

HINDRANCE to GROWTH of SMEs in
DERA ISMAIL KHAN



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All praises to The Almighty ALLAH who has created this world of knowledge for us. He is the Gracious, the Merciful. He bestowed man with intellectual power and understanding, and gave him spiritual insight, enabling him to discover his “self” know his creator through his wonders and conquer nature. Next to all his Messenger Hazrat Muhammad (SAWW) who is an eternal torch of guidance and knowledge.

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ABSTRACT

SMEs are the considered the growth engine of economy they contribute to the economy by creating job opportunities and by developing entrepreneurs' activities. So, it is essential to find out the factors that hinders their growth. This study determines the obstacles that SMEs are facing in Dera Ismail Khan a small city in Khyber-Pakhtunkhwa province of Pakistan. The study uses a sample of 237 respondents through a survey. The study identifies the obstacles related to Management, Marketing, Human Resource, Legal matters, Financial and general obstacles. Further the study uses regression analysis to identify the relationship between these obstacles and growth of SMEs, the growth of SMEs is measured through annual sales turnover of the SMEs. The results of the study showed that the SMEs perceives HR issues, financial problems, and Marketing problems to be the most significant issues that hinders their growth.

KeyWords: SMEs , Dera Ismail Khan, Hindrance, Ordinary Least Square, Growth, respondents.

TABLE OF CONTENTS

Abstract.....	iv
List of Abbreviations.....	ix
List of Tables.....	vii
Chapter 1	
1 introduction to SMEs.....	1
1.1 Historical Background of SMEs.....	1
1.2 Significance of SMEs.....	2
1.3 Historical Background of SMEs in Pakistan.....	3
1.4 Phases of Industrial development.....	3
1.5 Significance of SMEs in Pakistan.....	4
1.6 Structure/Definition of SMEs.....	4
1.7 Basic problems/impediments of SMEs in Pakistan.....	8
1.8 The city of Dera Ismail Khan and its SMEs.....	8
1.9 Problem Statement.....	9
1.10 Objectives.....	10
1.11 Research Questions.....	11
1.12 Significance of the Study.....	13
1.13 Limitations of the Study.....	13
Chapter 2	
Literature Review.....	15
Chapter 3 Methodology	
3.1 Introduction.....	25
3.2 Data collection Methods.....	26

3.3 Questionnaire.....	26
3.4 Econometric Model.....	26
3.5 SWOT Analysis.....	30
Chapter 4 Results and Discussion	
4.1 Introduction.....	32
4.2 Discription of Number of Responses.....	32
4.3 Discriptive Statistics.....	47
4.4 Ordinary Least Square Method.....	49
4.5 SWOT Analysis of SMEs in Dera Ismail Khan.....	52
Chapter 5 Conclusion and Recommendation	
5.1 Conclusion.....	62
5.2 Recommendations.....	63
References.....	69
Appendix.....	73
Questionnaire.....	73

LIST OF TABLES

Number	Page
Table 1.1 SBP Definition of SMEs.....	5
Table 1.2 SMEDA Definition of SMEs.....	5
Table 1.3 Definition of SMEs in Asian countries.....	6
Table 4.1 Contribution to Economy	33
Table 4.2 Sector wise Business Category	33
Table 4.3 Reason for Opting the Business	33
Table 4.4 Form Of Business	34
Table 4.5 Perception Of Business Success.....	35
Table 4.6 Adoption Of Latest Technology.....	35
Table 4.7 Channel Of Distribution.....	35
Table 4.8 Price Setting	36
Table 4.9 Impact of Competition.....	36
Table 4.10 Complication in adopting distribution channel.....	36
Table 4.11 SMEs role in Job creation.....	37
Table 4.12 Perplexity in Price Setting.....	37
Table 4.13 ISO Certification.....	37
Table 4.14 Marketing Problems.....	38
Table 4.15 Registration with Government.....	38
Table 4.16 Legal Problems.....	38
Table 4.17 Government incentives availability.....	39
Table 4.18 Major Incentive.....	39

Table 4.19 Satisfaction with SMEDA	39
Table 4.20 Government Contribution.....	40
Table 4.21 Impact of Smuggling.....	40
Table 4.22 Nature of SME.....	41
Table 4.23 Magnitude of Workforce.....	41
Table 4.24 Skilled Labor Availability.....	42
Table 4.25 Deficiency of Skilled labor.....	42
Table 4.26 Impact of Job Swapping.....	42
Table 4.27 Availability of training programs	43
Table 4.28 inclination towards training programs.....	43
Table 4.29 Impact of Job Swapping.....	43
Table 4.30 Investment Amount.....	44
Table 4.31 Impact of government Budget.....	44
Table 4.32 Type of capital availability.....	44
Table 4.33 Nature of property.....	45
Table 4.34 Availability of financial support.....	45
Table 4.35 Factors affecting financial position.....	46
Table 4.36 Problems in getting Finance.....	46
Table 4.37 impact of poor infrastructure.....	46
Table 4.38 impact of electricity shortage.....	46
Table 4.39 impact of lack of education.....	47
Table 4.40 Descriptive Statistics.....	47
Table 4.41 Ordinary Least Square	48

LIST OF ABBREVIATIONS

OECD	Organization of Economic Cooperation and Development
EIM	Enterprise Information Management
SME	Small Medium Enterprises
GDP	Gross Domestic Product
MSME	Micro Small Medium Enterprises
EU	European Union
NAP	National Action Plan
UNDP	United Nation Development Program
UNIDO	United Nations Industrial Development Organization
ILO	International Labor Organization
ISSAS	Institute Of Social Studies Advisory Services
SMEDA	Small and Medium Enterprises Development Authority
SIDO	Small Industries Development Organization
SBP	State Bank of Pakistan
EBRD	European Bank of Reconstruction and Development
WB	World Bank
SBFC	Small Business Finance Corporation

CHAPTER 1

INTRODUCTION

1.1.Introduction of SMEs

Small and Medium Enterprises (SME) can be defined as a non-subsidary firm which are independent and can employ less than a given specific number of employees though this number varies everywhere in the world. SMEs are the most important and golden means to overcome the common problem of unemployment, economic disparities, under employment etc. SMEs are believed to play vital role in economic development of a country as it employs less capital and applies native technology and helps in reducing urban migration.

Small Medium Enterprises are the center of innovation and are growth engine of economy. They contribute to the economy by creating job opportunities, promoting entrepreneurial culture, developing craftsmanship and expediting revenue cycle in short it is not imaginable that a country can survive without having SMEs, because without SMEs supplies of food and other related stuff will become difficult also the supplies of cheap and affordable raw materials to manufacturing sector will not be possible. The whole economy will cease.it is not wrong to say that a country can exist and survive without large enterprises to some level but its survival without SMEs is not possible.

1.1. Historical Background of SMEs

With time man learned to get shelter in caves of trees or mountains, he learns to cultivate grains, fruits, and vegetables. House building business, food, dress, and utensils manufacturing business

development by early civilization with time rose to the present small/medium/large enterprise level. All this happened when human mind interacted with nature. The present state of civilization is the result of all this. Today it bears art of technology, latest techniques, expertise and inventions. Recently a resurgence in this area is observed in both developed and developing countries.

1.2 Significance of SMEs

SMEs contribute to the economy of both developed and less developed countries its contribution is comparatively less in developed countries and high in developing countries (93%) generating 86% employment Ayyagari *et al.* (2011).

According to European Commission 98% of the Enterprises in European Economy are SMEs creating 67% of total employment adding 58% to gross value. Around 95% of the enterprises are SMEs in OECD area contributing to 60% of private sector employment (Dalberg *et al.*, 2011).

According to World Bank report SMEs face financing gaps everywhere in the world especially in less developed countries. Risk and cost of financing SMEs are perceived to be high that's why financing is limited for SMEs. In Europe 67% of employment is supplied by SMEs with 30% contribution made by micro businesses ,20% by small businesses and 17% by medium size enterprises Szabo and Herman (2012). According to National Bureau of Statistics of China in 2012 99.4% of all the enterprises in China were SMEs and their contribution to China's GDP was 59% and 60% of the total sales were contributed by SMEs Wang (2016). In Short SMEs play an important role in technological innovation, economic renewal and social development Dar *et al.* (2017).

Keeping in view the importance of Small Medium Enterprises the policy regarding them should be well calibrated so that these small business can contribute to the national economy with their full potential.

1.3 Historical Background of SMEs in Pakistan

At the time of independence Pakistan was truly and totally an agriculture-based economy. Share of industrial sector was only 8% in Gross Development Product in 1949-50 in which small enterprise contribution was 5.8%. The poor contribution of Small Medium Enterprises was due to lack of proper integration of Small Medium Enterprises in the mainstream economy and main reason behind this was lack of favorable policy Kamal (2009).

1.4 Phases of Industrial Development

The comparative advantage of Pakistan is the skill that its people possess in small industry but with time this comparative advantage is trifling away due to lack of institution building, guilds or associations and laws. Economic policies in Pakistan are oriented towards capital intensive techniques and technology resulting in high rate of unemployment and low per capita income.

After 1972 provinces were delegated the institutional support functions for Small Medium Enterprises sector so that it can be managed by each province separately to overcome the above issues. In 1990s considerable work was undertaken by UNDP on Small Medium Enterprises. It allocated projects on SMEs to UNIDO and ILO. Similarly, ISSAS undertook a funding research on behalf of World Bank for Bankers equity. In 1993 a Donner coordination group was established to promote SMEs. Further in October 1998 another SIDO was established known as SMEDA to

promote and support the SMEs, but no policy initiative was taken for growth of this sector. Kamal (2009).

Though the current government has undertaken many initiatives to promote this sector which include Kamyab Jawan program providing subsidized loans & funding to HEC and NAVTTC which will further provide 500000 training opportunities in entrepreneurship (GVS, 2019)

1.5 Significance of SMEs for Pakistan

Small Medium Enterprises can combat the consistent problem of unemployment in Pakistan. There are roughly 38 million SMEs in Pakistan contributing 40% to GNP 25% to export & 80% to non-agricultural employment. Importance of SMEs can be judged from the fact that approx. 64% of Pakistan's population is under the age of 30 and 4million join the working age per year (SMEDA 2021). Around 90% enterprises in Pakistan are SMEs employing 80% of workforce adding 40% to GDP per year. If constrains are overcome the performance of the sector can be further enhanced further, it also lacks the technical up gradation (SMEDA 2021).

Small Medium Enterprises provides cheap goods and services, it creates more employment, increases our GNP, breaks the cycle of poverty, provide opportunity to women folk engage non-agricultural labor force in earning activities. it also contributes a lot to our export sector creating further employment and ensure utilization of resources and capacity (Kamal 2009).

1.6 Structure/Definition of SMEs

Each country uses different definitions for various sizes of enterprises. Small and Medium Enterprises (SMEs), is defined by various criteria, such as the number of employments, the value of assets, the performance of net sales etc. In Pakistan SMEs are defined as under,

According to **SBP** SMEs would be those who fulfill the following criteria in its whole

Table : 1.1 SBP Definition of SMEs

Business Nature	Criteria for Asset Requirement	Criteria for number of Employees	Criteria for Net sales
Trading/Service	outlay of total assets up to Rs. 50 million land and building excluding	Maximum 50 workers	Maximum 300 Million
Manufacturing	Total price of the asset up to Rs. 100 million land and building excluding	Maximum 250 workers	Maximum 300 Million

Note: SME means a body, preferably not an unrestricted company

For the time being, **SMEDA** has defined SMEs in terms of employment generated as well as investment in productive assets

Table : 1.2 SMEDA Definition of SMEs

Business Nature	Employment	Useful Assets (Rs. Million)
Small	Between 10-35 Workers	2-20 Million
Medium	Between 36-99 Workers	20-40 Million

Source: SMEDA, Pakistan.

SME Bank Classification is as under

- Business enterprise which possesses total assets of maximum Rs. 20 million is defined as small enterprise.

- if the total assets increase from Rs. 20 million, to Rs. 100 million then it is defined as medium enterprise.

The State Bank of Pakistan has upgraded the asset value but only that trading or manufacturing units which meet the above mentioned criteria are known as SMEs. Before the definitions provided above public limited companies were not included in the list but now its not necessary. The context defined by SME Bank and Small Medium Enterprise Development Authority is very small.

Table: 1.3. Definition Of SMEs in Some Asians Countries.

Criteria	Country	Definitions
Investment	Bangladesh	land and building in the range TK 2.5 million (total Investment)
	India	Total investment (plan and machinery) Up to Rs. 3.5 million (in case of ancillary units RS. 4.5 million) Small units are in range of Rs. 0.2 million in one town with population of maximum 50000.
	Singapore	Fixed production assets less than \$ 2 million in Assembly, service & manufacturing, enterprises (SIFS).
Size of Employment	Indonesia	<input type="checkbox"/> Small industries between 5-19 <input type="checkbox"/> Handicraft lesser than 5 <input type="checkbox"/> Medium industries in range of 20-99 workers.
	Malaysia	Lesser than fifty employees (full time)
Size of Employment & investment (combination of both)		Employees lesser than 50 & investment smaller than US \$ 50000.
	South Korea	Employee's minimum 5 and maximum 300 Total assets under 500 million won for Mining, transportation & manufacturing Employee's min 5 & max 50 & total assets Under 500 million for construction. Employee's min 5 & max 20 & total assets under 20 million for Wholesale.
	Thailand	Employee up to 50 & Capital (registered) less than 5 million. Medium industry min 51 and max 200 employees.
	Philippines	SSI total assets in the range .50 m to .10 million pesos and min 10 to max 99 employees. Medium total assets in the range of P10 to P20 million 100-199 employees. <input type="checkbox"/> Cottage industry min 9 employees, and total assets max P.25 million.

Source: Email: pvtc@iccl.org.pk. SME Financing Workshop for SBFC Officers, Islamabad.

1.7. Basic Problems and Impediments of SMEs In Pakistan

There are many problems that hinders the growth & development of Small Medium Enterprises in Pakistan such as regulatory framework , lengthy channels of registration , taxation problems, bribes and corruption, lack of or improper credit facilities , infrastructure problems like poor supply of electricity, poor garbage disposal, lack of transportation, poor communication network, lack of water supply, block severege, damaged roads, lack of training and promotional activities, poor labor laws, laudable incentives, lack of raw materials and their prices are some of the major and common problems that Small Medium Enterprises are observed to face in Pakistan.

1.8. The city of Dera Ismail Khan and its Small Medium Enterprises

The purpose of this study is to have a valuable survey, to examine the practical experience of the city Dera Ismail Khan. This city is the divisional head quarter of southern districts. The nearby areas serve as the business hub for this city. It is one of the largest cities of province Khyber Pakhtunkhwa of Pakistan. It is situated on the west bank of Indus River and surrounded by cities like Mianwali, Bakhar and Dera Gazi Khan on east, by Tank and Lukki Marwat to northwest and by south Waziristan to southwest. The city is mostly dry alluvial plain physical features includes the bazars that converge at a point known as “Chowgalla”. major bazars includes Bhatia Bazar, Topanwala Bazar, Muslim Bazar, Kalan Bazar and Bakhri Bazar. Mostly population is saraiki and Pashtoo speaking it is the confluence of Baloch and Pashtun tribes. The city of Dera Ismail Khan is recognized for its horticultural crops. These crops serve as the mean of earning for many people. Among these crops dates known as Dhakki Dates are very famous. The known varieties are Gulistan, Basra, mujahid etc. the city is also known for its production of dried dates known as

“Choara” produced mainly in dhaki village, Mitra abad and Saidu wala. These dates are exported to United States, Europe, India and Middle East (SMEDA 2009).

The city of Dera Ismail Khan also produces wheat, rice, cotton, maize, and Sugarcane in huge amounts, among its horticulture crops panyala mango is very famous. It is Langrha variety of mango and is liked by people very much. Tomatoes are also grown in huge quantities in Dera Ismail khan but usually wasted due to poor infrastructure. The city also produces huge amounts of good quality Lemons known as “Singarh Lemon”. Desert Delicacy of the city is “Sohan Halwa” which is highly appreciated and demanded. This districts also supplies 20.8% of total fish production of Khyber Pakhtunkhwa province (SMEDA, 2009). Another important sector is livestock and Diary products, Lohani, Dani and some mix breeds are local cattle breeds found here. There exists a huge system of poultry business, all types including open shed poultry houses that is rural poultry and commercial poultry that is environmental control poultry is undertaken widely in the city. The city is also famous for Embroidery work and Traditional furniture.in short this area possesses great potential for industrial production but neglected. There are very few industrial units in operation in D I Khan but still most of them lack modern machinery and technical infrastructure. (SMEDA, 2009).

1.9.Problem Statement

Problems faced by SMEs are divided into external problems and internal problems, the external problems include all those problems that originates from the business and economic system surrounding the SMEs sector e.g registration channels, taxation problems, documentation problems etc. while the internal problems include limited resources, lack of market, inability to deal with unpredictable and risky market, inability to get finance etc.

The purpose of this study is to have a valuable survey, to examine the practical experience of the city Dera Ismail Khan facing likewise problems and to develop a framework for its remedies as previous literature has explored the SMEs in Pakistan overall, or even in different provinces or cities of Pakistan. But unfortunately, the SMEs sector failed to develop and attract local entrepreneurs. This sector is faced with special problems likely, over production of labor, higher transportation cost, higher cost of building construction, shortage of skilled labor, and above all lack of entrepreneurship qualities. The selected problem areas will be Managerial Aspects (is related to the management procedures of the Small Medium Enterprises. Marketing Aspects (impact of distribution channels, competitors, setting of the prices and quality concerns) legal technicalities (regulatory documentation, compliance requirement etc.). Human Resource Aspects (situation of the skilled labor etc.), Financial Aspects (availability of funds) and General obstacles (related to obstacles of lack of education, poor infrastructure and power shortage). The purpose and contribution of this study will be to identify the problems and issues faced by Small Medium Enterprises in the second largest city of the province Khyber-Pakhtunkhwa that is Dera Ismail Khan this study will further rank the obstacles from major to minor and will suggest the remedies to overcome these problems or obstacles.

1.10.Objectives

The objectives of the present study is to evaluate critically the obstacles that hinders the growth of SMEs in Dera Ismail Khan and to identify entrepreneurial activities at city Dera Ismail Khan level Which can play a significant role in the city development and their contribution to the GDP, export promotion, employment and technology diffusion. For this purpose data is collected through survey and a detailed SWOT analysis of selected SMEs sectors of Dera Ismail Khan is done to identify the

obstacles that hinders the growth of SMEs in this city and to identify the growth potential of SMEs through SWOT analysis by identifying the investment opportunities available.

1.11. Research Questions

1. To Identify the general texture of Small Medium Enterprises in Dera Ismail Khan.
2. To Explore the different constraints factors which influence the growth of Small Medium Enterprises in Dera Ismail Khan.
3. To know about the Lack of Management Facilitations the researcher inquired
 - a. What is the product range and manufacturing facilities of Small Medium Enterprises.
 - b. what is the reason of opting the particular business?
 - c. what is the form or type of business? Is it sole proprietorship or partnership?
4. To understand the marketing obstacles the researcher inquired about
 - a. Which channel of distribution is considered ideal by the business?
 - b. What complications are faced by SMEs while adopting this preferred channel of distribution?
 - c. what is the impact of competition on your business?
5. To understand the HR issues faced by SMEs the researcher inquired
 - a. What is the nature of SMEs? Is it capital intensive or labor intensive?
 - b. How many employees are employed currently and annually ? or what is the magnitude of workforce of SMEs?

- c. Is skilled labor available/easily available in the area?
 - d. Is there deficiency of skilled labor in the area?
 - e. Is there training programme available? When did they take place?
 - f. Is there any inclination towards training programme?
6. To know if access to finance or lack of finance is obstacle to growth of SMEs following questions are inquired
- a. what are the sources of finance?
 - b. To know what problems SMEs face while getting the finance?
 - c. To know is microfinance sufficient?
 - d. To know Is microfinance beneficial or convenient?
 - e. To know Is there any reliance on financial help from relatives?
 - f. To know whether the experience of manager matters in getting finance from banks or other institutions in the field of Small Medium Enterprises?
 - g. What kind of capital is available in the area?
7. To understand the legal problems/obstacles the researcher inquired
- a. Is business registered with the government?
 - b. what are the reasons of not registering to Government?
 - c. Is there any government incentive available to SMEs in the area?

d. Is SMEs satisfied with the criteria of support provided by SMEDA?

8. To know Is modern/latest techniques adopted to increase the output?

9. To know what problems Small Medium Enterprises face in adopting the latest up to date techniques?

1.11. Significance of the Study

The purpose and contribution of this study is to identify the problems and issues faced by SMEs in the second largest city of the province Khyber-Pakhtunkhwa that is Dera Ismail Khan this study further rank the obstacles from major to minor and suggests the remedies to overcome these problems or obstacles.

The findings of the study will be helpful to the Ministry of Finance, Production, Financial Institutions, and Chamber of Commerce and Industries, Small Business Finance Corporation (SBFC) for the future planning in the area.

1.12. Limitations of the study

This research study is undertaken in the light of following limitations,

- the study is limited to discussion of obstacles in six areas only that are HR related obstacles, Financial obstacles, Marketing area obstacles, Managerial obstacles, legal obstacles and some general obstacles.
- Sole reliance is placed on the primary data collected through interviews conducted through survey performed.

- Growth of SMEs is determined through annual sales turnover which is approximate value as most of the interviewees were reluctant to tell the exact values.
- Most of the SMEs are not registered with the government so access to every SME was not possible.
- The study is limited to approximately seventeen businesses in different sectors, all sector and all businesses are not explored.

CHAPTER 2

LITERATURE REVIEW

Researchers have been exploring Small Medium Enterprises heavily in the literature with different directions and in different ways throughout the world. From characteristics to their Structure, definitions and various obstacles faced by SMEs is widely discussed in the literature but non of the studies in the literature have discussed the SMEs of Dera Ismail Khan specifically. This study is aimed to explore the SMEs of Dera Ismail Khan with special emphasis on the obstacles that hinders their growth. The relevant literature is narrated below.

Wang (2016) used World Bank survey on enterprises covering data on 119 developing countries, in his study he investigated the obstacles faced by Small Medium Enterprises and to find out the determinants that effect those obstacles perceived by the managers of the Enterprise. He studied five major obstacles like electricity, political instability, tax rate, competition, and access to finance. The results of Wang study concluded that access to finance is perceived by Small Medium Enterprises as the significant and biggest obstacle that hinders the growth. However, the key determinants of the characteristics of the firm were ownership, growth rate, size and age of the enterprises. Likewise, Smyth (2017) examined the relationship between the obstacles perceived by business operation with three performances measuring subjects in Papua New Guinea for SMEs. The performance measures were anticipated as growth rate of employment in the next year, growth of business and sales in previous years and anticipated rate of growth of asset base in the next year. The results of the study showed that remote location is the biggest obstacle to growth of business and sales and for growth of employment remote location of the business and leasing or buying of

the land were main obstacles. Similarly, the biggest obstacle to asset base was difficulty in dealings with banks and remote location. So, the remote location perception and the perception of difficulty in buying or leasing of land are negatively correlated with performance measures.

A research conducted with Micro Small Medium Enterprises in the Island of Fiji in UK observed the problems faced by Small Medium Enterprises in Fiji and also observed the effects of these problems on the profitability of Small Medium Enterprises. The results of the study showed that the main problem faced by MSMEs in Fiji Island is the financial problem that is availability of credit in both manufacturing and retailing sector Naidu and Chand (2012). Ali (2016) analyzed the barriers faced by Small Medium Enterprises in “Pakistan Bangladesh and India” the researcher used the data from “world bank enterprise survey” and used the graphical analysis and found the magnitude of the barriers by providing the statistics of the barriers faced by the Small Medium Enterprises in these three states. Pearson correlation was applied to study the growth of the firm. Many variables were used in the study the impact of each variable was analyzed the barriers like high taxation, corruption, infrastructure problems , lack of education were studied and their impact was found to be negative on the growth of Small Medium Enterprises. The study also found that SMEs in all these three countries face almost similar barriers with little differences.

Abubakar (2015) in his study showed that access to finance and training is the biggest hurdle for SMEs in Africa he carried out his research work on “Financial Education and Development of Entrepreneurship in Africa”. further Osano and Languitane (2016) in his study on obstacles hindering the SMEs to access finance in Maputa, Mozambique found that knowledge and education about opportunities of getting finance has direct relationship with access to finance of Small Medium Enterprises.

Yin (2012) and Ji (2011) from china found that state owned firms have higher growth as compared to smaller businesses they are “too big to fail” that’s why face fewer obstacles not only in sales but in finance as well. So considering state of ownership while analyzing business environment that Small Medium Enterprises operate in is not required.

Dar *et al.* (2017) in their study “Small Medium Size Enterprises in Pakistan; Definition and critical issues” examined the issues faced by Small Medium Enterprises in Pakistan and found that finance, human resource, physical and technological issues or obstacles are commonly faced by SMEs in Pakistan they also explored different definitions used to define a SME. Even in Pakistan different organization defines SME differently so the basic problem is that there is no standardized and defined size of Small Medium Enterprise.

Lee (2014) with the help of the study of Brush *et al* (2009) further developed this study to investigate the obstacles that hold high growing SMEs in UK. He used the data from small business survey of UK and divided the firms into potentially high growing firm and high growing firms he analyzed six key obstacles and their effects on high growing and potentially high growing firms. The variables of the study were government, recruitment, premises, market conditions, management and finance. The results of his study showed that high growing firms were no more hindered by market conditions though the other five obstacles effects them significantly as compared to potentially high growing firms. government is less likely perceived as a barrier. The same way recruitment which was thought by the researcher to be a significant obstacle was not perceived that much important by firms. The researcher further explaining the reasons of the differences said that this may be due to matching process of potentially high growing firms and due to the variations in experiences of interviewees.

Xheneti and Bartlett (2012) developed a questionnaire and through regression analysis concluded that lack of education negatively effects the progress or growth of SMEs in Albania. They used data collected from 121 enterprises, they further concluded that size and age of the business are related or linked negatively inversely while expertise and corruption are positively related to growth of Small Medium Enterprises.

Lafuente and Rabetino (2011) carried out the regression analysis and found that education, working capability, existence and manifestation of household associates, work inspiration and tactical groups are related positively to growth or development of SMEs in Romania.

Chavis *et al.* (2010) used the data of firms from world bank enterprise survey 2006e2009 and found that 31% of the total firms examined considers financial access as the major obstacle 40%of the total firms examined were young firms having experience of less than 3 years in the industry.

Brush *et al.* (2009) showed that finance is equally important for high growing firms as it is for small firms they divided the paths of growth into “rapid, incremental and episodic” after that they analyzed the impact of factors like market conditions, access to finance and management on firm’s growth. The results of their study showed the rapidly growing firms were more cash hungry.

Kamal (2009) conducted his research on Growth potential of Small Medium Enterprises in khyber pakhtunkhwa a province of Pakistan he placed special emphasis on three big cities of the province Peshawar, Bannu and Dera Ismail Khan. In his research study he highlighted the major problems faced by SMEs in these three big cities. The study analyzed and examined the current prospect of SMEs in this province specifically these three cities. The study used the primary and secondary data collected through face to face interviews. The researcher further suggested the possible ways to

evaluate the status of Small Medium Enterprises in the region. The researcher have suggested some supportable directions for promotion of growth of SMEs in the province.

Pissarides *et al.* (2003) conducted their research study on Small Medium Enterprises in Russia and Bulgaria to know about the hurdles Small Medium Enterprises face there. They used survey data taken from CEOs of the SMEs. Among various constraints top four constraints were selected i.e the constraints that were rated high among the total constraints. The selected hurdles were access to land, production constraint, Suppliers are not ready to deliver and financial problems. The results of the study showed that the constraint of availability/access to external finance was most serious while other were not that much significant.

Gree and Thurnik (2003) identified the obstacles and divided them in two groups internal and external. Total 30 obstacles were selected and among them finance turned out as most significant other important factors included were technology, management skills, location, corruption and regulation. Similar to the one listed in World Bank Enterprise Survey of growing economies.

Further Pissarides (1999) in his study investigated to know whether finance availability is the main hurdle to growth of SMEs. He used the data from European Bank for Reconstruction and Development (EBRD) and found that lack of fund is a hurdle for growth of SMEs that lies in transitional economies because in such economies capital markets are poorly developed and finance is provided on the basis of historical practices.

Richter and Schaffer (1996) in their work found that type of ownership of firms is also an important factor while considering the factors that hinders the growth of SMEs. They concluded in their research that private firms develop more rapidly than state-owned firms because the state owned

firms mainly focuses on employment expansion, rather than proper utilization of resources. The comparison of Small public and small private firms is very rare and usually the debate leads to large public firms and their performance.

Jha *et al.* (2015) in their study used the access to credit as an independent variable and concluded that failure to access the credit sources negatively impacts the growth of Small Medium Enterprises and affects the progress of Small Medium Enterprises. Further Hessels and Parker (2013) performed a cross-country analysis of Small Medium Enterprises from European Economy and then studied the association between the variables like growth of Small Medium Enterprises and the obstacles the Small Medium Enterprises are facing like human capital restraints and financial obstacles. The research showed that these obstacles or restraints will affect the growth of Small Medium Enterprises negatively the results of this study further showed that if SMEs tries to get engaged in foreign procurement then it will affect the growth of Small medium Enterprises positively. Also this research highlighted another important aspect that is if the small Medium Enterprises tries to develop connections with other SMEs or firms then this will affect the performance and growth of Small medium enterprises positively.

Sherazi *et al.* (2013) in his research study conducted on small medium enterprises in Rawalpindi , Islamabad of Pakistan. He collected the data from 107 small medium enterprises to know about the obstacles that hinders their growth. From his study he concluded that inability to access the formal sources of credit is perceived as the significant and biggest obstacles by small medium enterprise, these small businesses fails to maintain records of their financial transactions that is why banks are reluctant to provide credit to them.

Mwobobia (2012) conducted research to find out the obstacles faced by Female owned businesses in Kenya, he used desktop research as well as a survey to find the problems that females are facing in their small businesses in Kenya. The researcher concluded from his research study that access to credit is the main obstacle that they face in their businesses.

Similarly a lot of research has been carried out on small medium enterprises considering different legal matters related obstacles like tax rates and corruption and their impact on the performance of small medium enterprises for example Okpara (2011) conducted a research study on small medium businesses in Nigeria, the researcher developed a questionnaire and conducted a survey from 211 small medium enterprises to know about the obstacles they are facing in carrying out their small businesses. From the research the researcher apart from other obstacles found a negative association between corruption and growth of small medium enterprises. Similarly Ojeka (2011) investigated the small medium enterprises in Nigeria to find the association between development and progression of small medium enterprise and rates of taxation. The researcher concluded that there is a significant association between development and progression of small medium enterprises and the taxation in Nigeria. If the rate of taxation increases it will affect the small medium enterprises negatively in Nigeria. Poblete and Grimsholm (2010) in their research study tried to find out the obstacles that hinders the growth of small medium enterprises in Thailand. In their study they considered and studied different factors. They divided the factors into internal and external factors. The internal factors or obstacles are related to personal characteristics of the firm that hinders their growth or development while external factors are market related factors that impact the growth or development of small medium enterprises, so corruption considered as one of the external factor is found to Affect the growth and progress of small medium enterprises negatively. Similarly Fisman and Svensson (2007) in their research study found the impact of tax

rates and corruption on the growth of small medium enterprises in Ugandan the data used was from “Ugandan industrial enterprise Survey” through their study they showed the effect of tax rates and corruption, this research was a real contribution to the previous studies done in this field as the findings of this study proved the theories and have proved that effects of corruption were much greater than the effects of high tax rates. Both of these obstacles have negative effects on the small medium enterprise growth.

The same way many obstacles related to Human resource areas that includes technical education, use of modern technology and skilled labor have been discussed in many previous research studies for example Aftab and Rahim (1989) carried out a survey and through interviews taken from the staff members and owners of small medium enterprises in Lahore, Faisalabad, Daska and Gujranwala they tried to find the obstacles that hinders the growth of Small Medium Enterprises. They collected the data from 70 small medium enterprises. These enterprises were associated to tube wells manufacturing businesses. The obstacles that they considered in their research were technical training provided to the labor employed in these enterprises the style of their management, qualification of the managers, prior experience of the managers and finance needed to start the tube well manufacturing business. the results of their research showed that prior experience and social interaction of the managers or owners of these small medium enterprises were the main obstacle that hinders the growth of these small medium enterprises. Poblete and Grimsholm (2010) carried out their research work in Thailand as mentioned above they used many variables as factors effecting the performance, progress and growth of small medium enterprises and among them one of the factor was adoption of latest technology in their study they showed that reluctance of firms for not adopting the modern technology is one of the internal obstacles that hinders the firms from growing and progressing.

Sherazi *et al.* (2013) studied the obstacles to performance and growth of Small medium enterprises in Pakistan. Among many obstacles one of the obstacles was shortage of electricity which is a variable in this study as well. He showed through his study that power shortages that is inadequate provision of electricity is the obstacle that not only small medium enterprises are experiencing but it is experienced by large firms as well. Similarly Coad and Tamvada (2012) also conducted their research study on small medium enterprises in India they used the data collected by the government polls , and discussed the ownership status of the small medium enterprise that is whether these firm are owned by the female or they are owned by the males they also discussed the impact of technical expertise possessed by the firms and concluded that the firms with female ownership are facing more hurdles then the firms owned by male entrepreneurs also they showed that the firms which lack the technical knowhow or technical expertise do not grow with that pace as the firms that possess technical knowledge.

From the literature it is concluded that a variety of obstacles are faced by Small Medium Enterprises ever where in the world and among these problems or obstacles financing, human resource and marketing problems are found to be the most important. There are many studies that highlighted various obstacles faced by Small Medium Enterprises depending upon the conditions of the markets in which these Small Medium Enterprises are located. Another thing that is concluded from the literature is that there are diverse number of factors that determines the particular obstacles that hinders the growth of Small Medium Enterprises and those factors can be divided into internal and external factors/determinants. The internal determinants are related to firm's own characteristics while external determinants are related to market conditions.

Critical Review

Many researchers with passage of time have discussed the SMEs and the barriers faced by SMEs that hinder them to achieve full growth. Every study had its own limitations sometimes the limitations were related to the type of data used some time the economic, political and social conditions prevailing in the country limited the scope of research and sometime the researcher's personal capability become the limitation. For example Ali(2016) studied SMEs in three countries of South Asia Pakistan, Bangladesh and India. The obstacles found were almost the same in these countries with little differences the data was used from World Bank enterprise Survey, this is itself a limitation because in most of the countries the data is sometimes 10 years older because the collection of data through survey is often very expensive. Also there is another inbuilt limitation in using this data that often the firms are reluctant to give answers to some sensitive questions for example if an SME is inquired about the effect of corruption or high taxation most of them will be reluctant to give their opinion. Many studies in the past have used the data from world bank enterprise survey or from Surveys conducted by such kind of Banks or institutions at country level like Wang(2016), Xheneti and Bartlett(2012), Chavis *et al.*(2010), Gree and Thurnik (2003), Pissarides (1999) etc. other studies like Kamal (2009) this one have used face to face interviews or Surveys conducted by the researcher of the study himself. The limitations of this type of data can be numerous for example every SME or every business may not be covered , or the respondents may be reluctant to give replies to many questions, or the questionnaire used may not be able to cover the required area.

CHAPTER 3

METHODOLOGY

3.1.Introduction

As we know that methodology of the research provides details about the design of the research, collection of the data, population of the study and analysis of the data. Methodology is basically a course of action used to observe and extrapolate the theoretical association between various variables qualitatively as well as quantitatively (Tariq H Malik 1998).

The plan of the study was to observe the role of obstacles that hinders the growth of SMEs by using the data collected through survey. To collect the data interviews with the managers and other relevant staff was organized. The answers provided by the managers and other staff provided ample information on the perception of firms about the obstacles to growth. As according to the literature there is a range of constraints identified so far but here some of the potential obstacles will be studied. In this study obstacles related to six areas are thoroughly explored. Also, the determinants of the obstacles are explored and discussed with the help of SWOT analysis.

As analysis depends on the data collected through survey. The survey aims at the perception of managers and other staff members about the obstacles that hinders the growth of the Small Medium Enterprises, and it is valid to know whether these perceptions are true impressions of real obstacles that hinders the growth. So, it is assumed that a close association exists between the perception of obstacles and real obstacles. This assumption is also used in the literature Doern (2009). It is believed that such analysis is functional and revealing.

The population of the research study is based on 17 types of businesses working in various sectors in the city of Dera Ismail Khan. There are around 1200 units in working in Dera Ismail Khan. As the number of units or business are very large so out of these 1200 units at least 237 units are selected randomly and requested to give their feedback on the questionnaire, constructed by the researcher of this study. So, the data collected from these 237 respondents is the primary data.

3.2.Data Collection Methods

Face to face interviews were arranged with the managers and other relevant staff of the firms. Proper meetings were also planned and carried out. A questionnaire was designed covering the areas Marketing, Management, Human Resource, Legal aspect, financial aspect, and General aspect which served as the main source of primary and secondary data. This type of questionnaire was also used in the previous literature by Kamal (2009). Some primary data was also gathered from organization like SMEDA, SBP, SME Bank, Bureau of Statistics, Serve and Pakistan Economic Survey. The information taken from these organization was mainly related to their role for the SMEs in this area to give better suggestions.

3.3.Questionnaires

The main dependence was on the questionnaire for the collection of the data. The study has used simple questions and the researcher have tried to avoid the loaded or ambiguous questions. The questionnaire is provided in the appendix below.

3.4.Econometric Model

Ordinary least square model is used to find out the impact of different variables in the six areas as Marketing area, Managerial area, Financial area, Legal area, Human Resource area and General on

the growth of the SMEs in Dera Ismail Khan. The growth of SMEs will be determined through the annual sales turnover.

Ordinary Least Square regression is a method used for statistical analysis of variables. It is used to find the relationship or association between “one or more independent variables and a dependent variable”. “This method estimates the relationship by minimizing the sum of squares in the difference between the observed and predicted values of the dependent variable configured as straight line”. An index is assigned to variables in one area that index is supposed to represent all the variables in that area. So, there are six independent variables and a dependent variable representing the growth of Small Medium Enterprises in a model. The growth of Small Medium Enterprises is determined through their annual sales turnover. So the study used the OLS model to estimate the association between annual sales of SMEs and the obstacles in six areas mentioned to find their effect on the annual sales of respective SMEs.

The model used is

$$Y_i = \beta_0 + \beta_1 MK + \beta_2 MN + \beta_3 L + \beta_4 F + \beta_5 HR + \beta_6 G + e \quad (3.1)$$

where,

Y_i =Annual sales of SME

MK=Marketing area related obstacles

MN=Managerial area related obstacles

L=Legal matters related obstacles

F= financial matters related obstacles

HR=Human Resource related obstacles

G= General obstacles other than above faced by SMEs

3.5.Definition Of Variables

Annual sales

Annual sales is the annual revenue or annual turnover that the small medium enterprises derives from selling their end products. Smyth (2017) used growth rate of annual sales in the previous year as one of the performance measuring subject in Papua New Guinea for SMEs.

Marketing problems

This variable will measure all the obstacles related to marketing it will include problems related to the channel of distribution, complications in adopting the preferable channel of distribution, price setting issues, Competition and its affects, ISO certification, Inflation, Bad Debts, quality of products and Economies of Scale. Lee (2014) analyzed six key obstacles and their effects on high growing firms and potentially high growing firms the obstacles used were government, recruitment, premises, market conditions, management and finance.

Lack of Management Facilitations

This variable will measure all the obstacles related to management issues of small medium enterprises, like to know the sector wise business category of a particular SME, reasons for opting a particular business, to know the form/type of the business of particular SME, perception about the business success, kind of structural readjustment preferred by SME etc. Brush et al. (2009)

analyzed the impact of factors like market conditions, access to finance and management on firm's growth.

Legal Problems

This variable will measure all the obstacles related to legal problems like registrations issues, penalties, tax returns, quality control pressures, availability of government incentives, contribution of financial institution or corporate bodies, level of satisfaction from SMEDA criteria of support. Gree and Thurnik (2003) analyzed the impact of almost 30 obstacles on the growth of SMEs among them regulation was one of the factor that effect the growth of SMEs.

HR Problems

This variable will measure all the obstacles related to HR such as nature of Small Medium Enterprises that is whether it is labor intensive or capital intensive, magnitude of the workforce, availability of skilled labor, availability of training programme, inclination towards training programme, effect of job swapping etc. Dar *et al.* (2017) in their study "Small Medium Size Enterprises in Pakistan; Definition and critical issues" examined the issues faced by Small Medium Enterprises in Pakistan and found that finance, human resource, physical and technological issues or obstacles are commonly faced by SMEs in Pakistan

Financial Problems

This variable will measure the obstacles related to financial area such as amount of the money invested in the business, impacts of government budget/policies, kind of capital available to SMEs in the area, nature of property acquired by SMEs, availability of financial support, problems faced in getting the finance like high mark-up, terms and procedures, terms and conditions etc.

Wang (2016) studied the impact of five major obstacles like electricity, political instability, tax rate, competition, and access to finance on growth of SMEs. He used the data from world Bank on 119 countries.

General Problems

This variable will measure the obstacles other than the management, marketing, HR, legal and financial problems such as poor infrastructure, shortage of electricity and impact of lack of education. Ali (2016) analyzed the barriers faced by Small Medium Enterprises in “Pakistan Bangladesh and India”. Many such variables were used in the study to see the impact on growth of SMEs in these three countries.

Rocha (2012) used this model in his study to show the relationship between low start-up cost and “growth of SMEs”. The same way easy access to credit and “healthy business environment” can help develop the SMEs.

Bartlett and Bukvič (2001), Hashi (2001), Wagenvoort (2003) and Beck *et al.* (2005) have used “regression analysis” to find the association between the growth of SMEs and the obstacles faced by them. Xheneti and Bartlett (2012) developed a questionnaire and through regression analysis concluded that lack of education negatively affects the progress or growth of SMEs in Albania. They used data collected from 121 enterprises, they further concluded that size and age of the business are related or linked negatively inversely while expertise and corruption are positively related to growth of SMEs.

Lafuente and Rabetino (2011) carried out the regression analysis and found that “education”, “working capability”, “work inspiration”, “existence and manifestation of household associates” and “tactical groups” are related positively to growth or development of SMEs in Romania.

3.5 SWOT Analysis

After the application of model and regression analysis SWOT analysis is performed. In the SWOT analysis the researcher have discussed the Strengths, Weaknesses, Opportunities and Threats faced by small medium enterprises in Dera Ismail Khan. An in depth analysis of SMEs in Dera Ismail Khan is performed weaknesses are thoroughly discussed and opportunities thoroughly explored to give suggestions about further investment opportunities. The strengths of the SMEs are discussed and the threats to which the SMEs are exposed are also discussed. The recommendation are provided on the basis of these in depth Strength Weaknesses ,Opportunities and Threat analysis.

CHAPTER 4

RESULTS AND DISCUSSION

4.1.Introduction

In this chapter data analysis is provided which includes descriptive statistics and ordinary least square analysis to fulfill the objective of the study. Various researcher has used these methods to identify the obstacles which hinders the growth of SMEs such as Zaidi (2013), Uz Zaman and Islam (2011) and Ali (2016). The results and interpretation of the regression analysis will be presented here we have used different variables in our regression analysis with the help of regression analysis we have identified the important obstacles faced by SMEs in the areas mentioned. Then we have discussed the relationship between the variables included in our study. Finally, this section presented the results of estimation.

4.2.Discription of Number of Responses

The tabular description given below shows the results for number of responses against each question. Each of the respondent have selected the problem relevant to their area of business, from these responses we can easily assess the problems that are common among the small entrepreneurs in the city of Dera Ismail Khan.

4.2.1.Management Related Problems

SMEs Contribute to Economy?

Table: 4.1 contribution to economy

Condition	Number of Response
Yes	227
No	10

What is your Sector Wise Business category?

Table : 4.2 sector wise business category

Condition	Number of Responses
Embroidery	12
Furniture	30
Sohan Halwa	35
Dates	20
Agriculture/Horticultural	32
Forestry	30
Livestock and Dairy Farming	15
Poultry Farming	35
Fancy Birds Farming	3
Fisheries	15
Honey Bee Keeping	10

What are the Reasons for Opting this Business ?

Table : 4.3 Reason for Opting business

Condition	Number of Responses
Attractive Profit Margins	87
Family Background	67
Future Prospects	30
Others	53

The above results shows that 87 respondents out of 237 have opted the specific business they are associated with because of the attractive profits the businesses were offering while 67 opted it because it was their family business while rest of them due to other reasons so it means that Small

medium enterprises possess potential for growth if this area is facilitated the businesses there can become more profitable

What is the form of your business?

Table : 4.3 Form of Business

Condition	Number of Response
Sole Proprietorship	112
Partnership	51
Company	65
Others	9

The above results show that 112 respondents out of 237 were sole proprietors, this clearly indicates the deficiency of entrepreneurial skills, if proper training sessions are organized these skills can be improved.

What is your Perception about your Business Success Rate?

Table : 4.4 Perception of business success

Condition	Number of Response
Successful	126
Partially Successful	97
Breakeven	14

Here the results indicates that majority of the respondents have agreed to the option that there business is successful its doing good it means if these businesses are doing well despite of the presence of hurdles then if these hurdles are addressed the performance of the rest of the businesses will also improve and they will contribute to the overall economy of the province and then country.

What type of structural readjustment can enhance performance of SMEs in the area?

Table: 4.5 type of favourable structural readjustment

Condition	Number of Response
Tax Free Zones	79
Concessionary Formal credit	59
Change in the Attitude of Regulatory Authority	51
All of the Above	41
Others	7

The above results indicates that majority of the respondents agreed to the option of Tax free zones and availability of concessionary credit which clearly indicates that provision of tax free zones and easy concessionary formal credit will help the small medium enterprises to perform better. It means that Small medium enterprises perceives taxation and high mark-up loan with plenty of conditions as an obstacle. As maximum of responses are in the favor of these options. Like the economic zones government can make some tax free zones to facilitate the small medium enterprises of Dera Ismail Khan

Do you think latest technology can improve the performance of your SMEs and will help you to expand?

Table : 4.6 Adoption of latest technology

Condition	Number of Response
Yes	130
No	80
N/A	27

Are you understaffed?

Table : 4.6 magnitude of staff

Condition	Number of Response
Yes	110
No	127

4.2.2. Marketing Related Problems

Which channel of distribution do you think is ideal for your business ?

Table : 4.7 Channel of Distribution

Condition	Number of Response
Producer-Distributor-Wholesaler- Retailer-Consumer.	69
Producer-Wholesaler-Retailer-Consumer	83
Producer-Middleman-Consumer	32
Producer-Consumer	53

In the above answers the maximum respondents are favoring producer-wholesaler-retailer-consumer channel as the most preferable one. They can hardly use this method due to many reasons like infrastructure problems, excessive transportation cost that they have to bear while transporting the goods to wholesaler, sometimes short shelf life of some edible products make it difficult for the seller to distribute the product to the wholesaler. So the provision of preservation techniques, proper infrastructure and easy access to market can help improve this

How do you set the prices for your products ? which one is the preferred mean?

Table : 4.8 Price Setting

Condition	Number of Response
According to the Market Trend(Demand and Supply)	61
According to Quality	57
According to the Cost of production	103
Some of these	6
Others	10

The majority of the responses in this area are preferring the price setting through cost of production because due to the difficulties in production and the hindrances the cost of production increases so the entrepreneurs prefer to cover up the production costs first

is there any impact of competition on your business?

Table : 4.9 Impact of Competition

Condition	Number of Response
Not Affected	45
Moderately Affected	49
Slightly Affected	79
Extremely Affected	64

What kind of Complications do you face while adopting the Channel of distribution?

Table : 4.10 Complication in adopting distribution channel

Condition	Number of Response
Non-availability of Trained sales agent	36
Risk-Adjusted-Return Characteristics	59
Time Adjustment Factor	100
Others	42

The majority of responses are in favor of time adjustment factor means the preferable mean of distribution channel is avoided due mismanagement of time.

Do SMEs creates jobs?

Table : 4.11 SME role in job creation

Condition	Number of Response
Agree	159
Strongly agree	43
Undecided	30
Disagree	4
Strongly Disagree	1

What are the reasons of perplexity in price setting?

Table : 4.12 Perplexity in price setting

Condition	Number of Response
Price sensitive consumers	97
Sales Promotion Strategies of the Competitors	30
Others	80
Some of these	17
	13

Is your Firm ISO certified?

Table : 4.13 ISO certification

Condition	Number of Response
Yes	187
No	50

Majority of the no responses indicates that there is no awareness about ISO standards.

What type of Marketing problems are you facing?

Table : 4.14 Marketing problems

Condition	Number of Response
Intense Competition	64
Inflation	40
Lack of Economies of Scale	8
Poor Quality Products	19
Bad Debts	16
All of these	30
Some of these	60

Majority of the respondents complains about the competition as one of the main problem, competition is good but it impacts the growth negatively if it is from incompetent untrained competitors, in Dera ismail khan there are no proper laws regarding trademarks, patent rights etc so anyone can enter the market and this thing negatively effects the brand loyalty of customers.

4.2.3. Legal Matters Related Problems

Is your firm registered with Government?

Table : 4.15 Registration with Government

Condition	Number of Response
Registered	190
Non-Registered	47

The business of majority of respondents is not registered with the government due to lengthy registration process, high registration fees and fear of entering the tax ambit. As it is believed that high income taxes are charged by government.

What kind of legal problems your firm is facing in this area?

Table : 4.16 Legal Problems

condition	Number of Response
Registration	29
Incorporation	6
Tax Return	55
QualityControl	17
Pressures	
Legal Penalties	28
Others	14
All of the above	26
Some of these	62

Is there any Government Incentive available to SMEs in this area?

Table : 4.17 Government incentives availability

Condition	Number of Response
Yes	87
No	150

Majority of the respondents have given their responses that no government incentives are available to them.

Is major incentive available to SMEs sector?

Table : 4.18 Major incentive

Condition	Number of Response
Nil(without incentives)	197
Tax Relief	28
Special Provisions	12

Are you satisfied with SMEDA's criteria of support?

Table : 4.19 satisfaction with SMEDA

Condition	Number of Response
Yes	47
No	190

Very few respondents gave their responses in favor of SMEDA it means SMEDA needs to provide more services in this regards, instead of just providing advises its ambit needs to be enhanced.

What type of government organization contribute in the development of SMEs in the area?

Table : 4.20 Government contribution

Condition	Number of Response
Corporate Bodies	27
Financial Institutions	99
Not sure(Self Reliance)	111

Majority of the respondents had to rely on their personal means and sources there is no satisfactory help available from government organization.

Is there any impact of smuggling (on the SMEs sector)?

Table : 4.21 impact of smuggling

Condition	Number of Response
Strongly Agree	34
Agree	120
Undecided	53
Disagree	25
Strongly Disagree	5

4.2.4.Human Resource Problems

What is the nature of SMEs?

Table : 4.22 nature of SME

Condition	Number of Response
Non(Not cleared)	7
Capital Intensive	41
Labor Intensive	61
Both (Labor and Capital)	128

The responses shows that majority of the businesses are both labor and capital intensive, so both the financial and Human Resource are the problem for majority.

What is the magnitude of the workforce of SMEs/SME?

Table : 4.23 Magnitude of workforce

Condition	Number of Response
Below-15	25
16-30	56
31-45	72
46-99	51
99 and Above	33

Majority marked 31-45 workers it means according to the definition of small medium enterprises provided by Small Medium Enterprise development authority and Stat Bank of Pakistan majority of the SMEs are medium sized.

Is skilled labor available/easily available in the area?

Table : 4.24 Skilled Labor Availability

Condition	Number of Response
Non(Not clear)	4
Easily Available	34
1-25%	71
26-50%	68
76-100%	33
Not Available	27

Majority of responses indicates that skilled labor is not easily available so there is a need of training programme.

Is there deficiency of skilled labor in Dera Ismail Khan?

Table : 4.25 Deficiency of Skilled labor

Condition	Number of Response
Non	4
Strongly Agree	47
Agree	112
Undecided	46
Disagree	19
Strongly Disagree	9

What is the impact of job swapping in SMEs sector in this area?

Table : 4.26 Impact of job Swapping

Condition	Number of Response
Economic Development	135
Economic Stagnancy	37
Economic decline	65

When did the training programs take place in the area?

Table : 4.27 Training program

Condition	Response
Monthly	40
Quarterly	30
Semi-Quarterly	28
Annually	33
Other	50
Not Available	56

Is there any inclination towards training programs?

Table : 4.28 Inclination towards training programs

Condition	Number of Response
Yes	150
No	81

Majority of responses shows inclination towards training programme it means they want training programme to be organized here.

Do the job swapping in SMEs/SME decreases the turnover and increases the Wage Expense?

Table : 4.29 impact of job swapping

Condition	Number of Response
Strongly Agree	18
Agree	178
Undecided	30
Disagree	10
Strongly Disagree	1

4.2.5.Financial Problems

What is the amount invested in the business?

Table : 4.30 investment amount

Condition	Number of Response
Below 5 million	65
Between 5 million-100 million	110
Between 100 million-1 billion	30
Above 1 billion	32

Majority of the entrepreneurs have invested 5 to 100 million in their businesses if the government wish it can easily provides loans up to this limit on low mark-ups and easy conditions.

Is there any impact of government budget on the SMEs/SME?

Table : 4.31 Impact of Government Budget

Condition	Number of Response
Yes	199
No	38

What kind of capital is available to Small Medium Enterprises/SME in the area?

Table : 4.32 Type of capital available

Condition	Number of Response
Bank Loan	22
Owner's Capital	86
Both	125
Other	4

It shows that people either are not aware of bank's loan schemes or they are either not satisfied with the schemes offered as most of them are preferring owner's capital

What is the nature of the property acquired by Small Medium Enterprises/SME ?

Table : 4.33 Nature of Property

Condition	Number of Response
Personal Property	103
Rented	24
Lease hold	110

Is Financial Support available to SMEs/SME in the area?

Table : 4.34 Availability of Financial Support

Condition	Response
Strongly Agree	56
Agree	148
Undecided	20
Disagree	11
Strongly Disagree	2

It indicates that the financial support is available in the area but the problem is with the criteria.

What factors effects the financial position of SMEs/SME in the area?

Table : 4.35 Factors Effecting Financial position

Condition	Number of Response
Government Policy	40
Political Environment	11
Taxation	32
Cost of Raw Material	39
All of these	44
Some of these	71

What are the problems faced by SMEs/SME while getting finance?

Table : 4.36 Problems in getting Finance

Condition	Number of Response
High Markup	44
Terms and conditions of Loan	46
Complexity of Procedures	29
Running Finance	7
Other	18
NA	39
Some of these	54

The problems clearly indicates that due to high mark-up , complex procedures and terms entrepreneurs prefer less to go for a commercial loan.

4.2.6.General Problems

Does poor infrastructure effects the performance of SMEs/SME in the area?

Table : 4.37 Impact of poor Infrastructure

Condition	Number of Response
Strongly Agree	48
Agree	162
Undecided	20
Disagree	6
Strongly Disagree	1

Shortage of Electricity have reduced the overall production of your business?

Table : 4.38 impact of Electricity Shortage

Condition	Number of Response
Agree	115
Strongly Agree	55
Disagree	27
No	0

Lack of education have negative effects on your business?

Table : 4.39 Impact of lack of Education

Condition	Number of Response
Yes	157
No	80

4.3.Descriptive Statistics

The overview of annual sales and various problems are presented in Table 4.1, which includes Lack of Management Facilitations, marketing problems, legal problems, HR problems, financial problems, and general problems. Table 4.1 shows that overall data were collected from 237 respondents and the annual sale showing the respondent sales annually which were taken in Pakistani Rupees. The annual sale shows that the mean annual sale was Rs 1100173, the minimum sales value was Rs 64000, and the maximum was Rs 5253000. Lack of Management Facilitation is the index of various Lack of Management Facilitations, and the results show that the mean value of Lack of Management Facilitation is 12.95,

with standard deviation of 1.822 means many of the respondents think that the Lack of Management Facilitation is one of the obstacles that hinders the growth of their SME, deviation observed from this response was only 1.822. Similarly, the marketing problem is the index variable of different market problems, and the results explained that the mean value for the marketing problems is 17.78, with the standard deviation of 1.876 which shows that many respondents consider the market related problem as one of the obstacles that hinders the growth of their business, the deviation observed from this response was only 1.876. Similarly, the legal, HR, financial, and general problems are also the index variables. The mean value of the legal problem is 18.64, and the deviation from this response is 1.784. The HR results show that the mean value of

HR problems is 21.68, it shows that respondents perceive the HR problems as one of the obstacles the deviation from such response was only 2. The mean value of financial problems is 19.97, which is the second highest after HR, which shows that majority of the respondents considers financial problems as an obstacle that hinders the growth of their business the deviation observed from this response was 2.2. Similarly, general problem results show that the mean value of the general problem was 12.35, the deviation observed from this response was 1.32.

Table 4.40: Descriptive Statistics

Variables	Obs.	Mean	Std. Dev.	Min	Max
Annual Sale	237	1100173	781123.6	64000	5253000
Lack of Management Facilitation	237	12.95	1.822	9	16
Marketing Problem	237	17.78	1.876	14	23
Legal Problem	237	18.64	1.784	15	24
HR Problem	237	21.68	2.049	16	28
Financial Problem	237	19.97	2.158	14	25
General Problem	237	12.35	1.328	8	15

4.4. Ordinary Least Square Model

In the below table 4.2, the dependent variable is an annual sale, and the independent variables are Lack of Management Facilitation, marketing problem, legal problem, HR problem, financial problem, and general problem.

Table 4.2 shows that there is a direct relationship between Lack of Management Facilitations and annual sales. The coefficient explained that if the Lack of Management Facilitation of the respondent rises by 1 it will affect the annual sales annually and is statistically significant at 1 percent of significance level it means that if there is an increase in management facilitation the annual sales will increase by 79159.4 rupees. The marketing problem is also related to the annual sale which means that as the marketing problem rises by 1 it affects the annual sale and it is statistically strongly significant at 1 percent of the significance level. The negative coefficient of marketing problem means that marketing facilitation have reduced and marketing obstacles have increased so it will decrease the annual sales by -96174.96. The results of marketing problems clearly show that the annual sales are affected by marketing problems. The legal problem is also directly associated with the annual sale. The positive coefficient indicates that 1 increase in legal problem affects the annual sales. It means that the increase in legal facilitation will increase the annual sales of SMEs in Dera Ismail Khan by 40510.36 rupees means though it is statistically insignificant. Human Resource problems are also highly affecting the annual sales of the respondents and there is an adverse relationship between HR problems and annual sales. The negative coefficient of HR problems shows that if HR Facilitation reduces it will decrease the annual sales of SMEs by - 62778.97 rupees and statistically it is significant at 1 percent of the significance level. Similarly, the financial problems are negatively related to the annual sale and the negative coefficient indicates that the decrease in Financial facilitation reduces the annual sale by -

115229.1 rupees and statistically strongly significant at 1 percent of the significance level. General problems are also directly related to annual sales but statistically insignificant.

The constant of the model indicates a positive relationship with an annual sale which means that if all problems are zero then the annual sale rises by 3943723 Rupees and is statistically significant at a 1 percent of the significance level. The results clearly show that the above-mentioned problems are affecting the annual sales of the respondents. The total observation in the model is 237. Prob > F indicates the significance of the model. R squared suggests that there is an 18 percent variation in the dependent variable which is explained by explanatory variables.

The above results and discussion explained that marketing problems, HR problems, and financial problems are negatively affecting the overall sales. Also, the mean value of HR problems, financial problems, and marketing problems are greater as compared to others which are shown in table 4.1. we can see many examples from the literature where Finance, HR and marketing problems are found to be the important obstacles such as Wang (2016) in his study on 119 countries used different variables as perceived by the SMEs to be the obstacles to their growth. He used variables like taxation, electricity, access to finance, political instability and competition, the research study concluded that the firms perceives the access to finance as the major obstacle to their growth. Likewise, Dar *et al.* (2017) in their study “Small Medium Size Enterprises in Pakistan; Definition & critical issues” examined the issues faced by SMEs in Pakistan and found that finance, human resource, physical and technological issues, or obstacles are commonly faced by SMEs in Pakistan. In short Financial, HR and Marketing problems are some of the major problems faced by SMEs everywhere.

Table 4.41: Ordinary Least Square

Variables	Coefficient	Std. Err.
Lack of Management Facilitation	79159.4***	27453.52
Marketing Problem	-96174.96***	25684.82
Legal Problem	40510.36	26173.2
HR Problem	-62778.97***	24160.83
Finance Problem	-115229.1***	23363.06
General Problem	60627.05	39000.14
Constant	3943723***	949041.6
R – Squared	0.18	
Adj R – Squared	0.16	
Number of obs.	237	
Prob > F	0.0000	

Note: *** indicate 1%, ** indicate 2%, and * indicate 10% Level.

So it is concluded that the results of both descriptive analysis and ordinary least square indicates that SMEs in Dera Ismail Khan are facing different problems among them HR problems, Financial problems and Marketing problems are the major problems which hinders their growth by reducing their annual sales turnover. If we rank the problems then HR problems with greater mean value ranks the first and Finance with second highest mean value is the second biggest problem , Legal problems ranks the third(statistically insignificant), Marketing problems ranks the fourth and Lack of Management Facilitations ranks the fifth while general problems ranks the sixth as major problems that SMEs face.

4.4.SWOT analysis of SMEs in Dera Ismail Khan

weakness

There are many weaknesses of SMEs in Dera Ismail Khan we can discuss the weaknesses of some significant Small Medium Enterprises one by one,

- The embroidery unit is currently facing many challenges such as the products are backward and lack the modern touch which is appreciated in the big markets.
- This unit mainly involve or employ female workers who lack social associations due to social and religious constraint as a result they follow the same old trends and designs, which are not in much demand.
- The women involved are financially weak as well as most of them are uneducated. They have no branding and market promotion skills, they badly lack market linkages and are totally dependent on few exhibitions that rarely takes place in the city.
- Market disintegration is another reason behind the weak performance of this unit the women employed in this unit lack any platform to display their product.
- There are many communication gaps among individuals and between market and individuals.
- Personal jealousy is another reason that reduces the strength of team work and communication.
- Another important unit in Dera Ismail Khan is furniture ,important reason behind the decline or less turnover of this unit is that the market is excessively disintegrated and small.

- There are no labor unions and labor laws due to which wage negotiations have become a challenge for the manufacturer. It is difficult to negotiate the wage with selected skilled labor. This increases the overall production cost .
- There are no factories in Dera Ismail Khan for the manufacturing of plywood, fiber wood and chipboard which is high in demand it is directly imported from china and is also manufactured in Karachi and then imported to Dera Ismail Khan, this increases the cost of manufacturing due to addition of import charges in case of imports from china and transportation costs.
- Skilled workers are not available labor only possess the skills passed on to them generation after generation.
- No formal training facility available, labor is unaware of the use of modern machinery.
- The industry is highly fragmented and there are very limited financing opportunities and no large players.
- There is lack of supply of seasoned wood and old outdated technology is used in the manufacturing process.
- Electricity shortage and load shedding is the biggest problem that is effecting the overall production of the furniture industry.
- There are no design institutes, design engineers so limited designs are available. There is also a shortage of standardized material, quality controls and trained machine operators.
- The well-known sohan halwa is also facing many challenges as there are no competent,

skillful and qualified staff.

- No modern technology are used in the production. Due to rise in the prices of raw material, the producer is decreasing the product quality because the prices are fixed by the government.
- There is also a huge gap of marketing, as there is no proper marketing. The people of far areas are not fully aware about this delicious dessert.
- The product is well known over the country due to its quality and unique taste but so far it could not be marketed and sold in other big cities due to lack of awareness about food laws compliance, standard production techniques, appropriate packaging & labeling, use of proper marketing tools and most importantly lack of education.
- In the current market of Dera Ismail Khan there is no proper law regarding the trademark, patent right etc due to which incompetent & untrained competitor enter into the market and effect the brand loyalty among customer.
- The increase in number of shops/ businesses will pose challenges for financially weak halwa producers as they are not so financially established and tough competition from old halwa producers might result many shops going out of business with low or very little profits.
- The dates cluster is facing many challenges like lack of awareness, fruit handling techniques, processing techniques and facilities are some constraints that affect the growth of this cluster in Dera Ismail Khan, not only Dera Ismail Khan but the entire country lack the proper storage facilities due to which only few quantity is exported to other markets, while the rest get perished, so the quantity of dates required in Ramadan is imported.
- Similarly Agriculture is not only the backbone of Pakistani economy it is also the important and for many the only source of income in Dera Ismail Khan.

- This area cannot utilize its full potential due to lack of support from government. Most of The farmers here are uneducated, and don't have any knowhow about the new modern technology and machinery.
- The lack of water, cultivation tools, lack of insect or pest control sprays all these have negative effects on the overall production of this sector.
- This sector includes the production of Wheat, rice, cotton, citrus fruits, sugarcane etc. The major problems that sugarcane grower face are low prices paid by sugar mills, costly labor, unavailability of labor force during harvesting season ,poor infra-structure of the district ,lack of technological machinery etc.
- the same is the case with panyala mangoes and tomatoes they are produced excessively but due to lack of any preservation techniques to increase the shelf life of the product, poor access to the market and lack of transportation facility it is wasted or the farmer have to sell at low prices in the nearby villages. They do not have access to big markets, they don't have enough credit to afford the expenses of plants and preservation techniques. According to the SERVE organization in Dera Ismail Khan most of the vegetables get wasted and become stale due to lack of management skills, proper technological equipments, low price and proper maintenance.
- Further the city produces thousands of tons of wheat and rice but due to the prices fixed by the commission agents they do not receive the fair prices.
- Forests are another important sector there are approximately five big forests in Dera Ismail Khan but the number of trees are reducing day by day. illegal cutting of trees and theft have badly affected this sector.
- Secondly less trained and irresponsible staff is making this sector to suffer a lot.

- Livestock sector is also very important it is one of the biggest sector in the city this sector is currently facing issues like Financial problems , environmental issues, Lack of technological Machinery ,in adequate food, proper placement ,lack of awareness about animals related diseases ,inappropriate medical facilities ,insufficient food etc.
- sometime many of the Farmer can't bring their milk to the city because of poor transportation system so the milk become stale.
- Similarly in the poultry section the challenges that the small entrepreneurs are faced with are High start –up capital, Outbreak of diseases, Lack of support from the government,Non availability and affordability of vaccines,Adulation and high cost of poultry food,Sale problem, Transportation, Environmental issues, No exact location of waste material.
- The challenges that are faced by fancy birds sector are Lack of knowledge about caring of fancy birds because mostly uneducated or unskilled people run this business. There is also a risk of natural diseases such as bird flu, excessive environmental temperature, low trend, legal restriction, seasonal business low in summer and high in winter etc.
- The main problems that fishing industry is facing in Dera Ismail Khan are Water pollution, shortage of water supply to fish farms, financial problems, lack of training facilities .
- The main problem in Dera Ismail khan Fish farming is Fishery department laziness because they are not working according to standards rules of Khyber Pakhtunkhwa government.
- The major problems and constraints faced by the beekeepers in the area are pest attacks, expensive inputs, lack of modern techniques & training, Scarcity of bee colonies, Scarcity of flowering plants and lack of credit facilities.

- Due to these constraints, the maximum potential of beekeeping enterprise cannot be explored. The main obstacle that are existing in this sector are unawareness about the business of apiculture and lack of finance.

Opportunities

- There are many opportunities for entrepreneurs in Dera Ismail Khan for example in embroidery unit if a person can become a middle man then he can make sound money as he don't have to arrange the finance and invest anything. He only need to build contacts with different brands and with the market.
- Healthy networking i.e. use of social media sites, latest fashion magazines and newspaper can overcome the weakness of old and backward designing.
- There is still a huge potential in the furniture area, modern designs and trading channels can improve the production. If proper training is provided to both skilled and unskilled workers quality and demand of local furniture of Dera Ismail Khan will increase further.
- If factories manufacturing the plywood, chipboard and fiber board etc. is installed in Dera Ismail Khan the cost of transportation adding to the cost of manufacturing will reduce this will reduce the total price of furniture increasing the overall demand.
- International as well as local exhibitions should be arranged to preserve and promote the traditional carved furniture of Dera Ismail Khan which is becoming extinct.
- Proper marketing channels and networking, also online sale can optimize the working of this unit as overall production and sale will increase.
- There is an immense need for representation of furniture unit with government also there is a need for factory training institute with the help of government.
- There is a lot of potential in the area of sohan halwa production & selling and profit margins

are also good but there is a need of better laborer care facilities, modern equipment's and strong sale strategy in Dera Ismail Khan .

- Sohan Halwa have the capacity to be exported for revenue generation to other countries with alot of Pakistani immigrant's, as the product has the delicacy to be among the top of sweets in market.
- Government and commercial banks can also play a role in increasing the production of sohan halwa by encouraging new entrepreneurs to enter in the market by providing interest free loans and guidance in the area. It can also increase job levels in the city where there is lot of unemployment.
- The Sohan Halwa cluster has the potential to produce more improved varieties, grab reasonable share in national food market and even can export to Middle East and Arab countries if united into a formal group. Further there is a need of strong business model in the area of sohan halwa for better outputs and income
- Dates cluster needs processing and packaging units to increase the shelf life of dates, with the help of these plants the end products will be properly washed, treated, graded and packaged. Dates processed & packed through these plants will satisfy international standards & will be accepted internationally, this will boost the export of dates to other countries & will enhance the capital inflows of the economy.
- The date cluster can add much more to economy and GDP if focus is moved to value addition, like special packaging can make it more attractive, also dates can be used to make different products like jams, syrup, paste ,puddings, glazed dates ,chocolates, dates can be stuffed with different nuts/sweets/chocolates etc.
- In Dera Ismail Khan the Dates cluster can be made more profitable if different measures are

undertaken like, control post-harvest losses in dates and focus on value addition.

- The trend of fresh date's production, packaging & marketing should be encouraged and promoted.
- Different date processing, packaging and storage units should be established to enhance the export of dates to other markets, and provide income generation, enhance employment opportunities and encourage the female to participate in the growth and development of this cluster.
- Similarly In the agriculture sector provision of proper education to farmers related to modern cultivation techniques and machinery can help increase the production, similarly availability of low mark-up loans to enhance the businesses can be very fruitful, ease of taxation rules and availability of modern machinery for free or at least at lower lease rates can also help improves the performance of this area.
- As mentioned above the city produces huge quantities of vegetable which get wasted and become stale due to technological equipment, according to the SERVE organization of Dera Ismail khan tomatoes are produced in this city in such a huge quantity that there exists a potential to install a ketchup factory here.
- Further availability of solar tube wells can solve the problem of farmer to increase the cultivation by utilizing the 1000 of barren land. This land can not only be utilized for agricultural production and growth of vegetables it can also be utilized for growing dates , mangoes and other use full tress which will indirectly contribute to the honey sector in this area.
- The forestry unit still has more potential for investors if they allocate their piece of land for forest purposes after few years they can earn good amount by selling wood to the furniture

makers and to other manufacturers.

- Small poultry houses can be provided at the village level to increase the production of meat, provision of necessary vaccination , provision of poultry processing plants, cold storages, enhancement of broiler breeding facilities.
- There is a potential for investors to invest in the fancy bird sector because a person can do such kind of business along with other activities. It requires low capital, less space, low expenses, high yield and high return etc.
- Now-a-days demand for keeping Fancy birds is increasing day by day but there is no fancy birds farm existing in Dera Ismail khan District. So it is an opportunity for the people of Dera Ismail khan to take advantage of this deficiency because no competitor exist there yet. They can operate the farms of fancy hens, fancy parrots, fancy pigeons etc.
- Dera Ismail Khan is endowed with rich fishery potential. It is located on the bank of river Indus and there are best opportunities for the investors to invest in this sector. If a farmer has arid or unfertile land (which is not suitable for crops growing)so he can easily utilized this piece of land into fish farming so it will generate more income than of laying idle their land.
- The full potential of beekeeping unit is not yet utilized due to lack of coordination between the ultimate stakeholders and suppliers at the district Dera Ismail Khan level. so this area needs to focus on beekeeper training programs and marketing of the product and close coordination between all the stakeholders at the district Dera Ismail Khan level and country level ,so that this precious product can compete on international levels and add to the cash inflows of the country.

Strengths

The Small medium enterprises of Dera ismail Khan have great potential, their specialities are their major strength from embroidery to furniture ,sohan halwa, dhaki dates, panyala mangoes, Singarh Lemons all are well recognized around the country, inspite of difficulties and hurdles majority of small medium enterprises are making profits. If paid little attention they can be fully utilized and can make contribution in the Gross Development Product, improves the per capita income of people in Dera Ismail Khan and can help in reducing poverty. The availability of economical labor is another strength of small medium enterprises in Dera Ismail Khan though they are unskilled but if training opportunities are provided this human capital can be fully utilized.

Threats

Changing government policies is one of the threat for Small medium enterprises in Dera Ismail Khan if we look around the world the economic policies are usually revolving around the small medium businesses because often middle class and poor communities are associated to them these businesses no doubt form the backbone of economy in every country but in Pakistan we see economic policies revolving around big projects this sector is completely ignored, the small businesses in Dera Ismail Khan are also suffering from these shift of economic policies as this sector gets ignored by the local government.

Poor infrastructure is also a threat for small businesses in Dera Ismail Khan, the roads and other infrastructure of the city is getting worse day by day instead of improvement, this makes access to markets more difficult for these small businesses, shortage of power is another threat for these businesses somehow directly or indirectly these small enterprises are dependent on power supply power shortage is worsening the situation day by day for small medium enterprises in Dera Ismail Khan.

CHAPTER 5

CONCLUSION AND RECOMENDATION

5.1.Conclusion

SMEs are defined as the non-subsidiary firm which are independent and can employ a given specific number of employees, though this number varies everywhere. SMEs are believed to be the driver of economy they are believed to be the golden mean to overcome the problem of poverty, unemployment, and economic disparity. They contribute to economy by creating job opportunities, developing craftsmanship, entrepreneurial activities etc. in this study we have explored the SMEs of Dera Ismail Khan a small city of Khyber Pakhtunkhwa province of Pakistan. We have discussed the obstacles faced by SMEs in this area. The purpose of this study was to have a valuable survey, to examine the practical experience of the city Dera Ismail Khan facing likewise problems and to develop a framework for its remedies as previous literature has explored the SMEs in Pakistan overall, or even in different provinces or cities of Pakistan. But unfortunately, the SMEs sector failed to develop and attract local entrepreneurs. We have explored the SMEs and the problems they are facing specifically in the city of Dera Ismail Khan. The objective of this study was to evaluate the SMEs of this city and critically assess the obstacles faced by SMEs in this area by ranking them from high to low and to address the issues by suggesting useful recommendations.

This study focuses on Management related obstacles, Marketing Related obstacles, Human Resource related obstacles, Legal Problems, Financial problems, and General obstacles that SMEs are perceived to face. We have performed regression analysis to find the relationship between these

obstacles and to know how they affect the growth of SMEs, the growth of SMEs is measured through annual sales turnover. The main reliance was placed on the data collected through a questionnaire from 237 respondents. The results of the study showed that the SMEs perceive all the above mentioned problems as obstacles that hinders their growth. Among these HR, financial problems and Marketing problems seems to be the most important obstacles with high means and low standard deviation by using the descriptive analysis we have also tried to rank the obstacles from high to low on the basis of mean values, and we concluded that HR problems ranks the first followed by financial problems ,then Marketing problems ranks third, Legal problems ranks the fourth, Lack of Management Facilitation ranks fifth and general problem ranks sixth as major obstacles the SMEs are facing in the city of Dera Ismail Khan.

After this the number of responses against each potential question is discussed separately to analyze the preferences of respondents to elaborate further the obstacles perceived by them as most significant that hinders the growth of their businesses. After that the SWOT analysis that is Strength ,Weakness, Opportunity and Threats of the Small Medium Enterprise in Dera Ismail Khan was performed the weaknesses and opportunities available are discussed in detail for approximately each small enterprises that we are considering here.

5.2.Recommendations

To tackle down the marketing problem respondents should focus on the advertisement strategies, customer preferences, new trends, new designs, branding and market promotion, new research focused on modern techniques and technology is needed as outdated technology is no longer applicable and customer feedback should be followed these strategies will solve most of the marketing problems. The government can spread awareness regarding these techniques by

enhancing the core functions area of institutions like SMEDA and SBP (State Bank Of Pakistan) which currently only provides assistance regarding business ideas and advises about how to avail finances. Local Market of Dera Ismail Khan is small it cannot absorb all the products or goods produced here , these goods or products can be carried to other markets but it incurs a transportation cost which is very high and the these small entrepreneur cannot afford it proper infrastructure and cheap transportation facility can solve this problem. Other than this, market disintegration is also the reason behind weak performance, there is no platform for entrepreneurs specifically women entrepreneurs to display their product so there is a need to provide a proper platform to each unit to display their product. There is a huge communication gap between entrepreneurs and between the market and the entrepreneurs this gap needs to be filled to overcome the market problems. SMEs need a meeting point for the proper coordination and uplifting of SMEs sector because every Small Medium Enterprise in Dera Ismail Khan is flying in its own direction and capacity that's why they are unable to compete on the national and international levels. Organizations like SMEDA and SBP can help small entrepreneurs to overcome the problem of market disintegration, they can help in providing proper platform to SMEs and can assist in reducing the communication gaps between market and entrepreneurs. There is a need to spread awareness about food laws compliance, standard production techniques and appropriate packaging and labeling techniques. Proper laws regarding trademark and patent rights need to be built so that untrained and incompetent competitor cannot enter the market. For the edible products like dates, mangoes, citrus fruits, lemons, sohan halwa proper handling techniques , processing techniques and storage facilities in the form of cool storage houses should be provided to increase the shelf life of the edible goods avoiding their wastage, according to the local entrepreneurs availability of cool storage houses will be the outmost facility provided by the government as they have to send the products to big cities to store them in

the storage houses there or often they are helpless and the products get wasted. These facilities will improve the performance of SMEs in this area. SMEDA (Small Medium Enterprise Development Authority) can build trade associations between the organization but due to financial limitations and human resource deficiency this activity is currently not possible. SMEDA and Chamber of Commerce (CCI) together can arrange exhibitions both at local and international levels to promote the local products and provide investing opportunities to investors at local and international level to further invest in this area, further it will promote healthy competition in the area as well.

HR plays a significant role in every business. So, the entrepreneur should improve Human Resource strategies more skilled labor should be hired, training program should be arranged to overcome the deficiency of skilled labor, the training institutes in the city are very limited, government should also take part in this by taking initiative and arranging training programme that are relevant to Small Medium Enterprises in this area on regular basis as the feedback of the respondents clearly showed that there exists an inclination towards training program SMEDA (Small Medium Enterprise Development Authority), Chamber of Commerce and different NGOs like SERVE can help in promoting these training programme in this area, further provision of training institutes should be ensured. The next thing is that for poultry and livestock sector there is need to spread awareness about animal related diseases and vaccination to reduce the loss that entrepreneurs bear due to outbreak of diseases. Availability of proper labor laws will also help solve these Human Resource problems, as there are no labor unions or labor laws due to which wage negotiations become difficult, it become difficult to negotiate the wages with the selected skilled labor because it increases the overall production cost so there is an immense need to introduce the labor laws. The Human Resource problems can also be overcome if we overcome the market disintegration element

the market is highly fragmented, due to this the financing opportunities are very limited and there are no large players. Further not only in Dera Ismail Khan but in the entire province there is a lack of managerial culture, there is no culture of formal education in the sector due to which they are often unable to manage the activities of the business properly resulting in mismanagement, higher costs which then leads to Human Resource problems. A gap is always found to exist between employers and employees, there is a need of building good relation between workers and management to reduce the labor unrest all this can be done if managerial culture is promoted through proper training and education. Currently, most of the entrepreneurs in Dera Ismail Khan are facing financial problems, credit limitations constraints them from attaining skilled labor and new technology to bring innovations, most of them had to rely on support from family relatives, as there hardly available schemes of loan for SMEs, and if there are any the procedures are so lengthy and complicated that the small entrepreneurs hardly opt for this option of availing conventional loans from banks or any other financial institution which requires detailed documentation, credit history and requires them to provide collateral asset. The high mark-ups charged by the banks is another repelling force for poor and small entrepreneurs so they avoid going for a loan option. Secondly the lack of knowledge about loans and digital banking is also one of the reasons that these small entrepreneurs don't choose to go for a loan from bank or any other financial institution. The banks and financial institutions are reluctant to provide loans to these small entrepreneurs due to lack of any cash record so digital banking if promoted will not only help in tracking the credit history but it will also help in making easy loans accessible. The small entrepreneurs avoid to keep cash records due to fear of high income taxes charged by the government most of them even avoid registering their organization to avoid income tax so income tax rates should be kept lower for organization that qualifies the definition of SME, it will not only generate revenue for the

government but will be also helpful for the SME if any of them are willing to avail the loan option. Most of the entrepreneurs go for rented property as they can't afford or bear the personal property for their shop or warehouses which further increases the expenses and make it difficult for the entrepreneur to expand and make profits. Also the SME businesses in Dera Ismail Khan are both labor and capital intensive so if the government introduces some effective labor laws and ensures easy availability of low mark up loans for small entrepreneurs then this will help solve both of the HR and financial problems.

Further the government can serve this sector by focusing once again on the industrial state development programme as was in function before 1980, till 1980 these centers were dependent on international donors funds but it can be utilized once again to establish and develop the small scale industry cluster. one of the example is Sarhad Small Industries Development Board(SIDB). There are NGOs working for the social uplifting of SMEs and employment generation little attention can help these organizations to serve in a better way.

The recent Livestock and poultry documentation programme launched by Khyber Pakhtunkhwa government is one of the good initiative taken it is started to document the poultry, cattle and livestock in the province and to implement the latest livestock policies 2018-28. This 10 year programme is aimed to preserve the extinct species and help the policy makers to make plans regarding provision of quality breeds of cattle, diseases control and legislation making to robustly implement the plans, this 10 year policy includes "Business Implementation Plans" which will ensure physical infrastructure rearrangements and human resource development. If implemented in its true form this plan will greatly improve this livestock and poultry sector. Similar initiatives are needed by governments to utilize the full potential of SMEs sector in the city of Dera Ismail Khan.

Further the services of the various business incubators can also be utilized to improve the small medium business enterprises, just like SMEDA which is one of the publicly sponsored business incubator there can be other type of business incubators which can help small medium businesses to enhance their performance and expand further to increase their turnover, the incubators can provide different facilities like they can provide rental spaces on rates lower than the market rate, they can provide services and equipments which are unaffordable to Small entrepreneurs. The Small Business Finance Corporation (SBFC) which is dedicated to development of small medium businesses can avail various facilities from these incubators by interacting with them and by promoting them. SBFC can locate those Small entrepreneurs that are less riskier to be granted loans or SBFC funds. SBFC can increase employment opportunities and can help small medium businesses to expand by interacting with these business incubators.

Some of these recommendations may exists either in documents or in policy form or something else but we don't see their practical application at least in the city of Dera Ismail Khan so there is a need of proper policy making and assurance of their practical application to resolve the problems of this sector to avail its benefits in true sense.

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Appendix

Questionnaire

1.Name of the Respondent:

2.Gender of the Respondent:.....

3.Age of the Respondent:.....

4.Qualification/Education of the Respondent.....

5.Number of years the Respondent is associated to the respective business:.....

6.MANAGEMENT RELATED PROBLEMS

6.1.Do SMEs Contribute to Economy?

Condition	Response
Yes	
No	

6.2.What is your Sector Wise Business category?

condition	Response
Embroidery	
Furniture	
Sohan Halwa	
Dates	
Agriculture/Horticultural	
Forestry	
Livestock & Dairy Farming	
Poultry Farming	
Fancy Birds Farming	
Fisheries	
Honey Bee Keeping	

6.3.What are the Reasons for Opting this Business ?

condition	Responses
Attractive Profit Margins Family Background Future Prospects Others	

6.4. What is the form of your business?

Condition	Response
Sole Proprietorship Partnership Company Others	

6.5. What is your Perception about your Business Success Rate?

Condition	Response
Successful Partially Successful Breakeven	

6.6. What type of structural readjustment can enhance performance of SMEs in the area?

Condition	Response
Tax Free Zones Concessionary Formal credit Change in the Attitude of Regulatory Authority All of the Above Others	

6.7. Do you think latest technology can improve the performance of your SMEs and will help you to expand?

Condition	Response
Yes	
No	

6.8.Are you understaffed?

Condition	Response
Yes	
No	

7.MARKETING RELATED PROBLEMS

7.1.Which channel of distribution do you think is ideal for your business ?

Condition	Response
Producer-Distributor-Wholesaler- Retailer-Consumer. Producer-Wholesaler-Retailer-Consumer Producer-Middleman-Consumer Producer-Consumer	

7.2.How do you set the prices for your products ? which one is the preferred mean?

Condition	Response
According to the Market Trend (Demand and Supply) According to Quality According to the Cost of production Some of these Others	

7.3.is there any impact of competition on your business?

Condition	Response
Not Affected Moderately Affected Slightly Affected Extremely Affected	

7.4.What kind of Complications do you face while adopting the Channel of distribution?

Condition	Response
Non-availability of Trained sales agent Risk-Adjusted-Return Characteristics Time Adjustment Factor Others Some of These	

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7.5. Do SMEs create jobs?

Condition	Response
Agree	
Strongly agree	
Undecided	
Disagree	
Strongly	
Disagree	

7.6. What are the reasons of perplexity in price setting?

Condition	Response
Price sensitive consumers	
Foreign Price	
Sales Promotion Strategies of the Competitors	
Others	
Some of these	

7.7. Is your Firm ISO certified?

Condition	Response
Yes	
No	

7.8. What type of Marketing problems are you facing?

Condition	Response
Intense Competition	
Inflation	
Lack of Economies of Scale	
Poor Quality Products	
Bad Debts	
All of these	
Some of these	

8.LEGAL MATTERS RELATED PROBLEMS

8.1. Is your firm registered with Government?

condition	Response
Registered	
Non-Registered	

8.2.What kind of legal problems your firm is facing in this area?

condition	Response
Registration	
Incorporation	
Tax Return	
Quality Control	
Pressures	
Legal Penalties	
Others	
All of the above	
Some of these	

8.3.Is there any Government Incentive available to SMEs in this area?

condition	Response
Yes	
No	

8.4.Is major incentive available to SMEs sector?

condition	Response
Nil (without incentives)	
Tax Relief	
Special Provisions	

8.5.Are you satisfied with SMEDA's criteria of support?

Condition	Response
Yes	
No	

8.6.What type of government organization contribute in the development of SMEs in the area?

Condition	Response
Corporate Bodies	
Financial Institutions	
Not sure(Self Reliance)	

8.7.Is there any impact of smuggling (on the SMEs sector)?

Condition	Response
Strongly Agree	
Agree	
Undecided	
Disagree	
Strongly Disagree	

9.HUMAN RESOURCE PROBLEMS

9.1.What is the nature of SMEs?SME in the area?

condition	Response
Non(Not cleared)	
Capital Intensive	
Labor Intensive	
Both (Labor & Capital)	

9.2.What is the magnitude of the workforce of SMEs/SME?

condition	Response
Below-15	
16-30	
31-45	
46-99	
99& Above	

9.3.Is skilled labor available/easily available in the area?

Condition	Response
Non(Not clear0	
Easily Available	
1-25%	
26-50%	
76-100%	
Not Available	

9.4.Is there deficiency of skilled labor in DiK?

Condition	Response
Non	
Strongly Agree	
Agree	
Undecided	
Disagree	
Strongly Disagree	

9.5.What is the impact of job swapping in SMEs sector in this area?

Condition	Response
Economic Development Economic Stagnancy Economic decline	

9.6.When did the training programs take place in the area?

Condition	Response
Monthly Quarterly Semi-Quarterly Annually Other Not Available	

9.7.Is there any inclination towards training programs?

Condition	Response
Yes No	

9.8.Do the job swapping in SMEs/SME decreases the turnover & increases the Wage Expense?

Condition	Response
Strongly Agree Agree Undecided Disagree Strongly Disagree	

10.FINANCIAL PROBLEMS

10.1.What is the amount invested in the business?

Condition	Response
Below 5 million Between 5 million-100 million Between 100 million-1 billion Above 1 billion	

10.2.Is there any impact of government budget on the SMEs/SME?

Condition	Response
Yes	
No	

10.3. What kind of capital is available to SMEs/SME in the area?

Condition	Response
Bank Loan	
Owner's Capital	
Both	
Other	

10.4. What is the nature of the property acquired by SMEs/SME ?

Condition	Response
Personal Property	
Rented	
Lease hold	

10.5. Is Financial Support available to SMEs/SME in the area?

Condition	Response
Strongly Agree	
Agree	
Undecided	
Disagree	
Strongly Disagree	

10.6. What are the problems faced by SMEs/SME while getting finance?

Condition	Response
High Markup	
Terms & conditions of Loan	
Complexity of Procedures	
Running Finance	
Other	
NA	
Some of these	

10.7. What factors effects the financial position of SMEs/SME in the area?

Condition	Response
Government Policy	
Political Environment	

Taxation	
Cost of Raw Material	
All of these	
Some of these	

11.GENERAL PROBLEMS

11.1.Does poor infrastructure effects the performance of SMEs/SME in the area?

Condition	Response
Strongly Agree	
Agree	
Undecided	
Disagree	
Strongly Disagree	

11.2.Does shortage of electricity have reduced the production of SMEs overall?

Condition	Response
Yes	
No	

11.3.Lackmof education effects the performance of your business?

Condition	Response
Good	
Bad	
Good for some	
Devastating for others	
No effect	