

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Role of Small and Medium Enterprises in Creating Employment opportunities in Pakistan: A case study of Sindh

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Introduction

Small and Medium Enterprises (SMEs) played a very vital role in the economic development of the underdeveloped as well as developed countries. The abbreviation SME is commonly used in the European Union countries and also in international organizations, such as the World Bank, the United Nations and the World Trade Organization (WTO). The term Small and Medium Business (SMB) is also prevailing in a few other countries of the world.



Small and Medium Enterprises (SMEs) are known as the solution of economic progress, modernization and the development of employment, employment potential, creation of income and scientific progression in most advanced economies.



Literature Review

SMEs have historically taken as an significant part in contributing to economic progress of many countries around the world (Kongolo, 2010). There is no growth when the advantages of economic improvements are utilized only by a small number of people, whereas the greater parts are being expelled (Todaro and Smith, 2003). The unconstructive effects of current economic turn down have seriously influenced the socio-economic conditions of many people universally



As a reply to these negative conditions, it is necessary that the small, medium and large entrepreneurs improve their employment formation capabilities (Barakat, 2001). It was also pointed out by the Advani (1997) that from the socio-economic development point of view, SMEs provide a variety of benefits. A well-supported and enhanced small business sector is likely to continue contributing to the economic development process in the same way as a large business (Abraham, 2003). One of the noteworthy distinctiveness of a prosperous and emergent economy is a booming and blooming small and medium enterprises (SMEs) sector (Feeney and Riding, 1997).



Feeney and Riding (1997) further argued that small and medium enterprises play an important role in the development of a country. According to Fida (2008) SMEs contribute to economic development in various ways: by creating employment for rural and urban labor force, providing desirable sustainability, and innovation in the economy as a whole. In addition to that, large number of people relies on the small and medium enterprises directly or indirectly. Cook and Nixon (2000) also gave arguments in favor of SMEs according to him the growth of SMEs is seen as the way to accelerating the accomplishment of wider socio-economic objectives, including poverty mitigation



Data Collection Methodology

Data were collected from 200 respondents from 50 organizations by using simple random technique. A structural questionnaire was developed to get reliability of the Data. Data were analyzed by using SPSS-18 version.



Results and Discussion

- **IMPACT OF SMALL AND MEDIUM ENTERPRISES (SMES) ON CREATION OF EMPLOYMENT**
- In order to have a comparative view about the perceived impact of SMEs on employment, employees responses were obtained by using Likert type 5-point scale and the items were replicated from the managerial questionnaire. These items were; SMEs are the major source of employment, SMEs are also largest source of domestic employment, SMEs have reduced un-employment in the country and SMEs have created job opportunities in rural areas of Sindh.



An inspection of table 1 reveals that the majority of the employees more than 55% indicated agreements with the SMEs are the major source of employment, more than 20% appeared to be disagreed and also more than 20% of the participants were un-certain about their opinion. In response of SMEs are also largest source of domestic employment a majority of 47% of the respondents were agreed, less than 20% were disagreed, while, more than one quarter were undecided in their views. Answering the question regarding the SMEs have reduced un-employment in the country 47% of the participants indicated their agreement, more than one quarter were disagreed, whereas less than 30% were un-decided in their replies.



Finally in the response of SMEs have created job opportunities in rural areas of Sindh, more than 50% showed their agreement, less than one quarter were disagreed and 1/4th of the participants were un-decided. This may indicate that employees do not have adequate knowledge about the question asked for the reply (see also figure 1 to 4)



TABLE 1 DISTRIBUTION OF EMPLOYEES' RESPONSES ON THE PERCEIVED IMPACT OF SMALL AND MEDIUM ENTERPRISES (SMES) ON CREATION OF EMPLOYMENT (N=200)

	Strongly Agree	Agree	Un-decided	Disagree	Strongly Disagree	Total
a. SMEs are the major source of employment	49 (24.5%)	66 (33%)	42 (21%)	28 (14%)	15 (07.5%)	200 (100%)
b. SMEs are also largest source of domestic employment	38 (19%)	56 (28%)	51 (25.5%)	35 (17.5%)	20 (10%)	200 (100%)
c. SMEs have reduced un-employment in the country	35 (17.5%)	59 (29.5%)	55 (27.5%)	32 (16%)	19 (09.5%)	200 (100%)
d. SMEs have created job opportunities in rural areas of Sindh	41 (20.5%)	62 (31%)	50 (25%)	30 (15%)	17 (08.5%)	200 (100%)

FIGURE 1 SMEs ARE THE MAJOR SOURCE OF EMPLOYMENT

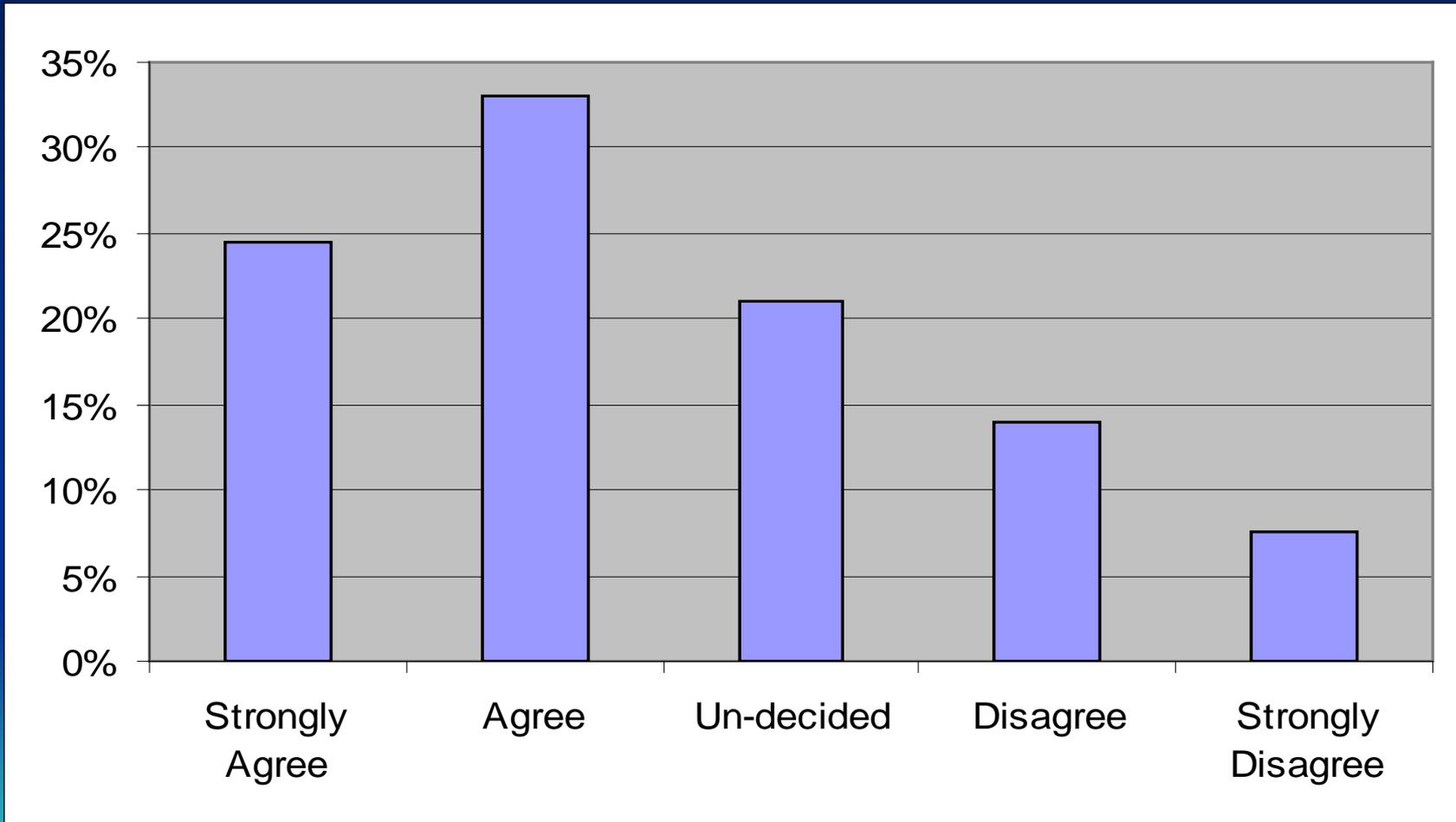


FIGURE 2 SMES ARE ALSO LARGEST SOURCE OF DOMESTIC EMPLOYMENT

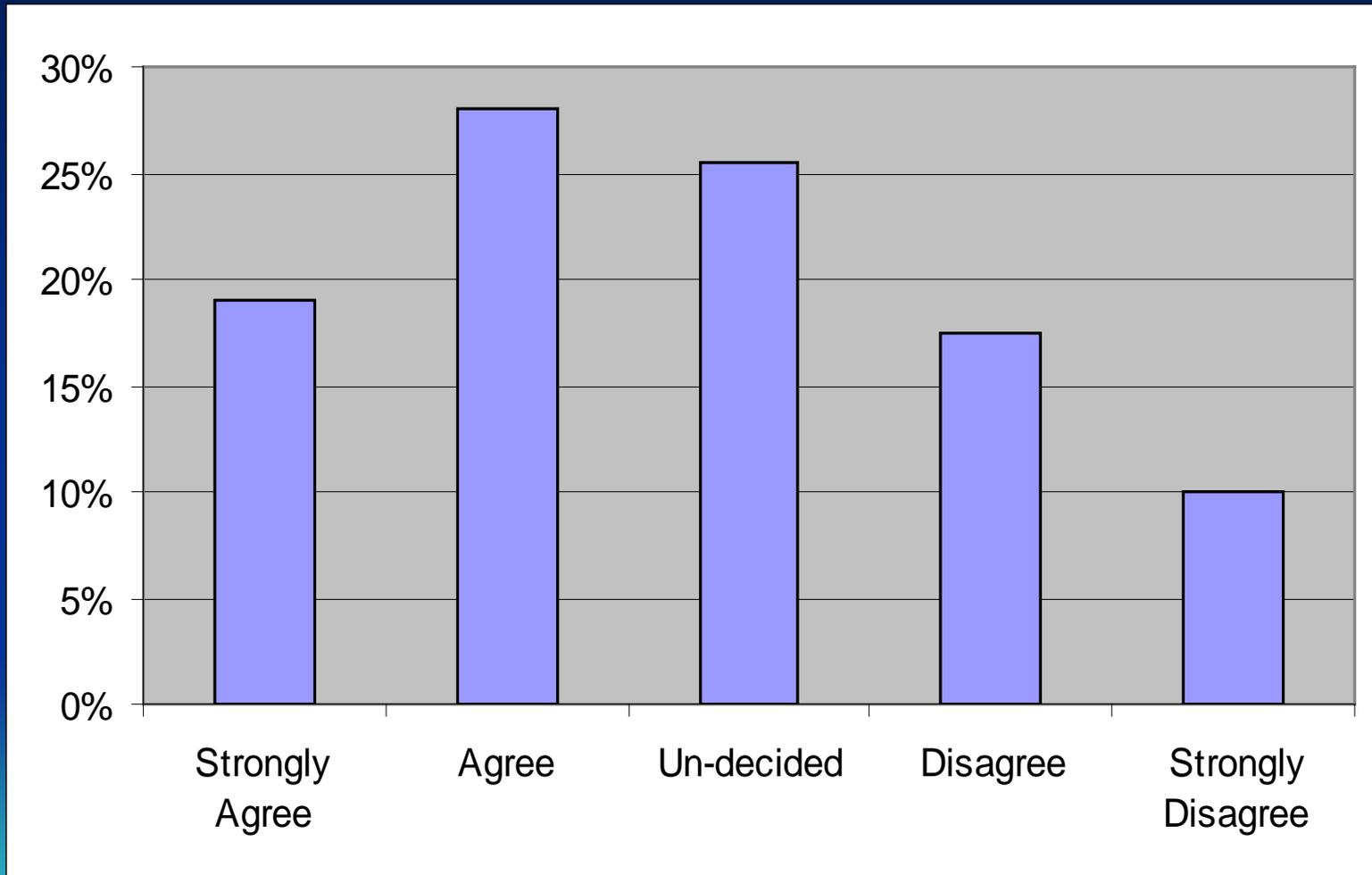


FIGURE 3 SMES HAVE REDUCED UN-EMPLOYMENT IN THE COUNTRY

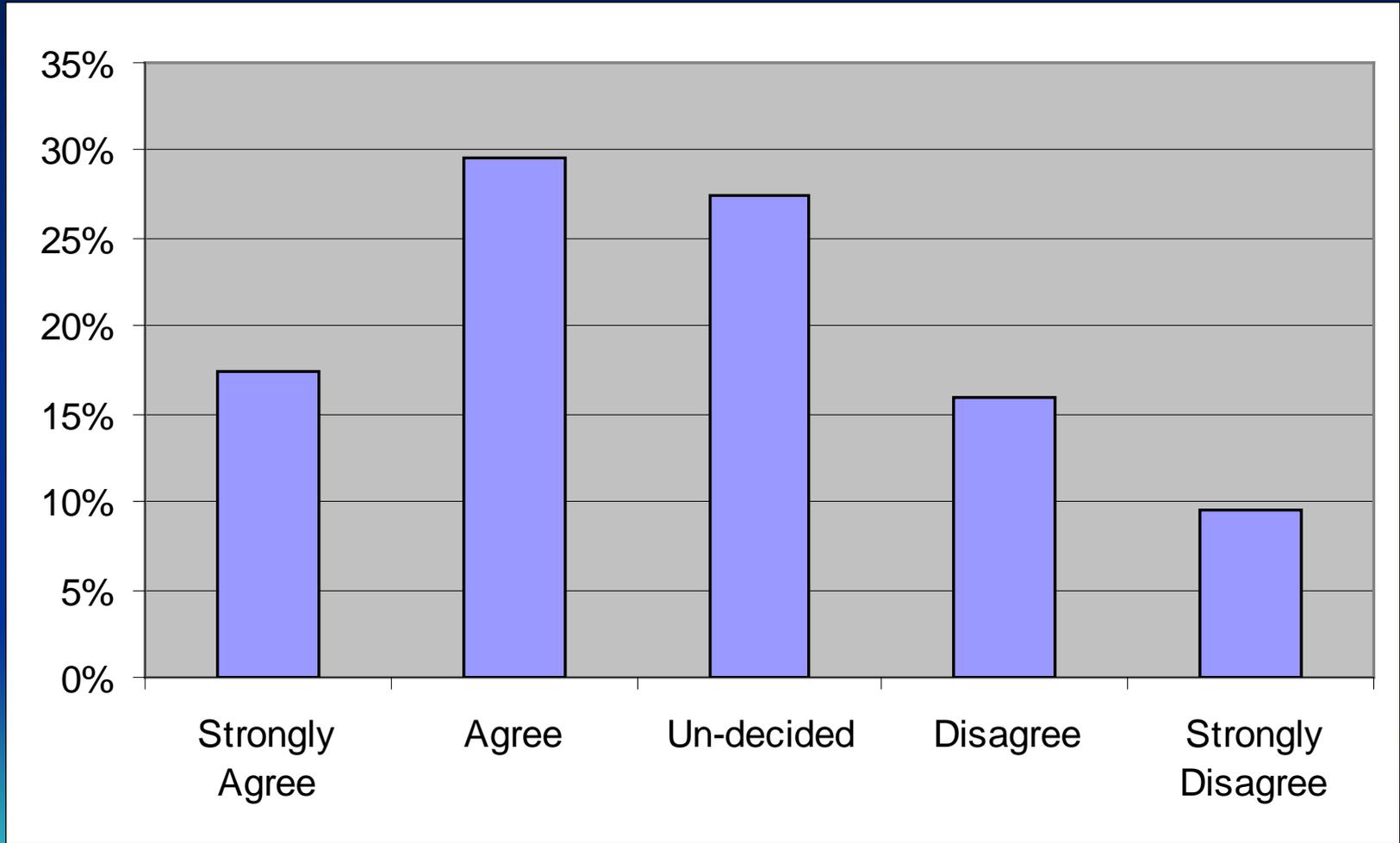


FIGURE 4 SMES HAVE CREATED JOB OPPORTUNITIES IN RURAL AREAS OF SINDH

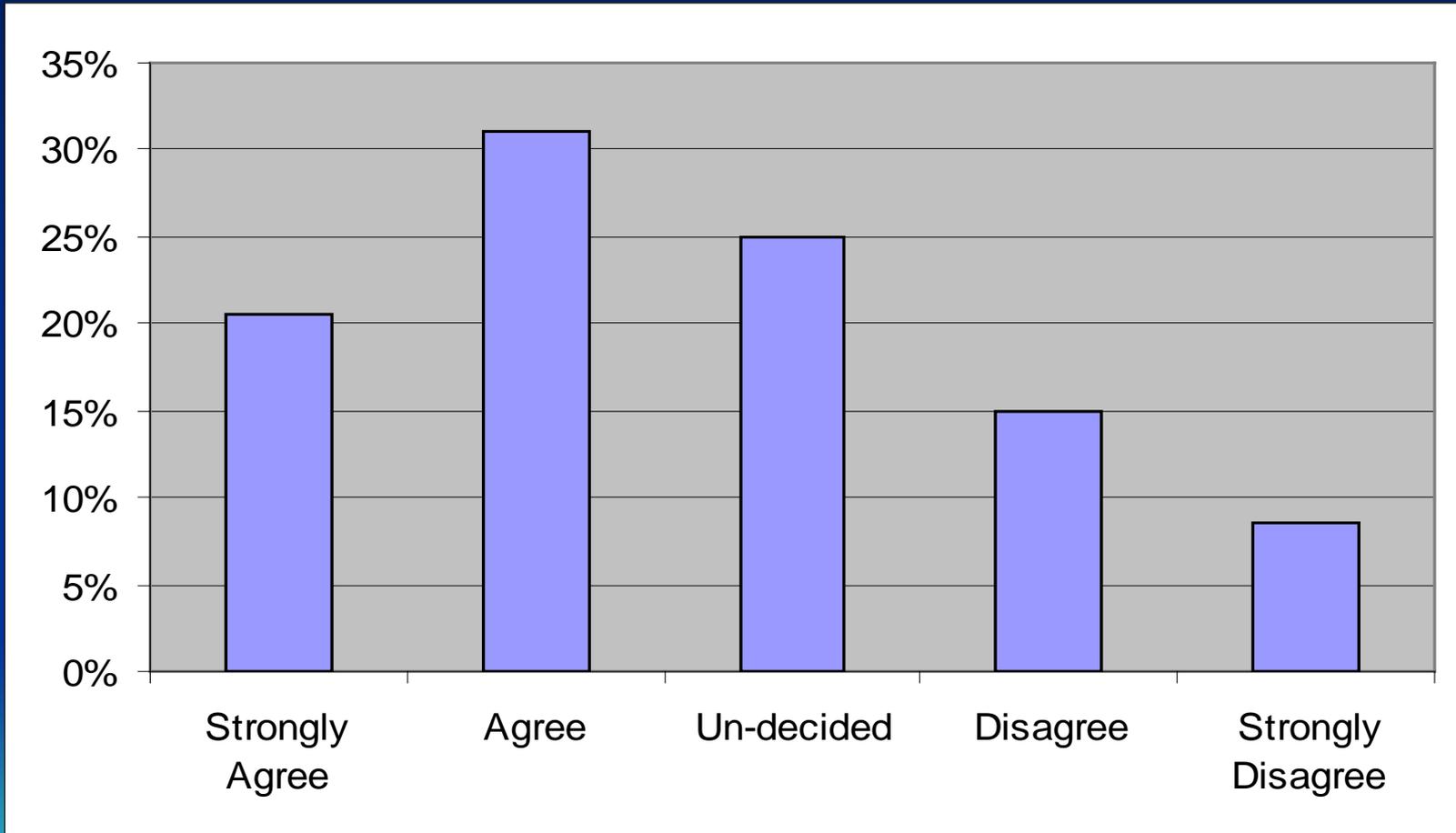


TABLE 2 MEAN SCORES AND STANDARD DEVIATIONS OF THE EMPLOYEES PERCEPTIONS ABOUT IMPACT OF SMALL AND MEDIUM ENTERPRISES (SMES) ON CREATION OF EMPLOYMENT

Statement	Ginning (n=100)		Weaving (n=40)		Garments (n=60)		ANOVA By sector	
	Mean	SD	Mean	SD	Mean	SD	F	p
a. SMEs are the major source of employment	20	8.000	08	4.062	12	7.874	3.929	0.048
b. SMEs are also largest source of domestic employment	20	6.595	08	3.391	12	5.244	6.787	0.010
c. SMEs have reduced un-employment in the country	20	4.950	08	5.339	12	7.314	5.258	0.022
d. SMEs have created job opportunities in rural areas of Sindh	20	7.969	08	3.674	12	6.595	4.647	0.032

TABLE 3 INTERCORRELATIONS BETWEEN IMPACTS OF SMES ON EMPLOYMENT ITEMS

Variables	1	2	3	4
a. SMEs are the major source of employment	-			
b. SMEs are also largest source of domestic employment	.882*	-		
c. SMEs have reduced un-employment in the country	.842*	.990**	-	
d. SMEs have created job opportunities in rural areas of Sindh	.951**	.981**	.967**	-



conclusions

Overall, employees were more positive in perceiving favorable impact of SMEs on employment in textile industry of Pakistan. These perceptions were common across the three sample SMEs. It is also evident from the present study that in general, SMEs were perceived to have provided employment in urban areas as well as in rural areas of Sindh. The positive attitude of employees was further supported SMEs as the major source of employment where more employees were satisfied. There was also positive attitude of the employees in relation to the SMEs are the major contributors in private sector employment, but in relation to the SMEs are the major contributors in public sector employment there were negative attitude of the employees.



THANK YOU

