

**DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES
DURING PRE NATIONALIZATION PERIOD IN PAKISTAN:
ISSUES, CHALLENGES AND REMEDIES**

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ABSTRACT

Small and Medium Enterprises (SMEs) play significant role in economic development of the country. There are approximately 3200,000 SMEs in Pakistan contributing significantly towards the improvement of the socio economic conditions of the country. The nationalization process began on January 2, 1972 in Pakistan was a policy measure programme with objective to improve the economy of Pakistan. This process began after the separation of East and West Pakistan therefore economic development could vary during these periods. The objective of this study was to review the development of SMEs in general and apparel SMEs in particular before the nationalization process in Pakistan. This was an exploratory study and data was collected through secondary sources provided. The study was qualitative in nature. The deductive approach was used for the data analysis. This study found that importance of the small and medium enterprise realized in the early years of independence. The common issues and challenges during this period were lack of financing facilities, raw material availability, outdated machines used for the production, marketing, market knowledge, location of SMEs, modernization and expansion of SMEs, to improve the technological, economic and social conditions, development of relationship between small and medium enterprises. The issue issues and challenges of textile and apparel sector were not different. The solutions were provided to solve these problems yet at the end the problems were same. Overall non serious attitude of the Government of Pakistan towards the development of small and medium enterprise was observed during pre nationalization period.

Keywords: Industrial, SMEs Development, problems of SMEs, Challenges of SMEs, Remedies for Apparel, Textile

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1 Introduction

Small and Medium Enterprises (SMEs) play significant role in economic development of the country. The economic development leads to poverty alleviation, employment creation and foreign exchange earnings (Saeed K. A., 2005). There are approximately 3200,000 SMEs in Pakistan (Pakistan, Government Of, 2005-06) contributing significantly towards the improvement of the socio economic conditions of the country. The nationalization process began on January 2, 1972 in Pakistan. This process was a policy measure programme with objective to improve the economy of the country. This process began after the separation of East and West Pakistan therefore economic development could vary during these periods. (Raza, 2008). There could be different implications on the development of SMEs during the pre and post period of nationalization therefore separated for the purpose of this study. This study would review the development of SMEs before the nationalization period. The objective of this study was to review the development of small and medium enterprise in general and apparel SMEs in particular before the nationalization process in Pakistan.

2 Research Methodology

This was an exploratory study. The data was collected through secondary sources provided by the Government of Pakistan and various other institutions. The study was qualitative in nature. SMEs development is reviewed for the period starting from 1947 to 1970. This period is named as pre nationalization period for the purpose of the study. There was need to conduct study where the development of the SMEs in Pakistan might be reviewed and presented before the researchers. The deductive approach was used for the data analysis, in this study. During the early years of independence, small-scale industries were treated separately from medium scale industries. Medium scale enterprises were merged with large scale enterprises. Therefore, it was difficult to distinguish between the development of medium scale enterprise and large-scale enterprise. Due to this problem, the researcher sometimes, was not able to show the medium enterprise data separately from large enterprise. Yearly development under the head of each group of years covered the following areas. Each subsection covered issues, challenges and remedies for SMEs and issues, challenges and remedies for apparel SMEs, Finally overall performance of SMEs during specified period.

3 Development of SMEs in Pakistan from 1947 to 1960

Pakistan realized the importance of small-scale industry in the early years of its independence. The definition of the small business was give. It was defined as: “any business that does not use power or employ less than 20 persons” (Pakistan, Government Of, 1955, p. 471).

The contribution of small scale business was not hidden at that time also as it was realized that development of small businesses would contribute in the economic development, output, foreign exchange earnings, employment creation, and spreading industrial knowledge. Small industries were thought as institutions requiring less inputs and bringing high output. The United Kingdom, Germany and the United States (Pakistan, Government Of, 1955, p. 471) were the source of inspiration for newly independent country Pakistan. Thousands of small business existed in these countries, which significantly contributed in their respective economic growths.

3.1 Issues, Challenges and Remedies for SMEs during 1947-60

Issue and challenges faced by the SMEs were pointed out and these are reported below:

1. The production methods used by the SMEs were out dated. The tools available to the craftsmen were outdated. Small business operated without power therefore the manual methods of production were time consuming. This lead to the low production in the small scale industry. (Pakistan, Government Of, 1955, p. 471).
2. It was difficult to obtain loan from banks or financial institutions. Small industry needed loan for the purpose of either purchasing equipment or operations of the business. The financial institutions were reluctant to provide loans because of default risk. This problem needed to be resolved for so-called modernization. Even the middle-man who helped small business to get the credit facility charged from small businesses (Pakistan, Government Of, 1955, p. 471).
3. Raw material was not available at reasonable cost. It was due to the involvement of intermediary. Small businesses did not have import licenses therefore, intermediary always took advantage of the situation. Foreign exchange rates has also been the cause of increase in cost of production (Pakistan, Government Of, 1955, p. 471).
4. Marketing needed proper attention because small-scale industries had very low working capital. They had no money left for marketing rather were stuck up in meeting the operational needs of the business. There was strong need to promote the products for the quick sale and efficient functioning of small firms (Pakistan, Government Of, 1955, p.

472)

5. Lack of market knowledge also needed attention. The market knowledge is the comprehensive study of the structures of the market. Let the market forces decide the prices of the product, was the slogan of this time. (Pakistan, Government Of, 1955, p. 472)

Pakistan took an initiative for the development of small-scale industries and started with the implementation of Small Industries Ordinance in 1955. It was passed through assembly as Small Industries Act in 1956. Small Industries Corporation along with various other institutions took a job of resolving challenging issue of the small industry (Pakistan, Government Of, 1955, p. 472). Regarding first challenge that SIC took was to eradicate the outdated production methods. SIC was supposed to coordinate in the activities, conducted research on the mechanization of small-scale industry and submitted it to the federal government (Pakistan, Government Of, 1955, p. 472). Small businesses needed technical guidance. The research institutes were set up by the ministry of industries for provision of training and development of the industry workers, skills and knowledge about production processes, operating guidance of the equipment, techniques of removing faults from equipments etc.. Schools were also supposed to provide such trainings to their students. (Pakistan, Government Of, 1955, p. 473).

Japanese model was followed for providing the technical guidance to the small businesses, where advisory services were planned to be provided to the firms upon their request. In fact, the Japanese government used to send the team of experts to the affected firm where they could provide technical guidance to such firms (Pakistan, Government Of, 1955, p. 473).

The government also planned to setup common facility centers. For example in pottery industry, the potter needed high quality refinement of the crockery therefore expertise might be provided at the common facility centers. The small business might also outsource these services from the privately owned small business or cooperative owners existing at that time. Such small businesses could be either privately owned or government owned (Pakistan, Government Of, 1955, p. 474).

The small industry suffered due to inadequate supply of power at the initial years of independence. Government decided to provide mobile or stationary power units of size 50 to 500 horse powers. The provision of this amount of power was sufficient for running small business. The payment against the provision of power was to be provided by the small business in parts or

in full as appropriate. These units were again to be handed over to the private sector as appropriate. SIC could also provide loan for such facilitates (Pakistan, Government Of, 1955, p. 474).

SIC was empowered to provide loans through cooperative banks for an amount equal to PKR 100,000 to small business. Provision of credit was main concern for the small business during this period. Small business often needed credit for the purpose of either purchasing equipments or/and running the operations of the business. It was made sure that the credit is available to those all business with the help of lending institutions or the organizations of cooperatives who were provided support by the government. The process was named as indirect lending as SIC was not directly in connection with borrower (Pakistan, Government Of, 1955, p. 473). SIC was also assigned the task of providing loans for machines, equipments, factories etc. on the basis of hire purchase contract in which legal term contract is made between the two parties Hire and purchase is an agreement where seller sells the goods and buyers agrees hire the goods and pays for goods in parts or a percentage over specific period of time and at the end of the period the option of purchasing is left with the buyer against the nominal amount (Pakistan, Government Of, 1955, p. 472).

The SIC was also empowered to provide credit directly to businesses. However, it could be done where any other option was not available. The comprehensive process was made for this purpose with much administrative details. This was done as lending to the small business was directly to the small business was not the major objective of forming SIC. To provide loans directly to the small businesses for amount up to PKR 10,000 Facilitating and arranging sponsorship of subsidiary corporation or public companies so as to finance small business or provide them the management skills.

Trade Associations were also formed. This idea of forming trade association was taken from Japan. It had more than 17, 000 trade association in 1952 whose main objectives were to facilitate the small firms in the purchase of raw material, the marketing of goods at the various stages of production, providing raw material as input to some other small firm, Product marketing etc. So the cooperation at all levels among the small firms is necessary. These co-operations must be encouraged and the weaknesses and shortcomings of these co-operations must be removed as they are very important tool for the rural reconstruction and development. The firms also are very helpful in solving the problems of the other small businesses. The role of

government in this respect was to promote these associations and resolve their problems (Pakistan, Government Of, 1955, p. 472).

The small scale industry corporation started work and concentrated on the import and distribution of raw material needed for the small business initially in Karachi. Then it was decided to increase the scope of corporation to other provinces of Pakistan, where the provincial governments were asked to form small industries cooperation (Pakistan, Government Of, 1955, p. 472).

SIC was given task of marketing the finished goods made the small scale (Pakistan, Government Of, 1955, p. 472). The marketing processes involved analysis of the national and international markets, and study of the consumer preferences and methods of increasing sales were the specific problem of the marketing that small businesses faced. The cooperative associations were assigned these tasks. The cooperative associations had to carry out the complete supply chain process from the production of goods to the provision of receipts to the buyers (Pakistan, Government Of, 1955, p. 474).

Marketing facilities and sponsorships were arranged from the large firms for the training and development in the areas of management and finance (Pakistan, Government Of, 1955, p. 472). Cooperative ownerships like for example Sialkot Industrial Estate could be formed. The government could play its role by providing the infrastructure facilities like roads, lands, power, gas, water, ware houses etc. These would help the business to produce more goods and services. The Sialkot Industrial Estate was already doing it by producing sports goods, toys, surgical instruments etc. Such sort of industrial estates could be developed in other parts of Pakistan (Pakistan, Government Of, 1955, p. 474). This alternative would have caused various other problems as the proposition existed at that time that the markets better determine the prices of the products. This might had been against the policy of encouraging private sector however could only facilitate such activities. For this purpose the governments needed support in the form of voluntary associations for their own help. The government wanted a supportive role all problems like providing education, training facilities, and credit facilities. Purpose of all such facilities was to develop small business industry and make self dependent so that the small business industry could continuously grow. None other than the small businesses themselves could find efficient ways of performing in the national and international competitive industry (Pakistan, Government Of, 1955, p. 475). SIC was given task of maintaining store houses for purchasing the finished

goods from the small industry and provide them the raw material (Pakistan, Government Of, 1955, p. 472).

It was as early as during this period of time that the government realized that each small industry had its own set of problems needed to be resolved. For such purpose the government agencies were asked to diagnose each industry in detail and identify their problems and provide the solutions for such problems. The government then would be able to concentrate the specific problems faced by the small businesses and would take initiative to solve such problems (Pakistan, Government Of, 1960, p. 475).

The government agencies at federal, provincial and local level various levels played their role in the market of small business therefore special care must be taken for providing appropriate share of the manufacturing orders received from national or global markets.

3.2 Performance of Small and Medium Enterprises during 1947- 60

Pakistan had almost no industry at the time of Independence. Pakistan experienced a high growth soon after partition. In the fiscal year 1949-50 manufacturing sector contributed almost 7% in the Gross National Product mostly from small industries (Pakistan, Government Of , 1965, p. 446).

The planning for the first five years was done on the grounds that this would explore the full potential of the economy and would boost the rapid economic growth by building infrastructure for the small and large enterprise.

The expected growth of national income up to 15% could be further increased with the help of the agricultural and industrial production. It could be done by providing irrigation, power, transport and other facilities. This needed a proper planning and organization of the activities. The lack of proper planning along with public unawareness played a key role towards the poor performance of the small industries .

Lack of Finances also played a key role towards the poor performance. It was first time ever in the history of Pakistan that need of the diversification of the economy was felt. It was mainly because of adverse balance of payment during those years. There was very poor progress of the small business and cottage industry. This was mainly because of unavailability of reliable information about majority of small business.

As it has been discussed in the earlier part of the research that the importance of small and medium scale enterprises was realized quite earlier and for this purpose a provision of PKR 86.5 million in the public sector was made. Nevertheless, the plan was not implemented. Objectives

met were not near to its completion. The lack of seriousness and concerted effort was the main problems for not implementing plans therefore many problems of small scale industry remained unsolved. The rest of job was done by the improper production and marketing, shortage of raw materials, improper credit facilities, lack of standardization and flaws in the production facilities (Pakistan, Government Of, 1960, p. 255).

The total productions of small scale business was valued at PKR 4,116 million in 1954 and it was planned that by the year 1960 total investments of PKR 6,650 million would be achieved. The growth of PKR 2500 million was expected which comprised of PKR 1500 million from new investments and PKR 1000 from development in the flow of raw material. The growth rate was 61.8% during five years.

Apparel sector was considered as a part of large-scale industry as there was no medium scale industry in 1954. There was a total production of PKR 1.5 million which comprised of 0.22% of the total production of textile and clothing and 0.044% of total large scale manufacturing production.

Total production of PKR 1.5 million out of PKR 525 million of total textile production of small scale industry which included hand looms, tailoring, carpets and rugs, hosiery and other knitted goods, sericulture, braid tape, sewing threads. The production of apparel was 0.003% of the total textile production and very negligible if we consider total small scale production of PKR 4,116 millions. It means there was severe need to improve the apparel sector.

4 Development of SMEs in Pakistan from 1960 to 1965

The decade of 1960's emphasis was again on the importance of SMEs and various measures were suggested for promotion of SMEs. After every five years performance was reviewed and significant measures were taken towards its promotion.

As stated as it was for the first time the industry was distributed to small and medium size enterprise (Pakistan, Government Of, 1960, p. 229). The definition of small and medium enterprise was given separately. Small scale business was stated as Small scale industry. The industry is said to be small scale industry if it produces the handicraft, consumer or producer goods, employing either manual labor without use of any motive power. Further if the industry is using motive power then its employment may not be more than 20 persons or using fixed assets valued at not more than PKR 100,000. And the medium scale industries were defined as

all those firms that were not covered by the definition of small scale industries and with fixed assets of a value not more than PKR 1 million (Pakistan, Government Of, 1960, p. 229).

4.1 Issues, Challenges and Remedies for Small and Medium Scale Industry during 1960-65

It was noted that there was also a variation in per worker investment in the small scale industry. Village and cottage industry which had very low per worker investment needed more attention than the others small scale business. The jobs in small scale industry were insecure, primitive working conditions for the employees and more important of all lower wages.

Locations of small-scale industry lead to the decline in the investments mainly because of the fact that government provided land for the operation of small business in the remote areas. Due to this investors were discouraged and did not invest in the small scale industry (Pakistan, Government Of, 1960, p. 227).

SIC was supposed to help the small-scale industry at village industry level (Pakistan, Government Of, 1960, p. 16), sponsor necessary investment and improved utilization and may be able to provide raw material for the large scale industry (Pakistan, Government Of, 1960, p. 234). SIC was also assigned a task of assisting the small-scale businesses where the investments were expected (Pakistan, Government Of, 1960, p. 235). The provision of equipments required by the small scale business were also the task of SIC for improving their efficiency (Pakistan, Government Of, 1960, p. 240), (Pakistan, Government Of, 1960, p. 241), modernizing and expansion small scale business production (Pakistan, Government Of, 1960, p. 246) (Pakistan, Government Of, 1960, p. 237), (Pakistan, Government Of, 1960, p. 241), meeting the reasonable needs of small business units for production, (Pakistan, Government Of, 1960, p. 249) (Pakistan, Government Of, 1960, p. 251), (Pakistan, Government Of, 1960, p. 253)

Further to economize the use of capital in small-scale industries and SIC. For this purpose the provision was made for the SIC to help in purchasing a raw material, equipment extension of credit facility to the small business. (Pakistan, Government Of, 1960, p. 227)

Governing principles were developed for small-scale industry and are reported below:

1. Change in technological, economic and social conditions must not have any impact on the small business
2. Encouragement of the production of implements and equipment required for agriculture.
3. Encouragement of the processing of indigenous raw materials processing

4. Creation employment opportunities
5. Modernization of such existing units which have sound economic prospects
6. Promotion of speed of modernization by encouraging growth of small industries in rural areas
7. Development of a closer relationship between the small and larger industries for example the small scale industries should be assigned a tasks of repairing machines of large scale industry
8. Finally preservation and promotion of traditional arts and crafts (Pakistan, Government Of, 1960, p. 252)

It was realized then that if proper implementation of the program was needed then the responsibilities must be clearly assigned to the departments. Keeping in view that responsibilities of development of small business corporation was assigned to the provinces. Since the development of small industries was most important matter therefore the central government also planned that it would develop national policies, coordinate activities, fix the priorities of development, conduct research programs, arrange for foreign assistance, and arrange training programs.

Commercial functions of the federal government were to liaison with financial institution and advise on credit operation, international trade, international marketing, foreign and national exhibitions, standardization and quality control, and assistance to the provincial corporations in the purchase of machinery and equipment, national small industries advisory council and advisory panels on individual industries (Pakistan, Government Of, 1960, p. 256).

Since it was stated that the small business corporation was provincial matter therefore provinces distributed small business industries businesses into two parts. First, the technical and management services and second the commercial services. Technical and management services by the provincial small scale industries corporation were provided with the help of establishing centers which would provide advisory service and demonstrations on technical processes and use and improvement of equipment, training in business management, research in use of home-grown materials, and surveys of industrial prospects, set up rural industries centers—one in each province with the help of foreign assistance. Rural Industrial Extension Officers were to be trained in these centers; for remote areas mobile services were to be provided. It was also planned that the pilot project would also be set up by the provincial SIC on experimental basis.

Design centers were also planned to be established which would conduct the research on handicrafts and designs to collaborate closely with then existing arts. Commercial services were very broader term which included production, supply and marketing services and credit services. Production facilities included common facilities centers, small mobile common facilities, and small industrial estates. The Provincial SIC was supposed to transfer these production facilities centers to cooperatives or private enterprises.

Supply and marketing services included sales and display centers, to market small industries products and display modern designs, patterns and suitable equipment; grading and inspection to ensure standardized quality of products; and supply of materials and equipment, especially imported supplies, which will be sold to small industries by the Corporations to the extent necessary, credit services, included loans to; modernize and extend the small business, and credit for purchase of raw materials and for marketing purposes and to finance equipment on a hire-purchase basis.

As reported earlier it was for the first time during the early years of this decade that the medium enterprise was merged with small scale enterprise therefore it was made clear that medium enterprise would also benefit from the technical and management services but not the credit facilities which were available solely for the small enterprises (Pakistan, Government Of, 1960, p. 257).

Total expenditure of the small and medium enterprise was planned as PKR 500 million out of which PKR 192 million was kept for the Technical and management services and PKR 61 million was kept for the Production facilities, PKR 133 million was kept for the supply and marketing services, PKR 60 million was planned for Credit services, PKR 6 million was planned for Training, PKR 4 million was planned for Informational aid, PKR 3 million was planned for Design centers, PKR 1 million was planned for advisory board and panels, PKR 40 million was planned for Provincial organization headquarters and regional offices. The direct investment by the government was planned as PKR 250 million. (Pakistan, Government Of, 1960, p. 258).

The expenditure during the first five years of this decade was also planned. It was divided into two groups namely government financed and private investment. Total expenditure for small scale industry's public investment was planned as PKR 250 million. Out of total expenditure for all industries for an amount of PKR 4050 million whereas expenditure for the textile sector was planned as PKR 728 million. Revolving fund for working capital was also kept for this purpose

for an amount equal to PKR 160 million. Further the investment expenditure for the foot wear and apparel was planned as PKR 10 million. (Pakistan, Government Of, 1960, p. 231)

Funds would be provided for the proper utilization of existing resources and new investments in the industries. The emphasis was on the small scale business because of its employment potential and built-in merits. It was planned to encourage those industries which either support small-scale firms or agriculture firms.

It is stated in chapter 1 and paragraph 17 of second five years plan:

“Substantial increase is proposed in industrial production: the value added in production is projected to rise by 60 per cent in large and medium scale industry, and by 25 per cent in cottage and small scale industry” (Pakistan, Government Of, 1960, p. 5).

Where as in the paragraph 58 of same chapter it is stated as:

“Industrial production is planned to increase by about 15 per cent; 60 percent in large scale industry and 25 percent in medium and small scale industry. (Pakistan, Government Of, 1960, p. 19)”

Above quoted two statements are contradictory with respect to medium size enterprise. In the first paragraph growth of the medium enterprise is planned to be increased by 60% and in the second paragraph growth is planned to be increased by 25%. The seriousness of the institutions of Pakistan for improving the small and medium enterprise could be questioned.

It was sated that the small and medium enterprises would be encouraged during this period. Large firms would be asked to buy from the small firms in order to encourage them towards growth. This process should not be at the cost boosting uneconomic structure in the country.

4.2 Performance of Small and Medium Enterprises during 1960-65s

Institutions were setup to effectively implement these plans. Economic infrastructure along with start of institutional reforms helped to continuous economic growth. The problems that were identified in previous years were properly addressed which ultimately helped to increase the GDP. One can argue that the per capita GDP did not improve significantly during this period. The main reason of such insignificant change was not the growth in real GDP rather the population grew at the quicker pace. After 1960 the per capita income also improved during and main reason for such improvement was the strong solid basis of planning provided in the early years of independence. The per capita grew at the rate of 2.5% after 1960 as shown in Table 1. (Pakistan, Government Of , 1965, p. 1).

Table 1: Gross National Product, Per Capita Income and Annual Compound Growth Rate

In 1959-60 prices	1949-50	1954-55	1959-60	1964-5	1949-50 To 1959-60	1959-60 to 1964-65
GNP at factor cost (PKR million)	24,466	27,908	31,439	40,525	2.5	5.2
Population in (million)	79	88	99	112	2.3	2.6
Per capita income in (PKR)	311	316	318	360	0.2	2.5

Source: Third Five Year Plan (Pakistan, Government Of , 1965, p. 1)

If we analyze these two period shown in the Table 1. GNP at factor cost kept on improving and its growth reached to 5.2% during these five years. Absolute increase in per capita was only PKR 7 and in next five years it was PKR 42. Such a tremendous improvement in per capita was due to the proper implementations of the plans which were mad during the last fifteen years (Pakistan, Government Of , 1965, p. 2).

There was a remarkable increase in the total manufacturing specially in the last five year. However, the small scale manufacturing though improved but still comparatively was low as shown in the Table 2. In the year 1949-50 to 1959-60 the growth reported was 7.4%. This was mainly because of the reason that in the early years of independence the GNP was lower because of the many other problems but the improvement in the next five years was remarkable.

Table2: Contribution of Manufacturing in Gross National Product and Annual Compound Growth Rate of Small Scale and large Scale Manufacturing

In 1959-60 prices	1949-50	1954-55	1960-1	1964-5	1949-50 to 1959-60	1959-60 to 1964-65
Total Manufacturing	1,433	2,220	2,930	4,440	7.4	8.6
Large Scale	346	1002	1565	2888	16.3	13.0

Manufacturing						
Small Scale Manufacturing	1087	1218	1365	1552	2.3	2.6
GNP	24,466	27,908	31,439	40,529	2.5	5.2

Source: Third Five Year Plan (Pakistan, Government Of , 1965, p. 2)

Despite remarkable growth in manufacturing sector the contribution of the manufacturing sector was insignificant in the GNP. This was because of the low weight of the manufacturing sector in the GNP. The contribution in the overall GNP also improved up to 11% in the year from the years 1959-60 to 1964-65 from 5.8 in the years 1949-50 to 1959-60. Further the contribution of the small scale industry in the overall manufacturing was disappointing (Pakistan, Government Of , 1965, p. 3).

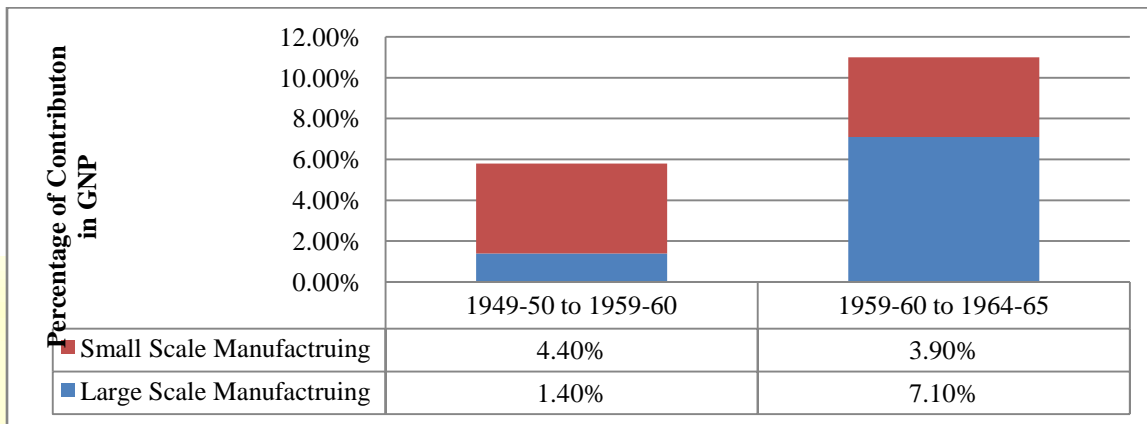
During the last five years from the year 1960 to 1965 the importance of the small scale industries was emphasized and for this purpose the provision of PKR 284 million was made. From this provision it was estimated that the industrial estate, common facility centers would be built. The technical and management services would also be provided and total investment of PKR 218 million was to be made during this period (Pakistan, Government Of , 1965, p. 455).

Table3: Structural Change in the Gross National Product

Sector	1949-50 to 1959-60	1959-60 to 1964-65
Manufacturing	5.8%	11.0%
All others	94.2%	89%
Total GNP	100%	100%

Source: Third Five Year Plan (Pakistan, Government Of , 1965, p. 3)

Figure 1: Contribution of Small Scale and Large Scale Manufacturing Sector in Gross National Product



Source: Third Five Year Plan (Pakistan, Government Of , 1965)

5 Development of SMEs from 1965 to 1970

The year of 1965 was the year in which the third five year plan was announced. This was also a period during which the against India had broken out.

The small scale industries was redefined as industries which employ manual labor but do not use any motive power or industries which use motive power and use fixed assets valued PKR 250,000 excluding land (Pakistan, Government Of , 1965, p. 455).

5.1 Issues, Challenges and Remedies for Small and Medium Scale Industry during 1965-70

Development of small-scale industries was yet again the motive of the government. It was interesting to note that same governing principles that were given five years back, were repeated. The progress of these governing principles were not mentioned anywhere in the documents of Government of Pakistan, (Pakistan, Government Of, 1960, p. 260) (Pakistan, Government Of , 1965, p. 255)

During this period, considerable expansion of the advisory and comercial services were made. The services were provided through SIC of each province. At the country level the it was decided that small industries service center would be setup. The mobile extension units were also planned to be the part of the setup. The purpose of setting up these units to give technical and management advice to the small scale businesses. The production facilities were also organized. These centers were planned to be provided facilities of transport, water, power and other

facilities. Network of supply and marketing services was also setup and credit services were also planned to be organized in co-operation with the banks (Pakistan, Government Of , 1965, p. 255).

It was interesting to note that the road map that was given to encourage the small-scale industries was not different from the previous years. The road map was that the large- scale industries would be required to encourage the small-scale industries by purchasing raw material from them through sub contracting. (Pakistan, Government Of , 1965, p. 256) (Pakistan, Government Of , 1965, p. 460).

The government spending during this period was proposed as the PKR 188.5 million. Medium enterprises were practically merged to the large-scale industries. Amount of PKR 38 million was planned for the schemes of industrial research and training. The development of small-scale industries spending of PKR. 463.5 million were planned. For promotional programme of small scale industries PKR 128 million in scientific and industrial research was planned (Pakistan, Government Of , 1965, p. 449). Total spending for the promotional programme of small scale industries were PKR 287.81 million against the planned revised spending of PKR 170.45 million (Pakistan, Government of, 1970, p. 357). Investment promotion schemes and supplies of the large/medium and small enterprises were merged (Pakistan, Government of, 1970, p. 358).

There were two of types of services provided by the government. First, technical and management service and second commercial service. Under the technical and management service, the following advisory and demonstration services were planned to be provided during this period for which the SIC was assigned this task. The services included provision of technical processes and use and improvement of equipment, training in business management, research in use of indigenous materials; surveys of industrial prospects, rural industries centers. Small industries extension services served areas where such industries are or can be concentrated; mobile extension services will serve remote areas. Pilot projects to demonstrate possibilities of new industries, a provincial design centre will undertake research on industrial design. Under the commercial services, it included the production facilities, including common facilities centers and mobile common facilities units, supply & marketing services, credit services (Pakistan, Government Of , 1965, p. 456).

The provisions were planned to be kept in the areas of scientific and industrial research amounting to PKR 125 million. For the scheme of technical assistance and enhancement of the

productivity of small industries through training an amount of PKR 88 million was proposed. Further for the development of industries in remote areas allocation of PKR 30 million was done and finally for printing and publication PKR 7 million were planned to be allocated. Total spending of PKR 250 million were proposed for the development of industrial zones of small scale business. The cities where small industrial estates were proposed were Sialkot, Peshawar, Bahawalpur, Quetta and Sukkur. The small businesses were given attention during this period. (Pakistan, Government Of , 1965, p. 459).

5.2 Performance of Small and Medium Enterprises during 1965-70

The performance of the small and medium scale industry was not up to the expectations. It faced a very difficult situations in 1965 and the investments and the production were disturbed (Pakistan, Government of, 1970, p. 355). During this period performance was also affected due to change in the administration of Dr. Mahboobul Haq was economist who worked on the inequality in the country and found that the inequality was increasing during 1968-69. All the growth in the country had in fact multiplied the income of the 22 families in Pakistan who owned almost 66% of the industrial assets (Talbot, 1998).

By this time over all two decades had completed. In the process, its economy has altered and size of the GDP had grown significantly. The structure of the economy by this time was more diversified because the techniques of production had improved. Foreign assistance in the form of loan had direct impact on the domestic saving which ultimately affected the per capita income of the country. Increase in the rate of population was very high therefore improvement in the GDP did not help to improve the living standard in the country (Pakistan, Government of, 1970, p. 1). Small scale industries grew at the rate of 2.7% in the fiscal year 1969-70 from 2.6% in the fiscal year 1959-60 (Pakistan, Government of, 1970, p. 21).

6 Conclusion

Importance of the small and medium enterprise realized in the early years of Pakistan. The common issues and challenges during this period were lack of financing facilities, raw material availability, outdated machines used for the production, marketing, market knowledge, location of SMEs, modernization and expansion of SMEs, to improve the technological, economic and social conditions, development of relationship between small and medium enterprises. The issue issues and challenges of textile and apparel sector were same. The roadmap was given by the Government of Pakistan. It was claim that solution problem was given. The problems faced by

SMEs remained same during whole pre nationalization period. Overall non serious attitude of the Government of Pakistan towards the development of small and medium enterprise was observed.

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