main problems of small industries. All those entrepreneurs who are engaged in production of conventional goods may be attracted to shift towards the value added products.

The small industries are being operated in informal sectors. The entrepreneurs of these industries are mostly depending on domestic markets to merchandize their goods. They are unaware of the international markets. They can earn more if they send their goods to international markets where there is a demand for their goods. Their ignorance about the markets is also a big problem. The labor employed by these industries is mostly unskilled or semiskilled. It hampers the quality production. Most of the skilled / qualified labor likes to move in the large-scale industries, though the government has established some training institutions but they are inadequate. This problem also deserves the attention to be resolved.

These industries are very important for the growth of national economy, for creation of new jobs for the 140 million populations of the country, which is growing at the rate of 2.1% per annum which touched to 3% per annum previously (ILO Report, 2000). These industries play a vital role in preventing the migration of rural population to the urban areas. Unfortunately these industries could not get proper attention from government quarters and instead these industries all the facilities were provided to the large-scale industries. Keeping in view the importance of these industries and their role in the national economy they deserve more attention

The share of small and medium enterprises in credit facilities from DFI'S is 10% in Pakistan, where as the share of large scale enterprises are 88%. The share of small industries out of 10% is very less because more share goes to medium industries. Most of the countries of the world are paying more attention to their small and medium industries. India has allocated 16%, Indonesia 23%, USA 43%, South Korea 47% and Japan 50% credit of the total credit provided by DFI'S to their small and medium enterprises. Where as very meager share is allocated by Pakistan (General Characteristics of SME'S, 1999). The formation of SMEDA in addition to the provincial small industries corporation / departments and setting up of small and medium enterprises bank with in the small business finance corporation will not help much until and unless reasonable credit share is not increased.

The small industries are considered high-risk ventures by the banks therefore they hesitate in extending loan to them. The bankers also lack training and experience in evaluation of small projects, which is called absence of credit technology. To overcome this problem the State Bank of Pakistan should come forward and direct the commercial banks and DFI'S to impart training for evaluation of small projects to that staff which is ear marked for the small industries. Moreover the major sectors of small industries may be defined.

The SMEDA authorities stated that they have carried out the study of Fisheries Sector, Dairy Farm Sector & Beef Fattening sector. They have been able to project the strengths & weaknesses of these sectors to the commercial banks. Some of the commercial banks finding lots of potential in these sectors have agreed to invest billions of rupees in these three sectors.

SMEDA is required to give publicity to this information because so far majority of small entrepreneurs being ignorant of this information are not approaching the commercial banks for financial assistance in their business. The State Bank of Pakistan should instruct those commercial banks, which are willing to invest in these sectors, should also widely publicize the policy for the benefit of small entrepreneurs. SMEDA should also undertake the study of other important sectors of small industries to facilitate the work of the commercial banks beside the above-mentioned Sectors.

The majority of small industries established in the rural areas are agro based. These industries are very important in prevention of migration of the population from rural to urban areas. These industries after the agriculture sector are the only sources of provision of employment to rural population. The Agriculture Development Bank of Pakistan (ADBP) was set up to promote the agriculture and agro based industries. The performance of the ADBP remained very demoralizing. Keeping in view the role of the agro based small industries in growth of GDP, sources of employment in the rural areas / backward areas and helpful in prevention of migration of rural population to urban areas, there is a dire need of restructuring the ADBP, in line with the Grameen Bank of Bangla Desh.

The marketing is another main problem of the small industries. The small entrepreneurs are not much aware about the domestic as well as international markets. Most of the entrepreneurs merchandise their goods in those markets, which are in close proximity to their industries. They also lack resources to dispatch their goods to the far furlong markets or big cities for marketing. Government has to devise some system where the small industrialists are kept informed about the domestic markets as well as the international markets. Grameen Bank extend the loan to a community under the poverty alleviation program. The bank keeps on monitoring the project till final finished goods and then arranges the marketing of whole community under its own supervision. The revenues are deposited in the bank and then reutilized for the production.

The Government of Pakistan has also taken a positive step in this direction to assign the responsibility for provision of marketing information to the entrepreneurs by SMEDA. Though this is a positive step but an authority having its head office in Lahore cannot meet country wise requirements. Moreover it would provide information to the persons who make a visit to its office. How can we expect that small entrepreneurs of Bahawalpur, RahimyarKhan, Sukkur or Multan would come to Lahore to seek information about market? The Government & SMEDA should establish the SMEDA'S centers in the industrial clusters and rural areas by giving wide publicity.

Pakistan produces 10% of the total world cotton & its share is 1.8% in the total US \$365 billion Global Textile Market. Presently Pakistan's major textile items are its raw cotton, cotton yarn & 0.97% apparels. The Government of Pakistan, SMEDA & other agencies involved in the promotion of exports should attract the small entrepreneurs to invest in garments & knitting industry as well as other value-added items of textile sector. The NGO'S can also play important role in setting up the training institutions for training the textile labor. It would not only promote the exports of the country but would also help in creation of more employment opportunities in the country. The handicrafts of Pakistan are popular in Europe and America. The SMEDA should study the other world markets where the handicrafts of the Pakistan could be sold and accordingly create market awareness among the entrepreneur.

The women entrepreneur in the rural areas may be encouraged to set up Garments and embroidery industries. An organization like Grameen Bank of Bangladesh may be created which should act as middleman between the entrepreneur and market. That organization should take orders of embroidery goods and cloths badges etc from foreign countries and accordingly get these orders executed through industries set up by the women. There is big

world market, which is required to be explored for sale of our handicrafts, garments and embroidery articles.

The formation of SMEDA is a positive step towards the development of small industries but role allocated to it is required to be further enhanced to the status of DFI. Presently the SMEDA cannot play an effective role to deal the small industries in the country which are more than 12000 in the province of Punjab only. The offices / branches of SMEDA should be established countrywide in far flung areas where professional bankers should deal with the small investors. In this way SMEDA can play an effective role in the development of small industries.

Conclusion

The small industries play a major role in the growth of the GDP of the country and a big source provision of employment in the country. These industries are not only source of creating job opportunities in the rural areas but also stop the migration of population from rural areas to the urban areas. These industries are less capital intensive and more labor intensive, therefore are conducive in creating employment opportunities as compared to the large-scale enterprises. The small industries are very good source for provision of jobs to women's. The women entrepreneurs can also display their skills in these industries. These industries were ignored in the past and preference was given to the large-scale enterprises by the government as well as by the banks and other development financing institutions. These industries self grew at the rate of 8% per annum where as the growth of LSE's remained at an average 4.7% during the first half of 1990's and 2.5% during the second half of 1990's. Recently the growth of LSE'S has declined to 0.7% negative. Pakistan is developing country having population 140 million which is increasing at the rate of 2.1% per annum. According to the latest estimates the urban population was 32% while the rural population was 68%. According to the latest estimates literacy rate for male was 48.9% and for female was 23.5%. In the urban areas the literacy rate was 57% and rural areas 27.5%.

The government has not given any attention towards the agriculture and small industries, which are mostly agro based in the rural areas. This has created adverse effect on the agriculture sector & its GDP has fallen from 53% in 1950 to 23% in 1977. Thus government ambivalence towards development of rural areas has increased poverty and illiteracy in the rural areas. The rural population is forced to migrate to urban areas for seeking employment. This influx of rural population to the urban areas is creating so many administrative and social problems. To avoid these problems it is imperative to contain the migration of rural population by means of providing employment to them near their dwellings. This target can only be achieved through setting up the small industries or agro-based industries in the rural areas. The reliance of development of economy is being placed on the large-scale enterprises. As per figures given in the above discussion, the growth of large scale enterprises is negative and their viability is in question owing to their higher administrative and maintenance costs. The majority of public sector large-scale enterprises are running into loss. Most of the private sector LSE's (large sector enterprise) are also at the verge of collapse owing to recession in the world market. The LSE'S every now and then request the government for subsidies or concessions in the taxes. On the other hand the small and medium industries are not only growing in this recession but also contributing in the growth of GDP. The small and medium enterprises got very less credit facilities from the government, banks and other DFI'S, therefore they developed them selves by their own resources or by taking help from the relatives and friends. Most of the industries are operating with the old machinery and technology. The labor force they are employing is either unskilled or semiskilled. There is need to extend financial assistance to those industrialists which are

using old machinery so that they may replace it with modern technology. There is also a need that the government as a venture should set up vocational institutes in the clusters of small industries so that skilled man power may be available to them.

The focus should be on setting up export oriented and value added small industries so that foreign exchange may be earned through these industries. The small industries can be utilized for producing the raw material for the large-scale industries as well as vice versa to utilize the waste of large industries. The light Engineering sector of small industries can prove to be very useful for the deletion program of government in the automobile industries.

The government should pay more attention to develop the small industrial sector by extending more financial assistance so that these industries may be able to grow in the rural and backward areas. It will help in distribution of wealth in the backward and deprived areas. These industries would be helpful in contributing the growth of GDP, which has fallen to 3.2% in 1990's from 6.4% in 1980's. These will promote our exports as well as create employment opportunities for the fast growing population of the country.

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