

**PERFORMANCE ANALYSIS OF ENTREPRENEURS IN SOME SELECTED SMEs OF
PROVIENCE OF SINDH, PAKISTAN**

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Abstract

Small and Medium Enterprises (SMEs) are pre-mature direction of the industrial development of developing countries. Therefore, SMEs try to survive in such competitive situations. In order to monitor this transition, it is very important to develop an understanding of the existing scenario of industrial sector particularly SMEs and to analyze the direction in which they are heading. In this regard 50 SMEs were selected from province of sindh, Pakistan covering the rice husking, dates processing and cotton ginning and pressing. Attempts were made to analyze the performance of entrepreneurs by considering the various parameters. Such as utilization of local resources, export, production capacity utilization, employment, investment and revenue generations which affects the economic development of country through this sector.

Keywords: SMEs, Entrepreneur Performance analysis, Economic development.

1. INTRODUCTION

Over the years, environments in developing countries have increasingly become more turbulent, dynamic and complex. A combination of internal and external factors including population growth, weak infrastructure, foreign debt and strained world relations has prevented many developing countries from achieving significant socio-economic development (*Gupta, M.C., 1987*). Some developing countries have, therefore, made economic management their prime agenda. They are going through a process of restructuring their economy to emphasize competition and integration with global markets (*M.D, Nebhwani., 1999*). Thus in order to compete in world markets, they need to acquire world-class performance (*Sharma, M.K., 2005*).

There are many developing countries, which are rich in physical resources, but economically poor due to lack of entrepreneurial skill (*Marri, H.B., 2000*). For centuries, the role of entrepreneur skill in developing the economy was not acknowledged by the Economists, Government as well as Society. They emphasized on provision of physical resources like, Raw materials, Finance, Machines etc, & not very much on the entrepreneurs who effectively handle these to achieve success & who visualize the opportunities for new innovations & new avenues of industries (*M.D, Nebhwani et al., 2000*).

There are countries, which are poor in physical resources but have gained remarkable economic growth because of their energetic & enterprising people (*Saini, J.S., 1995*). Entrepreneurship contributes to industrial development of a country in several ways, like: assembling & harnessing the various inputs, bearing the risks, innovating & imitating the techniques of production to reduce the cost & increase its quality & quantity, expanding the horizons of the market, coordinating & managing the manufacturing unit at various levels. In-

fact, the industrial development of a country crucially depends upon the number & abilities of entrepreneurs. Industrial development cannot be achieved without the development of entrepreneurship (M.D, Nebhwani et al., 1998).

2. OBJECTIVES

To investigate the socio-economic background of entrepreneurs and government support system.

- To determine the employment, utilization of scarce capital and local resources, generating revenues by paying taxes and other charges.
- To know the main problems faced by this sector and to suggest ways and means to increase the role of conformity of entrepreneurship

3. METHODOLOGY

There is a long standing debate surrounding the two traditional modes of data, viz. quantitative and qualitative. According to Bryman (1988) “quantitative research is, then, a genre. Das (1983), suggests that combine both methodologies in the study. Using this combination of approaches can provide opportunities to confirm conclusions drawn from the information in the research interviews which the sole use of the qualitative style could not be completely relied upon to give the full picture (Silverman, 1985). So as it has been considered that a combination of the two is more relevant to the research. According to Frey (1989) there is no reason not to be combined both of the research methodologies. Increasingly, authors and researchers who work in organizations and with managers argue that one should attempt to mix methods to some extent, because it provides more perspectives on the phenomena being investigated (Easterby-Smith et al., 1991).

For the purpose of this study, the survey method was adopted. The data relating to study was collected personally by interviewing the entrepreneurs (managers/owners) of the SMEs through a detailed Questionnaire. The statistical tools were used to analyze the existing data concerning to entrepreneur’s performance.

4 FINDINGS OF SURVEY

In the present study, required information was collected with the objective to find out the sources of important economic variables, because development of economy depends upon these economic variables. In this regard following parameters were selected:

4.1 Organizational Structure

The organizational structure in the units studied was proprietorship and partnership. 40% units were organized in proprietorship and 60% were established on partnership. The pattern of organization also indicated that 90% entrepreneurs were owners and only 10% were managers who hold the business activities. Among these 6% were concerned with proprietorship and only 4% with partnership form of organization.

4.2 Education of Entrepreneurs

Table 1

Education	% of entrepreneurs
Less than Matriculate	6.0
Matriculate	14.0
Intermediate	24.0
Graduate	30.0
Post-graduate	6.0
Engineers	10.0
Engineering Diploma	10.0

4.3 Business Experience of Entrepreneurs

Table 2

Experience (Years)	% of entrepreneurs
0 - 5	14
6-10	38
11-15	20
16-20	16
21-25	12

4.4 Managerial Training of Entrepreneurs

Table 3

Entrepreneurs	% of entrepreneurs
Trained	20
Un-trained	80

4.5 Production Capacity Utilization

Table 4

Entrepreneurs %	capacity utilization%
4	60.0
10	65.0
24	70.0
18	75.0
16	80.0
16	85.0
12	90.0

4.6 Utilization of Local Made Machines

Table 5

Entrepreneur's %	utilization%
20.0	60.0
10.0	65.0
30.0	70.0
16.0	75.0
24.0	80.0

4.7 Utilization of Local Raw Material

It was observed that all entrepreneurs under study were utilizing local raw material because their input was local crop, which was the main crop of the studied area.

4.8 Employment of Workers

Table 6

Entrepreneur's %	workers
40	10-20
20	21-30
16	31-40
6	41-50
2	51-60
4	61-70
6	71-80
6	81-90

4.9 Investment in rupees (million)

Table 7

Entrepreneur's %	Rupees (million)
40	5-10
20	11-15
12	16-20
12	21-25
8	26-30
4	31-35
4	36-40

4.10 Export

Table 8

Entrepreneur's %	Export %
30	0-10
20	11-20
10	21-30
10	31-40
6	41-50
8	51-60
6	61-70
6	71-80
4	81-90

4.11 Availing loan facility

During study it was observed that there were four categories of entrepreneurs in respect of availing loan facilities. Those who avail this facility from:

1. Public sector
2. Public as well as Private sector
3. Public sector but occasionally from private sector
4. Private sector only

It was observed that 90% of entrepreneurs were availing this facility from government sector, among these 40% entrepreneurs were also borrowing loans from private sector simultaneously and remaining 50% entrepreneurs were not borrowing or occasionally

borrowing from private sector. Where as only 10 % entrepreneurs were not availing this facility from government sector and they preferred private sector in this regard.

4.12 Rate of Mark-up

It was reported that mark-up rate of the public sector institutions was 12-15% per year. Whereas in private sector they were paying approximately 24% per year but in some cases they had to pay up to 30% per year.

4.13 Revenue generation

It was reported by the entrepreneurs that this sector plays a vital role in the economic development of country because it generates revenues by paying excise duties, income tax, professional tax, electric, telephone, and gas charges etc.

4.14 Registration of units

During the discussions most of the entrepreneurs were not ready to provide this information. Few among them provided documentary proof in this regard. It was therefore assumed that most of units were not registered with their parent department of government.

4.15 Turn over and ratio of profit

It was observed that entrepreneurs calculate the rate of profit on the basis of their investment. They think that sell is directly proportional to their investment. Entrepreneurs were insisted regarding their turn-over but they were not ready to disclose their secrets. It was therefore assumed that entrepreneurs of this sector earn average net profit up to 18-20% per year of their total investment.

4.16 Problem of SMEs

- Financial problems in the area of working capital.
- Difficulties in obtaining loans.
- High rate of mark-up.
- Electric/ Power problem.
- Raw materials.
- Marketing.
- Lack of Research.
- Lacking in implementation of advanced technology including CIM etc.

In this regard present literature suggests that SMEs may be differentiated from large scale enterprises by number of key characteristics, (Addy et al., 1994; Burns and Dewhurst, 1996; Ghobadian and Gallear, 1997; Appiah-Adu and Singh, 1998; Berry, 1998; Marri et al., 1998; Haywood, 1999).

5 RESULT AND DISCUSSION

Considering the opinions and discussions with entrepreneurs, it was observed that the prevalent forms of organization in the units studied were proprietorship and partnership. Mostly entrepreneurs prefer partnership due to minimize tax burden and establish the business on comparatively larger scale by taking financial and technical help of the partners.

Study reveals that entrepreneurship needs liberal education rather than technical education. Various organizational functions can be performed in a better way by a person who is simply

educated rather than a technical specialist. But the few entrepreneurs weigh much in favor of the technical knowledge of mechanics and machine operations. Table 1 indicates that the entrepreneurs in study were generally educated. Thus 80% were non-technical and remaining 20% were technically qualified.

As for as business experience of entrepreneurs was concerned, table 2 shows 5 categories of entrepreneurs, they had minimum 0-5 and maximum 21-25 years with an average of 11.5 years experience. It was observed that they were already having good experience, majority of them had experience in the related field and few were lacking directly related to their production field.

It was also observed that business or industrial experience helps a lot in managing the unit, exposure to market conditions, contacts with industrialists, businessmen and officials place the experienced entrepreneurs in a better position. Well experienced entrepreneurs were more talented, capable of handling the business and of co-operative nature than less experienced.

Study reflects that technical knowledge directly related to the manufacturing activities of the units acquired earlier has motivated few entrepreneurs to establish units. During the discussion with the entrepreneurs and from the data collected, there were two types of entrepreneurs viz, trained and untrained. Table 3 reflects 20% trained and 80% untrained entrepreneurs. Trained entrepreneurs acquired formal trainings related with their field, from concerned institutions/ centers. During the discussion with both the categories, it was observed that formal trainings do not help immediately but business experience was necessary to handle the things as it plays a vital role in running the organizations successfully.

It was also observed that trained and educated entrepreneurs were broad minded, co-operative and helpful in nature. Their inclination was towards export, expansion of business, quality and variety of products.

Study further reflects that this sector is the best utilizer of scarce capital, which might otherwise remain either dormant or in-adequately utilized and thus bring about the significant social and technological changes in the backward rural and semi urban areas. Table 7 reflects 07 categories of entrepreneurs; they had invested minimum 5-10 and maximum 36-40 with an average of 14.4 million.

This sector not only plays a vital role in earning the foreign exchange but also equally shares to fulfill the domestic requirement. Table 8 indicates 09 categories of entrepreneurs, they were exporting minimum 0-10% and maximum 81-90% with an average of 29.4% and remaining 70.6% was consumed in local market.

In present study majority of the surveyed units were facing the problem of low production capacity utilization. Table 4 indicates 07 categories of entrepreneurs; they were utilizing 60-90% with an average of 75% capacity.

This sector is best utilizer of local resources. Table 5 reflects 05 categories of entrepreneurs; they were utilizing local made machines from 60-80% with an average of 70%. It was also found that they were also utilizing 100% local raw material.

As for as employment was concerned, table 6 shows 08 categories of the entrepreneurs, they were employing minimum 10-20 and maximum 81-90 with an average of 33 workers/ unit.

6 CONCLUSIONS

It was observed that this sector not only plays a vial role in earning the foreign exchange but also equally shares to fulfill the domestic requirements. The average export of his sector was 29.4% of its total production, whereas remaining 70.6% was sold in the local market.

It was also observed that this sector generate revenues by acquiring loans from government financial institutions, paying utility charges, excise duties, professional tax, income tax and registration fees etc, to the concerned government department.

It was also observed that the performance of well/ technically educated entrepreneurs were better than the less qualified entrepreneurs. Where as only business experience and managerial trainings were not enough to promote economic parameters until and unless they do not posses proper education. Further more this sector was facing many problems. Although many steps were taken recently by the government to solve the problems, but still it needs more attention.

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