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## Article

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Pakistan Journal of Commerce and Social Sciences (PJCSS)

## Provided in Cooperation with:

Johar Education Society, Pakistan (JESPK)

*Suggested Citation:* Junejo, Mumtaz Ali; Chand, Muhammad Nawaz (2008) : Growth and efficiency of small scale industry and its impact on economic development of Sindh, Pakistan Journal of Commerce and Social Sciences (PJCSS), ISSN 2309-8619, Johar Education Society, Pakistan (JESPK), Lahore, Vol. 1, pp. 56-82

This Version is available at:

<https://hdl.handle.net/10419/187981>

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# Growth and Efficiency of Small Scale Industry and its Impact on Economic Development of Sindh

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## Abstract

The purpose of this study is to analyze the growth, efficiency, causes of sickness of small scale industry, emergence of entrepreneur and competencies of entrepreneurs at Larkana estate area of Sindh Province. The study examines the educational background of the entrepreneurs of small scale industry who are the helm of affairs and its impact on the growth of sales of the every year. Strong evidence emerges that owners of small industrial units are family concern and having a low educational background, lack of managerial knowledge and conservation-oriented attitude results in under utilization of capacity and low growth of units established every year. This research paper provides a survey of the theoretical and empirical literature relating to promote the small scale industry in the Larkana region. This study indicates effective policy measures to promote the small scale industry particularly in Larkana region and generally in Pakistan.

Keywords: Small scale industry, Skilled entrepreneurs, Sindh, Larkana.

## 1. Introduction of Small Scale Industries in Pakistan

At the inception of Pakistan in 1947, there were very few manufacturing establishments. It was totally an agriculture-based economy. In 1949-50 the share of industrial sector in GDP was around 8% with large contributing 2.2% and the small 5.8% comprising of cotton ginning, RICE HUSKING, WHEAT MILLING. The surprising feature is that over the years the contribution of the small sector has remained in the range of 5% to GDP. The situation of Small enterprises (SEs) is one of a rather loose integration within the mainstream of the national economy. Many recent studies display the potential for expansion, numerous hurdles thwart them. In Pakistan as in other countries the recognition is growing those small-scale industries are important for the development of the social and economic sectors. However in spite of the growth of this awareness not much attention was paid to this sector research has revealed that nothing contributes more to the flourishing of small enterprises that favorable policy context (Thomason & Thomas 1992). This is totally lacking in Pakistan and reflects apathy to one of the most potential sectors of the economy.

**1.1 Phases of Industrial Development:** Pakistan's comparative advantage was the skill its people had in many fields of small and cottage industry. Its people were famous for hand crafted products whether in metal or woolen or cotton or wood. But this comparative advantage over time fritted away and was not exploited or developed. There was no tradition of institution building. No guilds and associations that would foster the skill and pass it on to the next generation. There were no laws requiring the skill or recognition of skill, hence national industrial development suffered.

The real development that did take place was in the 1960 but owing to the nationalization phase in the 1970's it died away. During this period the manufacturing growth rate recorded was about 8% but then again there was no diversification from textile to food processing. The industrial development has been marred by low productivity and import substitution strategy. The trend had been towards capital intensive and low on employment generation industry the lessons of nationalization compelled investors to avoid large manpower thereby the rate of unemployment increased and the economic situation worsened.

Pakistan's economic development policies favored capital-intensive technology choices, ignoring the fact it would create unemployment. Even the subsidized credits for small enterprises stimulated more capital-intensive technologies. This situation is further compounded by the fact that Pakistan ranks relatively low among other Asian countries in such areas as per capital number of science and technology personnel and low on R&D.

This therefore does not create the small enterprise development environment. Both for rural and urban production, appropriate technologies are needed which are labor intensive, which use local resources it is in the background of such environment that SE, can develop. Hence the need for small enterprise Development policy was imperative but totally missing from a Thomas, "small for development 1992, published Tilburg University")

Ironically Pakistan continued receiving funding from donors to develop SEs. But not even the planning commission was willing to notice the SEs. Considerable work was undertaken on SEs in the 1990s by UNDP, which allocated research projects on SEs and micro enterprises to UNIDO and ILO. Similarly the institute of Social studies Advisory Services undertook World Bank funded research for Bankers Equity. The donors coordination Group on promotion of the SEs set up on 1993 organized a series of activities for SEs promotion. A series of measures were undertaken under the eighth five year plan (1993-98) to stimulate the growth of the SE sector focusing on improving their productivity and enhancing product quality and standards through training in vocational and technical skills and up gradation of technology and modernization. The impetus to the SE sector came from this new focus, which culminated in the Governments decision to set up another small industries development organization (SIDO) in October 1998 called SMEDA- small and medium enterprises development Authority. Yet the bottom line is that there has been no policy initiative to support the growth of SEs. No regulatory intervention to remove the retardants of SE growth. No law defining small enterprises. And for 3 years the Government did not give official recognition to SMEDA nor has SBP issued a license to the SME bank (December 2003).

**1.2 The Emergencies of Small industries Corporations:** The history of non-credit institutions created by the Government of Pakistan (GOP) for the SE sector began with the First Five year Plan (FYP1) for the period 1955 to 1960. The FYP1 recommended the establishment of three small industry corporations (SICs). The Pakistan Industrial Development Corporation (PIDC) oversaw the entire manufacturing sector.

After 1972, the institutional support functions for the micro and small-scale sector were delegated to the provinces, to be managed by a provincial small industries corporation (SIC). The Punjab and Sindh acquired a Punjab small industries corporation (PSIC), and Sindh small industries Corporation (SSIC), respectively. NWFP acquired a Sarhad Industrial Development Board (SIDB). In Baluchistan, the functions were handed over to the provincial Department of Industries.

### Small Industrial Development Organizations (SIDOs) Providing Non-Financial Service

Small Industrial Development Organization set up by the Government of Pakistan for the development of SMEs are:

Institutional Setting	Programs	Assessment	Main Weakness
<ul style="list-style-type: none"> <li>• Provincial small Industries Corporations</li> <li>• Punjab Small industries corporation (PSIC)</li> <li>• Sarhad Small Industries Development Board (SIDB)</li> <li>• Sindh small industries corporation.</li> <li>• Directorate of industries in Baluchistan.</li> <li>• Azad Kashmir Small Industries Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• National Rural Support Program</li> <li>• Rural Industrialization Program (RIP) of PSIC</li> </ul>	<ul style="list-style-type: none"> <li>• The activities of training, operation of the industrial estates. Advisory services considered insufficient, inadequate or failure.</li> <li>• Decentralization of PSIC activities perceived as best in outreach</li> <li>• Training of SIDB considered not helpful very limited results of service centers, industrial estates were of limited success.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of scale</li> <li>• Antagonism between bureaucratic procedures and flexibility required by business</li> <li>• inefficiency and ineffectiveness</li> <li>• failure to be client responsive</li> <li>• lack of coordination between government agencies.</li> </ul>

**Source:** Review of the Rural informal Micro and Small Enterprises sector; Development of an action-Oriented Program, prepared for the government of Pakistan UNIDO and ILO under the UNDP Financed TSS-1 Facility PSIC is the most important instrument for providing. Support to the small enterprise sector. PSIC now runs a number of credit schemes and has established 15 small industrial estates in non-urban centers covering light engineering leather, ceramics, and metal industries, cutlery and small tools, pottery, wood working and agricultural machinery.

### Most of the Local consumption products are produced by SSIs

Agro Processing and Agro Supporting Industries	Shares in Total Production (%)	Main Export Oriented Small Industries	Share in Export (%)

Rice milling	60	Surgical instrument	90
Wheat Milling	80	Sport goods	90
Cotton Ginning	75	Hand Knotted Carpets	100
Oil Expelling	80	Readymade Garment	80
Tractor Components	25	Grey Cloth	75
Agricultural Implements	75	Towel	85

To promote investment PSIC perform three functions. One, it gives pre investment advice based on profitability and technical feasibility based on published material. Two it helps clients get loans from the SBFC (Now defunct) and the five commercial bank ; and three it runs credit programs of its own i.e rural industries loan fund (RILF) and the self-employment Scheme (SES). It is also running the rural industrialization program (RIP)

### 1.3 Brief History and Background of Sindh Small Scale Industries Corporation Estate Area of Larkana

The small scale industries corporation was launched as a STATE OFFICE in Larkana 1963. This project was started with approved cost of 3 million. In this regard STATE OFFICE purchased total 60 acres land for the purpose of establishing the different Small and Cottage industrial units. During the same period, there were 313 plots out of these 260 plots were allotted for setting up 84 different types of industrial units and 53 plots were under process of allotment.

After passage of time, the Larkana STATE OFFICE was promoted as a full-fledged "SINDH SMALL INDUSTRIES CORPORATION" in the year 1972. Eleven years later, the authority of Sindh Small Industries Corporation was opened the new branch at SHIKARPUR District on dated 13<sup>th</sup> January 1983 for the purpose of promoting the Small and Cottage Industries in these areas. After that another branch was introduced on dated 30<sup>th</sup> December 1994 at KANDHKOT. Introduction of these branches, Larkana office became regional office in the year 1989.

### 1.4 Small Industries Estate Larkana

This estate was established for the purpose of socio-economic uplift of this area in the context of increasing the growth of small and cottage industries and providing the jobs opportunities to the local people. In this estate area, infrastructure facilities also have been provided such as malted road, telephone, electricity, water and drainage. The authority of small industries have been allotted different categories of the plots for following Cottage and Small Industries:

1. Rice Mills
2. Specialized Textile
3. Engineering Workshops
4. Agricultural Implements
5. Wood Work
6. Poultry Farming
7. Oil Grain Milling
8. Cold Storage
9. RCC Pipe
10. Larkana Bakery

## 11. Food Industries etc.

At present, in Larkana estate area, there are total 84 small and cottage industries which are in operation. During the field study, I found that the numbers of small rice mills are high. The president of Sindh Balochistan rice millers association was informed that, in Larkana district, there are 580 rice mills and approximately 6000 thousands workers are working on the salary and wages basis. Indeed, Larkana is a rice growing area, which is cultivating huge "PADDY" every year i.e., is a 3.2 million tons. Keeping in view of importance of rice mills in the estate area of Larkana. We started the empirical investigation about the rice mills.

**Table 1:** Classification of Rice Industries at Larkana Estate Area

S.No	Nature of Firm	Production Capacity level			Total Units in operation
		Low	Middle	High	
1	Rice Mills	20 firms producing 40 munds per day	6 firms producing 50 munds per day	4 firms producing 80 munds per day	30

**Source:** survey study

Above table shows, there are three types of rice industries such as, low capacity production level up to the 40 munds per day, middle capacity production level up to 50 munds per day, and high capacity production up to 80 munds per day. Above table also exhibits that in low capacity production level of rice industries, there twenty total number of small scale industries, in middle capacity level of production of rice mills, there only six numbers and in high capacity level of rice industries, there are only total number of small scale industries at estate of Larkana.

## 2. Sampling

The samples were selected on the basis of economically important, homogeneous, localized, reasonably amenable to research and also representative of small firms weaknesses and strength. The samples of Small-Scale Industries have been selected according to the definition of State Bank of Pakistan.

**2.1 Small-Scale Industry:** Less than 50 persons with project cost (inclusive of cost of landing and building) Rupees 20 million.

### Larkana Estate Area

1.	Rice Mills	30
2.	Food Industries	07

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Total Small Industries

37

## **2.2 Determinants of Efficiency among Small Industries**

Many debates have centered on the adequacy of entrepreneurship.

Kilby, for example, argued that the basic obstacle to the development of modern small and medium scale manufacturing firms (which he said was a prerequisite for said and enduring industrialization in Nigeria) was entrepreneurial deficiencies. Many observers have also drawn attention to the enterprising nature of small business men in diverse part of the developing world.

Anderson recently contended against either extreme view, citing evidence to show that there are indeed many potential entrepreneurs but that low levels of efficiency and endemic problems such as the lack of modern bookkeeping practices may prevent a good number of them from realizing their potential. It is not easy to generalize about good management practices in the every bookkeeping and other should, some small firms probably should have double entry bookkeeping and others should not. Perhaps the most time honored observation about the small entrepreneur in manufacturing is that this pivotal figure is often very good at part of the job the technological side is most frequently cited (but deficient in some other area such as, management and marketing).

Rapidly rising levels of education in developing countries prompt another question whether and how education contributes to entrepreneurial skills and performance. It is frequently argued, and there is at least scattered evidence to support the view, that education helps individuals assess and gain new technological developments. It may also help entrepreneurs raise their management, marketing, personnel relations and other relevant skills to perform the job more effectively and efficiently. As a top leader of a firm, certainly he engages in the strategic decision making process each manager's perceptions and interpretations will reflect his or her own "cognitive base". Various research have defined a cognitive base as assumptions about the future events, knowledge of alternatives, and the consequences attached to alternatives (Hambrick and Mason, 1984; Mach and Simon, 1958). It is a crystal clear that. Cognitive ability is playing a very crucial role especially in decision making process, because individual cognitive ability base can develop from better education, training and experiences (Cyert and March, 1963). Actually there are the required domains, at least one should possess as a top leader of a firm especially in this competitive world.

### **2.2.1. Education**

Educational level with information processing from the different scattered sources like, newspapers, research journals, magazines, government publications, internet and E-commerce etc. Educated individuals are likely to engage in boundary spanning, tolerate ambiguity, and show an ability for "Integrative complexity" (Dollinger, 1984; 354). Further high levels of education have consistently been associated with respect to innovation (Becker, 1970; Kimberly and Evansko, 1981; Rogers and Shoemaker, 1971). Bental and Jackson (1989) found that top management teams with high levels of education led innovative banks. Keeping in it literature review we have analyzed about the educational levels of different owners, who are helm of affairs of small industrial units at the Larkana estate area as a case study.

### **2.2.2. Educational Specialization**

Selection of a curriculum of study reflects an individual's cognitive style and personality (Halland, 1973), and the curriculum pursued shapes perspectives and outlooks. Hitt and Tyler (1991), for example formed that the type of academic degree executives have influenced their strategic decisions making specifically their evaluations of acquisitions candidates. Certain academic fields are more oriented toward change than others. For example, science and engineering are concerned with progress, invention, and improvement. Besides, commerce, business studies and

economies are also concerned with the same approach therefore knowledge of these fields are virtually mandatory for quality leadership. In this research study, we have found out the reasons of births and deaths, failures and successes in the context of educational background and managerial knowledge.

### 2.2.3. Entrepreneurship and Economic Growth

The role of the entrepreneur in economic development is central; he starts businesses and provides jobs. Although all businesses are reflections of enterprise, the small-sale sector (with less than 100 employees) is perhaps the most explicit example of the individual business entrepreneur at work. In Pakistan this sector provides 80% of non-farm employment contributes 40% to GDP and has a 25% share in the country's exports.

This is more or less consistent with most other economies. In the U.S, the small scale sector created millions of jobs in the last decade and has been the engine of growth which has provided close to full employment in a large economy. Many other countries show the same phenomenon to varying degrees. Entrepreneurship in its truest sense is about innovation and changing the status quo. (P. Drucker, J. Schumpeter). This is, perhaps, at the core of economic transformations, the internet revolution, the knowledge-based organization and so on. In the case of Pakistan, the green revolution in agriculture, the industrialization of the '60s and the development of the textile industry in the '80s and '90s are some of the examples of transformative entrepreneurial activity.

### 2.2.4. Entrepreneurship and enterprising culture

Allan Gibbs defends an enterprising culture as one which is characterized by "a set of attributes, values and belief operating within a particular community or environment that leads to 'enterprising' behavior." Some of these traits exist and some have to be inculcated through education. Some societies are known to have these traits. "Therefore there has been much academic debate about whether the attributes can be developed in an individual or are the products of genetics. The weight of opinion supports the notion that they can be influenced considerably" says Allan Gibbs. He goes on to say "Education underpins culture. The lesson from this is that entrepreneurship education is for everyone, not just the small business entrepreneur."

Talking about educational and managerial context he says "that entrepreneurship is embodied in sets of values and beliefs relating to ways of doing seeming and communication things." Therefore his logic is that we learn from our environment and adopt the value system or adopt a behavior, which is admired by the society. The attributes that are admired are what we adopt, and we tend to look for those peoples who have these attributes. And people who are projected as heroes are looked upon as being our heroes because we recognize these attributes and behavior in them. They become our role models.

## 3. Research Methodology

This research study is based on descriptive, quantitative and qualitative methods. We have concentrated on the various variables and asked the relevant questions from the owners of the small-scale industries which are 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.

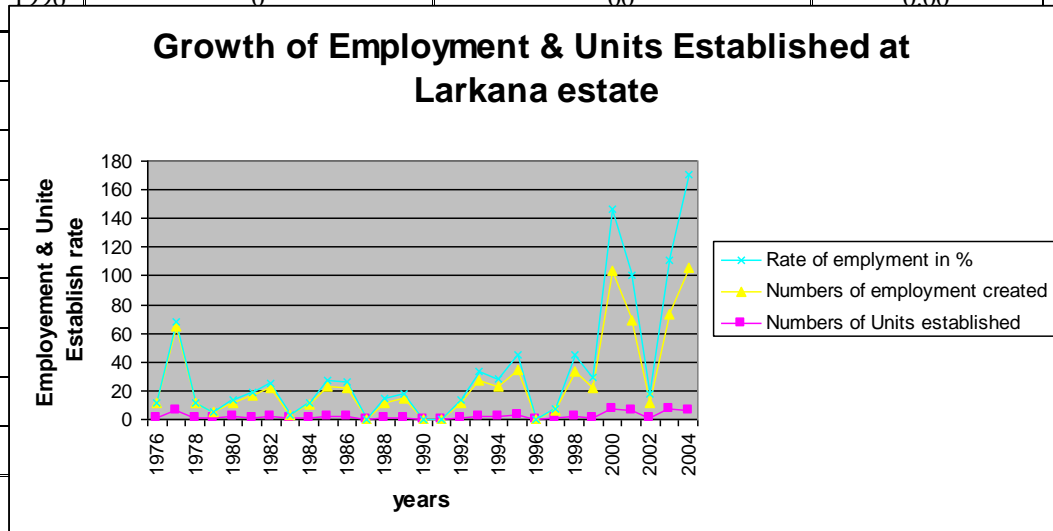
Descriptive research seeks to determine the answers to, 'who', 'what', 'when', 'where', and how questions (Zikmund William G. 1986, p. 36), states a phenomenon or a situation as it actually exists and it describes Characteristics of Small Industrial Owners (CSIO).

**Table 2: Growth rate of Units established and Employment at Larkana estate area**

Years	Numbers of Units established	Numbers of employment created	growth of
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			employment in %
1976	1	10	0.1
1977	6	59	3.54
1978	1	10	0.1
1979	1	14	0.14
1980	2	10	0.20
1981	1	16	0.16
1982	2	20	0.4
1983	1	12	0.12
1984	1	9	0.09
1985	2	21	0.42
1986	2	20	0.40
1987	0	00	0.00
1988	1	11	0.11
1989	1	14	0.14
1990	0	00	0.00
1991	0	00	0.00
1992	1	10	0.1
1993	2	25	0.5
1994	2	21	0.42
1995	3	32	0.96
1996	0	00	0.00



#### 4. Result

The growth line of employment is showing the ups and down from 1976 to 2000, but during the year 2002 to 2004 the line of employment growth were going to upwards. It shows that during the year 1976 only one unit was established and that unit had provided employment to the ten persons and the growth rate of employment was 0.1%. During the year 1977 total numbers of units six were established and these established units were provided job opportunities to the fifty nine persons and the growth rate employment was also increased up to 3.54. The reasons of high growth rate of small-scale industries were the effective policies of the government. But in the year 1978 only one unit had established which provided only job opportunities to the ten persons and growth rate of employment was 0.1%. During the year 1979 to 1990 only 2.18 growth rate of employment were increased. It means in twelve years only 2.18 employment growths is unsatisfactory and in these years only fourteen units of small industries were established and these industries had provided jobs opportunities to the 147 peoples. During the year 1991 to 2004 only thirty nine units were established and these small industrial units had employed to the four hundred ninety three persons and growth rate of employment was 24.28%. Keeping in view of above mentioned facts and figures it can be concluded that the growth rate of employment and units established was very low. It has found that compound employment growth rate was 31.91 of twenty eight years shows the dismal position of the Larkana Estate Area.

The development of Small – Scale Industries has a strong socio – economics base imperative for the country. It needs smaller amount of capital, generates greater employment opportunities, disseminates the benefit of economic growth to a larger number, has short gestation period and carries the fruit of industrialization to rural areas. Small Industries have shown a remarkable resilience even in adversity. It is envisaged that the small industry rout will accelerate the export-led growth of the economy. When the Pakistan came into existence on 14<sup>th</sup> August 1947, at that time Pakistan economy was agrarian and exporting primary commodities and importing manufacturing units and contributed only 8% of the (GDP) of the country.

Pakistan inherited a very small share of industrial units, which were quite insignificant and out of 921 manufacturing units under factories act, Pakistan got only 34 units. In Pakistan, growth of industries had to pass through different phases and periods for example during the period of 1947 to 1952, there was no visible progress in the field of industry. Private sector, during the same period established few industries on small scale basis. Keeping in view the pressing need of industrial setup and established Pakistan Industrial Development Corporation in 1952 (PIDC).

The (PIDC) major investment was in paper and paper board cement, fertilizer, jute mills. Shipyards and Sui Karachi gas pipeline. During the short period of time, (PIDC) has established 59 different Industrial units by June 1972. During the year 1970 the government of Pakistan had started the nationalization of private industries, devaluation and labor militancy the large inflow of remittances from Pakistan workers abroad contributed to the rapid growth of the small scale industry in the year 1970, the rate of growth was 2.9%. Remittances from the migrant workers were US \$2 to 3 billion annually in the year 1970s and early 1980s created a colossal market for a variety of consumer goods produced by the small scale industry in the both areas like rural and urban.

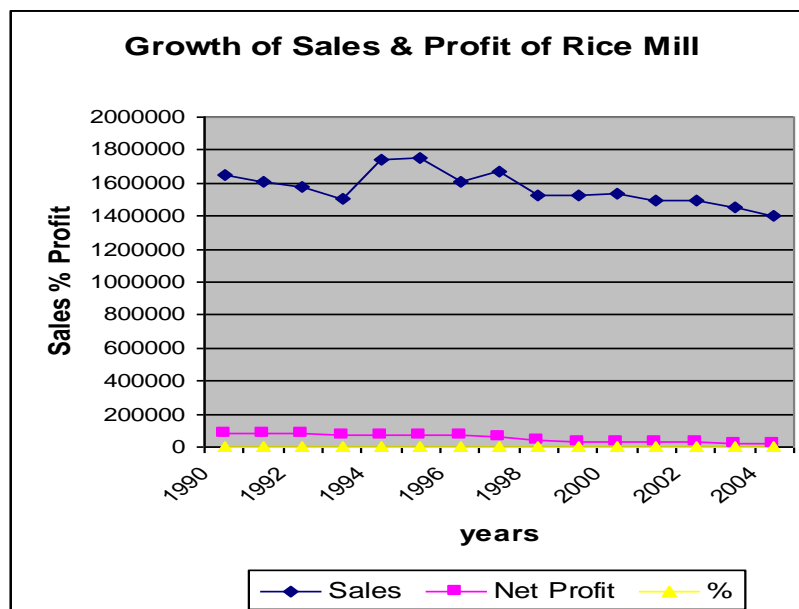
During the 1980s the process of de-regulation, de-control and denationalization was initiated and various measures were taken to restore the confidence of investors. Administrative controls were replaced with market-oriented forces: the import policy was liberalized, and the tariff structure was rationalized, the par value of the rupee was brought nearer to its equilibrium value and it was made convertible on the capital account, investment licensing was abolished, prices were de-controlled, and the performance of public enterprises improved due to the signaling system. The market friendly policies resulted in acceleration of the growth 8.21 percent.

During the year 1993-94, the policies of privatization deregulation and market friendly environment was introduced. During the same year a new concept of public-private sector partnership was also introduced to enable the private

sector to play role in rapid development and labor intensive industrialization in particular under developed areas. The performance of the manufacturing sector during 1993-94 though was not satisfactory by the reason of low cotton crop and this happened affected the textile and ancillary industry.

**Table 3: Sales and profit position of a rice mill at Larkana estate-Matriculate Owner (Low Type Industry)**

Years	Sales	Profit 5% per year
1990	1646400	82320
1991	1610000	800500
1992	15,80500	79025
1993	1505000	75250
1994	1739000	69560
1995	1752000	70080
1996	1609500	67620
1997	1675000	67000
1998	1530000	45900 4%
1999	1524000	30840 3%
2000	1534000	30680 3%
2001	1500000	30000 2.%
2002	1500000	30000 2%
2003	1450000	21750 1.5%
2004	1400000	21000 1.5%
Total Amount in Pak. Rs.	76300440	801525

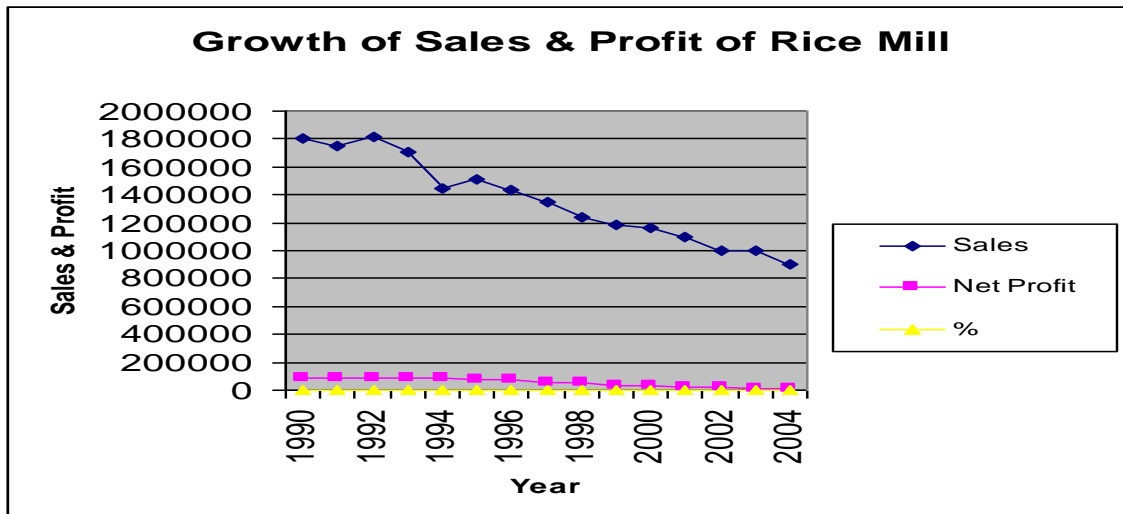


**4.1 Result:** Above graph reveals that the growth of sales over the years were declining by the inefficient strategy by the owner of the small rice industry at Larkana because of outdated technology and low quality of rice. This owner was using the huller technology which is outdated. And by use of this machine the ratio of broken rice are high. Therefore the sales of this unit were showing the downward slope. So it is crystal clear that owner was unaware regarding the latest technology and the major reasons of low sale and low profit was in his inefficiency by the reason of low level of education.

**Table 4: Sales and profit position of one rice mill at Larkana estate area. Owner is Intermediate**

Years	Sales	Profit 5% per year
1990	1805860	90293
1991	1750000	87500
1992	1815000	90750
1993	1710000	85500
1994	1446400	82320
1995	1515000	75750
1996	1437600	71880
1997	1344800	53792 4%
1998	1238000	49520 4%
1999	1180000	35400 3%
2000	1160000	34800 3%
2001	1100000	22000 2%
2002	1000000	2000 2%
2003	1000000	15000 1.5%
2004	900000	15000 1.5%
Total Amount Rs.	2602660	828005

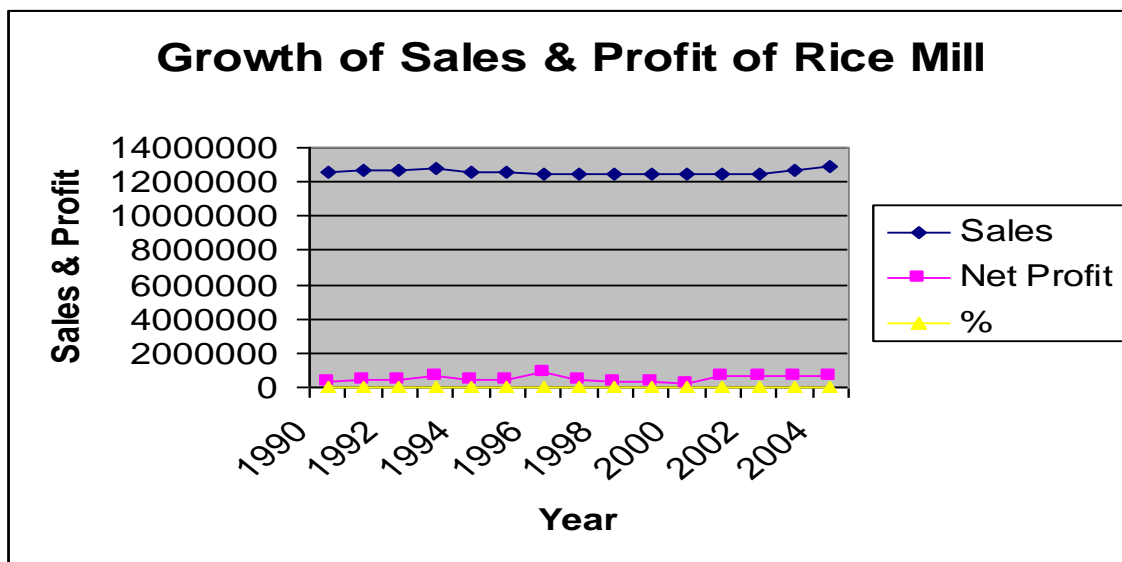
Source: Survey study of Larkana estate area.



**4.2 Result:** The above graph shows that the sales from the year 1990-2004 were declining. Because the owner of this mill is not capable enough to produce the better quality of rice due to using the outdated technology which is not feasible to produce the well polished quality of rice. Therefore, the sales were showing the decline condition. There is also another reason such as owner of this rice industry has low level of education, therefore owner of this industry was collected the out dated information regarding the demand of rice in the international market.

**Table 5: Sales and profit position of a rice mill at Larkana estate area- Graduate Owner**

Years	Sales	Profit 5% per year
1990	12550000	3810005 5%
1991	12630000	386250 5%
1992	12710000	389000 5%
1993	12825000	641250 5%
1994	12620000	393000 5%
1995	12615000	398800 5%
1996	12480654	894500 5%
1997	12482800	402000 5%
1998	12460000	298000 4%
1999	12483249	282400 4%
2000	12483249	180913 3%
2001	12500000	625000 5%
2002	12500000	625000 5%
2003	12700000	635000 5%
2004	12900000	645000 5%
<b>Total Amount Rs.</b>	<b>188939950</b>	<b>6430440</b>

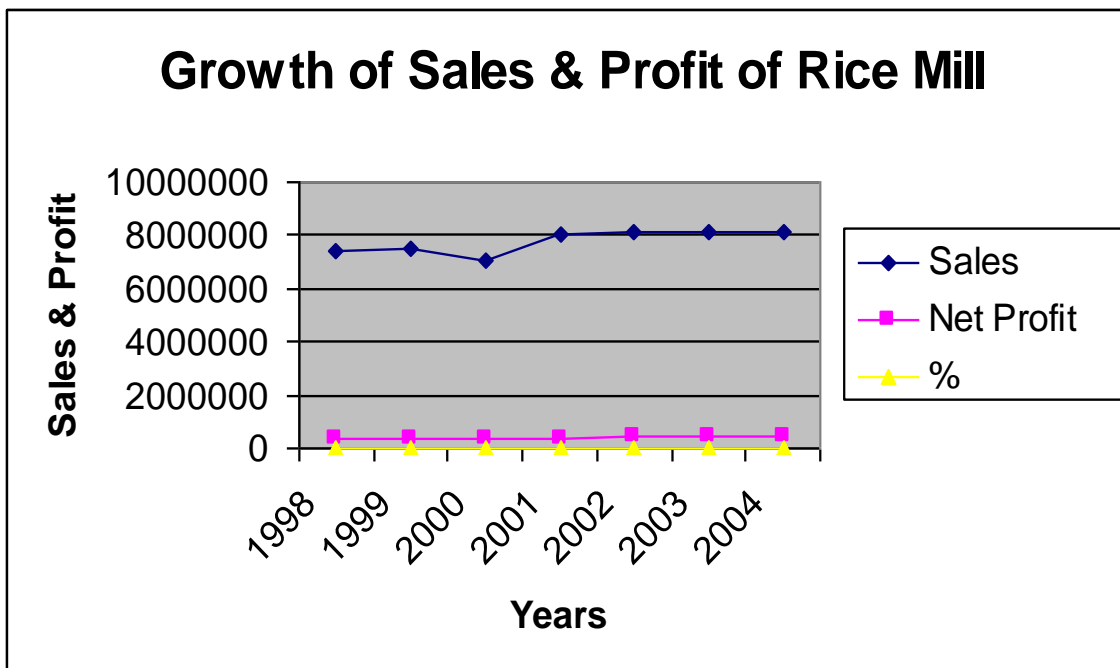


**4.3 Result:** This graph depicts that the sale of this small industry is showing the positive trend over the years because from the year 1990-95, the sales position were stable but during the 1995-96 the sales position were decline and again from 1997-1998 the sales were increased and again in 1999-2000 the sales were decreased due to fraudulent activity of exporter who got the rice from the larkanian industrialists and sold out the same rice and fled away. But in the year 2002-04 the sales were increased. This position show that owner of this mill was quite capable to face the any kind of challenge because of better educational level and he was also trying to collect the information from the various sources then he took the rational decisions to avoid the any kind of loss.

**Table 6: Sales and profit position of one owner of rice mill at Larakana estate area\_M.A Economics Owner (High Type Industry)**

Years	Sales	Profit	%
1998	7450000	372500	5
1999	7530000	376500	5
2000	763000	381500	5
2001	8000000	400000	5
2002	8100000	405000	5
2003	8100000	405000	5
2004	8100000	410000	5
Total Amount Rs.	55010000	2750500	5

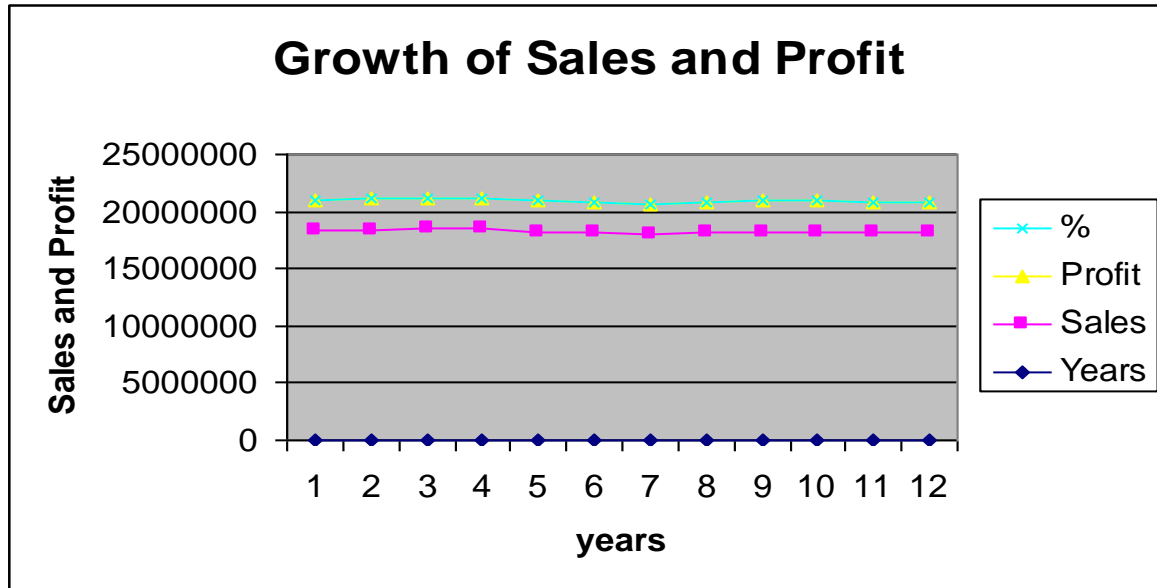
Source: Survey study of Larkana estate area.



**4.4 Result:** The above graph shows the position of sales over the years were stable, because owner of this rice industry is highly educated and he was collecting the correct information from all possible sources for the purpose of taking the rational decisions. Sales of this industry is proving that if the owner is qualified it means he is good strategist & he has used the human, financial, material, market and other resources more efficiently in order to increase the sales of the rice. The owner of this mill is also economist because he has taken degree of M.A in Economics field. But in the year 1999-2000 the sales were declined due to fraudulent activities of exporter who sold out the rice of Larkanian industrialists in the international market, but he did not back their money and profit to the rice industrialists of Larkana. There fore during that particular year the most of rice industrial got much loss and in this regard they approached to the Chief Executive of Pakistan, Chief Minister of Sindh & Governor of Sindh for justice but they did not get an appropriate answer of above mentioned problem. Now it is crystal clear that the role of exporters in Pakistan is very dangerous so it is very important for the government to eradicate the role of middle man/exporter from the country.

**Table 7**

<b>Sales and Profit position of , one owner of Larkana Bakery, in the estate area of Larkana</b>			
<b>The Owner of this Bakery is M.Sc. In Geography.</b>			
<b>Years</b>	<b>Sales</b>	<b>Profit</b>	<b>%</b>
1993	18300000	2750000	15
1994	18400000	2760000	15
1995	18450000	2767500	15
1996	18460000	2769000	15
1997	18200000	2730000	15
1998	18100000	2715000	15
1999	18000000	2700000	15
2000	18150000	2722500	15
2001	18200000	2730000	15
2002	18210000	2731500	15
2003	18150000	2722500	15
2004	18130000	2719500	15

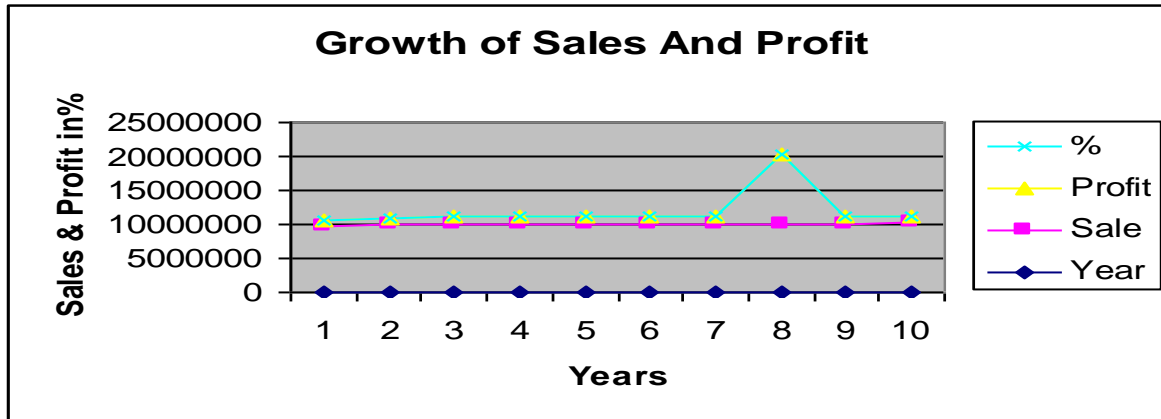


**4.5 Results:** Above Graph shows that the position of sales and profit in upward slope it means this industry is earning more profit every year because owner of this industry is highly qualified therefore he has made the right strategy to increase the sale of product.

**Table 8**

Sales and Profit position of , one owner of Ishrat Bakery, in the estate area of Larkana			
Owner of this bakery is M.A. Economics. Age 45.			
Year	Sale	Profit	%
1995	9750000	975000	10
1996	10000000	1000000	10
1997	10050000	1005000	10
1998	10060000	1006000	10
1999	10080000	1008000	10
2000	10090000	1009000	10
2001	10100000	1010000	10
2002	10105000	10110500	10
2003	10130000	1013000	10
2004	10150000	1015000	10

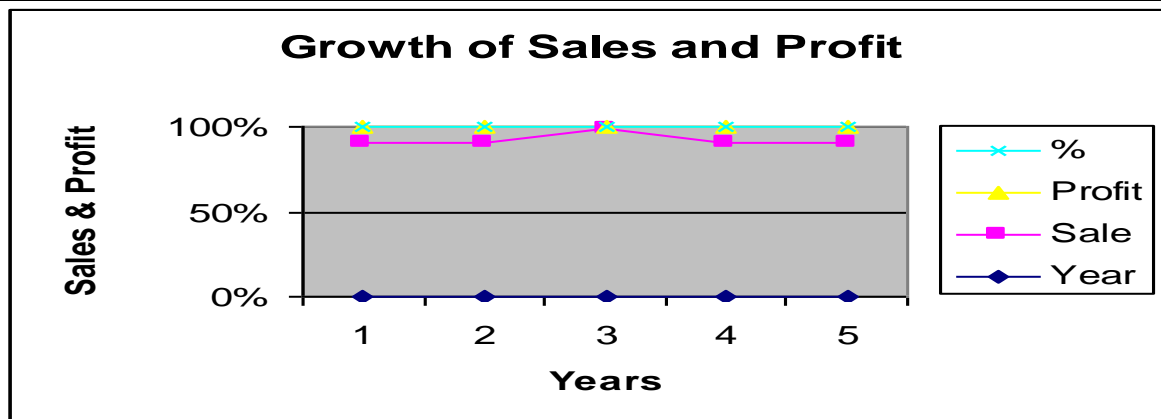




**4.6 Results:** Above Graph shows that the position of sales and profit in upward slope it means this industry is earning more profit every year because owner of this industry is highly qualified therefore he has made the right strategy to increase the sale of product.

**Table 9**

Sales and Profit position of , one owner of Hinna Bakery, in the estate area of Larkana			
Owner of this baker is M.Sc. Agriculture. Age 55y			
Year	Sale	Profit	%
2000	10000000	1000000	10
2001	10050000	1005000	10
2002	10070000	1007000	10
2003	10110000	1011000	10
2004	10140000	1014000	10



**4.7 Results:** Above Graph shows that the position of sales and profit in upward slope it means this industry is earning more profit every year because owner of this industry is highly qualified therefore he has made the right strategy to increase the sale of product.

**Table 10: Family occupation and last occupation of Entrepreneurs at Larkana estate area.**

Last Occupation of the entrepreneur before entering in manufacturing.	Family Occupation of the Entrepreneur				Total
	Land lord	Profession	Business	Industry	
Total No. of entrepreneurs 83	15	5	50	13	83

Source: Survey Study

**4.8 Result:** Above table shows that the business community still constitutes the dominant source of entrepreneurship, people from the small businesses, technicians, lawyers, land lords and government servants are swelling the ranks of entrepreneurs. Indeed, in Larkana district there is domination of shaikh community on the every type of businesses therefore the most of small industrial units have established by this community and second dominated is Hindu community.

**Table 11: Causes of emergence of entrepreneurs at Larkana estate area.**

Serial No.	Consideration	No. of Respondents of Firms	Entrepreneurs Emergence in %
1	Availability of Raw Material	35	29.5
2	Availability of Labor	20	16.6
3	Availability of Market	10	8.3
4	Availability of infrastructure	15	12.45
5	Government incentives	3	2.49
6	Social Conditions	0	0
Total Respondents of The Firms		83	

Source: Survey Study.

**4.9 Result:** At Larkana estate area there are total cottage and small-scale industries are 83 in numbers so we were interested to know the major causes of emergence of entrepreneurs. Above table proves that availability of raw material is ranked first and second important consideration is availability of cheap labor and third consideration is availability of infrastructure facility and forth is market availability and fifth is Government incentives and zero social conditions.

**Table 12: causes of Sickness in small scale industries in Larkana estate area**

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

**4.10 Result:** Above table shows that the major cause of sickness is the poor managerial knowledge because we asked from the 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 is short fall of working capital and third cause of sickness is 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 Small Scale industries at Larkana estate area

$$P = \text{Number of Projects in Operation} \quad X100$$

$$\text{Number of Plots Available to the Estate} \quad P = 86 \quad X 100 / 313 = 27.47$$

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

**4.11Result:** Above result show that the growth rat 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 in human behavior of the owners of the small-scale industries with the different types of labors.

**Table 13: First Generation & Community wise Owners of Small Industrial Units at Larkana estate area.**

<b>Name of Community</b>	<b>No: of Units Established</b>	<b>Investment in Millions Rupee</b>	<b>Results in % Share of each community for establishment of small industries per year</b>
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

**4.12 Result:** above table shows that there are so many different communities which were 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 been dominated in the establishment of different type of small industrial units in the Larkana estate area and this community has invested 18.738 million rupees in small industries. Shaikh communities have contributed towards 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 establishment of small industries. Third contributor community is Bhutto and this community has established four small industries in the estate and invested 4.554 millions rupees and 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 5.916 millions rupees and share of this community is 3.32%. Fifth high contributor community is Mehesar and this community has established three small industries and invested 3.126 million rupees and share of this community in establishment of small industrial units are 2.49%. There are different communities such as Brohi, Soomara, Mughal and jatoi, they have established only two industries separately. Brohi community has invested 1.020 millions rupees and share of this community is 2.49%. Soomara has invested 4.554 millions rupees and share of this community is 2.49%. Jatoi has invested 1.360 millions rupees and share of this community is 2.49%. there are various others communities such as Jokhia, Merani, Chachar, Khorro, Ghorri, Bangali, Bughti, Arain, Mangi, Chawro, Channa and Dayo. These communities have established one small industrial unit in larkana Estate Area and their contributions are mentioned in the table.

**Table 14: Detail of Necessity-Based and Opportunity-Based Entrepreneurship**

Serial No	USA	India	Pakistan
1	Opportunity Based 9.1%	Necessity Based 7.5%	Necessity Based 6.5%
2	Necessity Based 1.7%	Opportunity Based 3.7% 2001-2	Opportunity Based 1.46%
3		Necessity Based 5% 2003-4	
4		Opportunity Based 12.2% 2003-4	

**Source:** Global Entrepreneurship Monitor 2003-4 India

**4.13 Result:** The culture of USA is one of getting opportunities and taking risk. In USA most of people are highly educated and have a sufficient skills and abilities to start the new ventures. They have relatively low fear of failure and high alertness to avail the opportunities. In America specially in estates areas of various States of America have better infrastructure facilities such as metal led roads, internet, libraries, training facilities, workshops and seminars and estates executives have been providing all kinds of necessary information to the entrepreneurs for upgrading their knowledge by which they are taking the rational decisions in order to face the new challenges. The executives of various estates they have provided training facilities to the 10 million entrepreneurs in the field of management and marketing. (Source: answer desk SBA America)

**Table 15: Competencies Result of the owners of the firms of Larkana estate area (Sample size is 37 units)**

Question No:	Total respondents of the firms	Total respondents of the firms	Total respondents of the firms	Total respondents of the firms	Total respondents of the firms
	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
1	00	18	07	08	04
2	15	04	11	03	04
3	00	00	03	28	06
4	00	18	10	04	05
5	06	10	08	08	05
6	20	05	05	04	03
7	20	05	07	02	03
8	00	15	08	09	05
9	00	25	04	05	03
10	00	12	08	12	05
11	15	10	06	04	02
12	18	05	08	04	02
13	08	10	10	05	04
14	15	10	09	02	01
15	16	05	10	04	02
16	18	04	07	05	03
17	08	06	10	11	02
18	08	07	10	09	03
19	22	03	07	04	01
20	20	07	05	03	02
21	18	05	7	05	02

22	22	05	06	03	01
23	15	05	10	05	02
24	08	08	04	15	02
25	10	12	08	05	02

**Table 16: Results of competencies of owners / managers as per model of McClelland (Larkana Estate)**

Q: No:	A	B	C	D
1	04	08	18	00
2	04	03	04	15
3	06	28	00	00
4	05	04	18	00
5	05	08	10	06
6	03	04	05	20
7	03	02	05	20
8	05	09	15	00
9	03	05	25	00
10	05	12	12	00
11	02	04	10	15
12	02	04	05	18
13	04	05	10	08
14	01	02	10	15
15	02	04	05	16
16	03	05	04	18
17	02	11	06	08
18	03	09	07	08
19	01	04	03	22
20	02	03	07	20
21	02	05	05	18
22	01	03	05	22
23	02	05	05	10
24	02	15	08	08
25	02	05	12	10
Total score	25	24	24	19

A Category Firms	B Category Firms	C Category Firms	D Category Firms
25x5=125	25x4=100	24x2=48	19x1=19

(according to the Professor McClelland model)

**4.14 Result:** according to above mentioned results 4 rice industries producing 80 munds per day are A category firm because the owners of these industries are highly qualified. One food industry and Larkana bakery is also coming in the A category because owners of these two industries are also capable enough because it is proved that above six entrepreneurs have high need achievement urge according to the model of professor McClelland.

In B category firms there are six rice industries and two from food industries total number is eight. Although, six rice industries are medium type and owner of this industries are graduates and the sales of these industries is satisfactory and owners of these industries have also possessed the need for achievement as per the model of professor McClelland.

In C category firms there are total six rice industries and the owners of these industries have a low need for achievement as per the required characteristics of the model.

In D category firms there are seventeen rice industries which are also coming in the low type of industries which are producing 40 munds per day and the owners of these industries possessing the zero level need for achievement as per the required characteristic of the model.

#### Regression Analysis of Uneducated samples of firms

The regression equation is: Total sales of 14 years = 6066504 + 1.92 Total Net Profit of 14 years

Predictor	Coef	StDev	t	P
Constant	6066504	120688	50.27	0.000
Total Ne	1.9201	0.1865	10.29	0.000
S = 62664		R-Sq = 89.1%		R-Sq(adj) = 88.2%

#### Analysis of Variance

Source	DF	SS	F	P
Regression	1	4.16132E+11	105.97	0.000

#### 5. Result of regression analysis:

##### 1. Uneducated Samples of small firm.

According to sample linear regression analysis of uneducated owners of larkana Estate Area it shows that the impact factor of uneducated entrepreneurs is very high with regard to sales of the Small-Scale Industries per year i.e., 0.9. This model shows that P value is zero it means these owners either graduate or uneducated are failed to increase the sales of respective small firms per year.

#### Regression Analysis

The regression equation is: Sales = 800934 + 10.1 Profit per year



Predictor	Coef	StDev	T	P
Constant	800934	45411	17.64	0.000
Profit	10.1128	0.7291	13.87	0.000
S = 80894	R-Sq = 93.7%	R-Sq(adj) = 93.2%		

### Analysis of Variance

Source	DF	SS	F	P
Regression	1	1.25877E+12	192.36	0.000
Error	13	85069207217	6543785171	
<b>Total</b>	14	1.34384E+12	Durban Watson 1.42	

### 5.1 Result of regression analysis of education

2. Above model has proved that “x” is significantly related to “y” it proves that slope is significant at the 0.5 this test is shows strong evidence is proved to the null hypothesis  
Over all fit test is proving that there is insignificant error i.e. 1.00.

This R.sq. test has also found the high reliability and validity of model i.e. nearer to 1.00

### Hypothesis

1. Null, Those owners who are highly educated, their performances of the units in terms of sales are increasing (Positive)
2. Alternate, Those owners who are low educated and uneducated their performances of the units in terms of sales are decreasing (Negative)
1. Null, Those owners who have managerial knowledge who are true entrepreneurs (Positive)
2. Alternate, Those Owners who have lack of managerial knowledge who are workers (Negative).

### 6. Conclusion

Indeed, it is crystal clear that, In Larkana estate area, the most of owners of small-scale industries are family concern with centralized management structure. In the layman vocabulary, it can be said that there is (one man shows). This gives the picture of highly-unprofessional management with very little emphasis on the professionally qualified management. The overwhelming majority of firms representatives are conservative-oriented because they are not capable to use the scientific methods of financial management such as, balance sheet, return on investment, and breakeven analysis.

The policy makers and concerned department of Sindh Small Industries Corporation (SSIC) is also miserably failed on the every front because they have not promoted the small industries in Larkana estate area. Now it is very important for the SSIC, Government, banks and other concerned departments, they must give the opportunities to the graduates of economics, commerce and business administration field because the candidates of these fields are highly capable to run the small firms more effectively and efficiently rather those candidates who are uneducated

and have a merely business experience. It is a fact that Small Business Administration of America has opened the many offices near to the every universities and colleges of various different states for the purpose of hunting the prospect candidates who are interested to invest and lunch the independent business in the America. Small Business Administration of America is providing technical and finical assistance to the willing candidates for promoting the small-scale industries in America. SBA has provided training facilities to the ten millions entrepreneurs through seminars, workshops and counseling sessions in the field of management and marketing.

SBA has provided in each estate of small-scale industries well equipped infrastructure like roads, electricity, hospitals, libraries, gas, telephone, and internet and E-Commerce facilities. The most of units of small-scale industries are sick by the reason of in adequate feasibility report and such units were declared sick by birth in the estate area of Larkana and others were sick due to the lack of working capital, wrong choice of financiers, high interests payments, frauds, corruption, lack of financial control and absent of costing system and delay in release of funds by banks or financiers. Through the field study we found that, in the all sample firms, there are no concept of hands-some salary and wages for the efficient workers. They are giving low wages and meager salary to the regular and daily to the workers.

Through the survey method we have found that there is low growth of small-scale industries in the Larkana estate area due to the lack of proper motivation of first generation entrepreneurs and U-turn in government policies. We have used the simple linear regression model and we have found relationship between high education with better growth of sales per year and we have also found that relationship between the low education / un-education with low growth of sales per year.

#### **6.1 The following measures may be taken to reduce the incidence of industrial sickness and increase the growth of small-scale industries particularly in Larkana region and generally in Sindh.**

1. The man behind the project plays a vital role in the sickness of the firm. In the case of first generation entrepreneurs, financial agencies and SSIC department must select the enterprise very carefully and evolve a through screening mechanism regarding their qualification and past business experience and managerial knowledge.
2. Project appraisal should be more realistic with best standards of monitoring and evaluation system.
3. As far as possible, some professional experts should be appointed for designing the realistic project feasibility, and counseling the entrepreneurs about the management and marketing field.
4. Processing and milling of (PADDY) in Larkana is controlled by the private sector. All most all of the rice mills in Larkana are using very old technology to mill the rice. For better quality, it would be necessary to modernize the all rice mills for the purpose of cleaning, de stoning polishing and grading the rice.
5. As far as rice milling by product husk, bran, and broken – are concerned, it was found that Sindh is not getting the potential benefits from by products of rice milling. The hunk is used as fuel for brick making bran is used as animal feed, and the broken rice is sold in the domestic as well as in the international market at low prices. Manufacture of edible oils is potentials use of bran. This edible oil could be produced as an import substitute for soybean oil and palm oil.
6. The head office of the (SSIC) must make some provision for work shops, trainings to the new and old entrepreneurs in all estate area of Sindh. The department must get the lesson from the dynamic role of (SBA) Small Business Administration of America for promoting and expanding the pace of small-scale industries on sound footings.

7. During the field study we found that, the role of chamber of commerce and industry Larkana was not satisfactory because when we met with the concerned official about the annual reports of chamber regarding the small-scale industries they said that we are not making the annual reports.
8. We found that the chamber of commerce and industry Islamabad has developed collaboration with the National University of Science and Technology (NUST) at Rawalpindi for the purpose of providing professional trainings to the entrepreneurs of Islamabad and Rawalpindi.
9. The SSIC must establish a research cell. The main function of research cell should be collecting the pertinent data from the all units of the district for monitoring analyzing and finding the solution of problems which are being faced by the entrepreneurs.
10. The SSIC must hold seminars, exhibitions, work shops and lecture program and corner meetings with the different people of the society for the purpose of encouraging to invest in small industries in Sindh.
11. Through the fields study, we found that Larkana is cultivating the large scale production of guava and tomato so it suggests that this area is feasible for guava pulp processing industry and tomato ketchup industry. More over, paper board industry is also feasible because due to waste of PADDY.
12. As we have already indicated that the directorate of SSIC has not been playing the better role for expansion and promotion of Small-scale Industries in Larkana estate area so there is dire need for establishing the one separate institute, such as, Sindh Institute of Standard and Industrial Research for the purpose of promoting and developing the small scale industry in Sindh. In this regard government of Sindh should establish the (SISIR) and this institute should be a separate statutory board to provide industries in Sindh with standardization and better services. The main functions of this institute include.
  - (i) Testing and verification of industrial projects, analysis and design of Sindh made goods.
  - (ii) Providing free consultancy services.
  - (iii) Drafting and promulgating of Sindh industrial standard.
  - (iv) The main role of SISIR is to promote and up grade quality technology levels in manufacturing sector and export technical assistance.
  - (v) The service will be providing by SISIR and this institute will comprise on a multi disciplinary team of Scientists, Engineers, Economists, Technologists, Quality control professionals and experts of Management & Marketing fields.

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### **Acknowledgement**

Authors are grateful to the scholars, who have given valuable suggestions during COMSATS International Conference on Management Sciences 2008 for the improvement of this research paper.