

An Empirical Study on the Key Issues of the Small Industrial Growth in Sindh: A Case Study of Sukkur Estate Area

¹Mumtaz Ali Junejo, ²Chandan lal Rohra, ³Parkash Lal

¹Assistant Professor Department of Commerce SALU-Khairpur

²Assistant Professor Department of Business Administration SALU-Khairpur

³Lecturer Department of Business Administration SALU-Khairpur

Abstract: This research study investigates the growth of different small scale industries in terms of sales, profit and employment. We have selected 113 different small industrial units from the Sukkur estate area. It has found that growth of sales, profit and employment has been decreasing since 1990 to 2004-05 in the estate from 5 percent to 3 percent every year by the reason of lack of professional education of the owners in the field of management and marketing. This research has found that the growth rate of established units since inception of estate is not satisfactory i.e 37.91 percent.

Key words: Small Industrial Growth, Empirical, Sukkur Estate, Case study.

INTRODUCTION

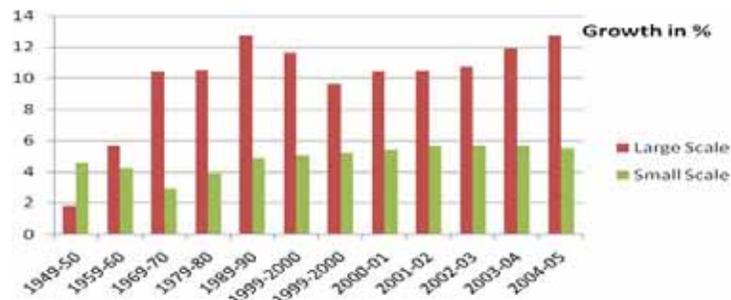
Small Industries (SIs) are important part of a nation's economic and social structure and a key to the equitable distribution of income. These enterprises are the nursery for local entrepreneurs and learning ground for workers to develop practical skills. SIs provides myriads of support services to both large and medium Industries. Most important with the advent of the last quarter of the 20th century, SIs are also increasingly involved in the process of internationalization.

In this era of fierce competition the development of core competencies is becoming increasingly essential for survival networking has led to a higher reliance on small Industries. Worldwide are now increasingly linked to a network of multi-dimensional support services that are essentially for SIs.

Small-scale industries play very important role in the economic development of any developing or under-developed country. These industries meet the twin needs like solution of unemployment problem and checking the economic concentration in the hands of a few. These industries encourage self-sufficiency, self-reliance and co-ordination. They provide beneficial re-allocation of available resources and their proper utilization. The traditional village and cottage industries provide a vital means of livelihood to village artisans. These industries create the scope of employment to the rural persons.

The small-scale industries however, contributed only 4.6 percent to GDP. While the share of small-scale industries has increased to only 5.6 percent, the share of large scale industries increased to 12.7 percent by the year 2004-05.

Graph-1



Corresponding Author: Mumtaz Ali Junejo, Assistant Professor Department of Commerce SALU-Khairpur
Email: Prof.junejomumtazali@yahoo.com

Sukkur city is the third largest city of Sindh province situated at the junction of Punjab and Baluchistan. The upper Sindh has an agro-based economy. Accordingly, most of the agro-based industries were set up here including cotton ginning, vegetable ghee & cooking oil, flour, cotton thread, cement, fertilizer, agriculture implements, tractors repair workshop, confectionery and dates processing mills etc. Sukkur is also a distribution centre, which fulfills the requirement of whole of the upper Sindh, part of lower Punjab and Baluchistan. Main products for distribution are: cotton and silk cloth, hosiery, general merchandise, dates, cotton and silk cloth, hosiery, general merchandise, dates, dry fruits, fresh fruits, vegetables, medicines, paints and varnishes, crockery and cutlery, stainless steel crockery, sanitary ware and fittings, cement, fertilizer, wheat, flour, timber and other miscellaneous items.

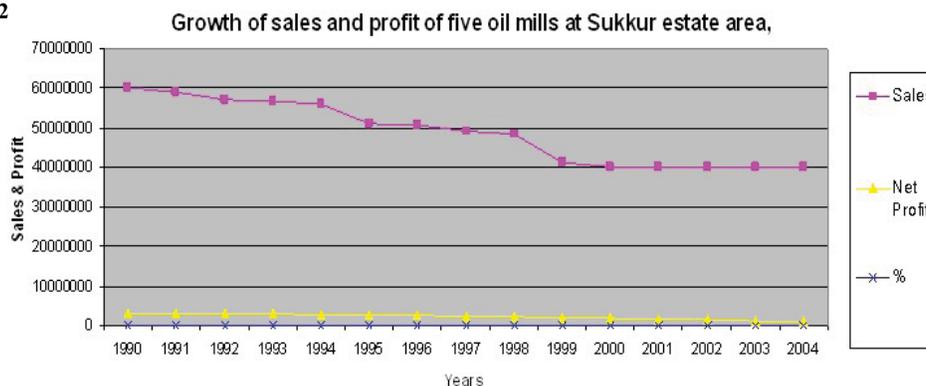
MATERIALS AND METHODS

After careful field study of Sukkur estate area we selected 93 different small scale industries for analysis of data and interpretation results. Moreover, some data we have analyzed on the basis of responses of respondents through the well structured questionnaire. We have selected 14 oil mills, 6 food industries 16 flour mills, 6 Biscuits factories 3 Daal mills Marble & Tiles factories four. We have also selected samples of industries on the random sampling basis such as graduate, intermediate, matriculate, and uneducated owner of the small industries.

RESULTS AND DISCUSSIONS

Growth of sales and profit of various small firms at Sukkur estate area Owners of these mills are Matriculate and Intermediate.

Graph-2

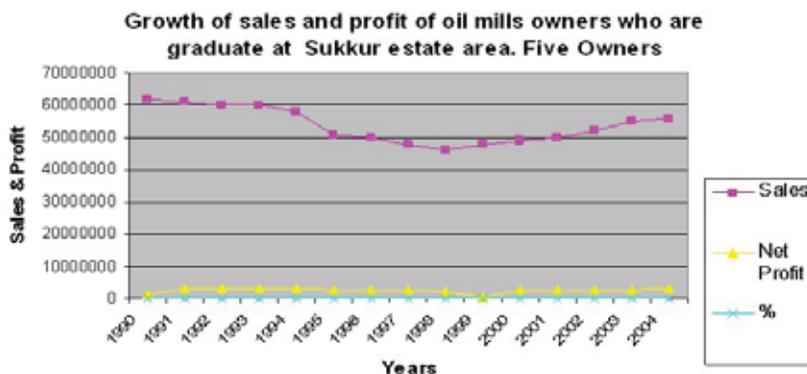


Above graph shows that the sales were declining from the year 1990-99, but profit was 5%. In the year 2000-2002 the sales were further declined and profit was also decreased up to the 4%. In the year 2003-04 sales were sharply declined and profit was also decreased. Keeping in view the above picture of the sales and profit it can be concluded that the owners of these mills were not capable enough to tackle the declined trends of sales and profit. The gloomy pictures of these industries are proving that owners were unaware regarding the strategic management and marketing management.

It is crystal clear that the owners of these industries are family concern with flat management structure. In simple words it can be said that it reflects ONE MAN SHOW by unprofessional owners.

In the year 1990-94 the sales were showing a downward trend, whereas during the year 1995-2000 the sales further declined on account of tough competition among oil industries in the local markets and in the same period various other oil industries were also established. In the year 2001-04 sales increased because the owners of these industries had adopted new strategies. They appointed the agents who visited various local areas and met with various shopkeepers in different areas and got the orders on the concessional price. Thus, with this strategy, the owners of these mills increased their sales.

Graph-3



The owners of these oil industries were graduate that's why they tackled the problems efficiently setting better strategies. But the fact remaining that owners of these oil mills must get training in management and marketing to become more effective through quality and cost control to achieve better financial results.

Graph-4



The above graph shows the sharp decline of sales from the year 1990 to 2004. During the year 1990-92 the sales position were stable but in the year 1993-96 the sales were declined and profit was 5% per year. But in the year 1997-98 the sales further declined and the profit reduced to 4% per year. In the year 1999-2000 the sales received further setback profit came down to 3% per year. During the years 2001 to 2004, the sales further declined sharply and the profit at 3% per year.

The owners of these flour mills were matriculates therefore they could not ascertain the reasons of sharp decline in sales and profit over the years. Later, the numbers of flour mills rapidly increased. As a result, the competition amongst the flour mill owners further enhanced. Some very competent and highly educated owners established flour mills in Sukkur estate area, selling their flour on discount in the same markets and thus easily captured the entire market and eliminated their competitors.

It was noted that some of the owners of these mills were family concerns with centralized management structure. It based on ONE MAN SHOW. It was further found that in view of lack of professional education in the field of management and marketing, the sales & profit of their industrial units sharply declined in the reporting years.

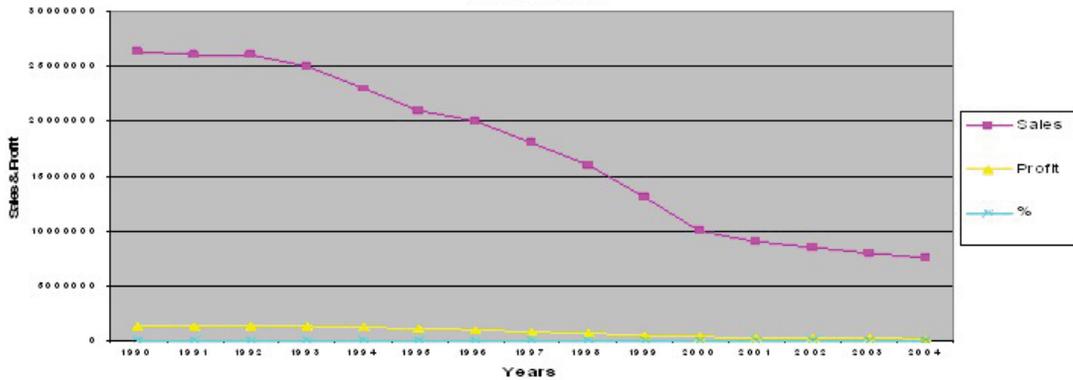
The above graph shows that during the years 1990-96 the sales sharply declined but profit remained at 5% per year. In the year 1997-98 the sales rapidly declined and profit also decreased to 4% per year. In the year 1999-01 the sales were further declined and profit was also decreased to 3% per year. In the year 2001-04 the sales of this industry further sharply declined and profit as well to 2%.

It is crystal clear that the owner of this industry was not able to grasp to situation due to his personal deficiencies on account of low education with no training in the field of marketing and management so it was very difficult for him to understand the changing environment of the markets.

Above graph shows an upward trend in sales during the years 1990 to 2004 whereas the profit remained static at 5% in the said years. It can be said that the position of this small industrial unit is unique because the sales from the year 1990-2004 constantly increased but the profit remained same.

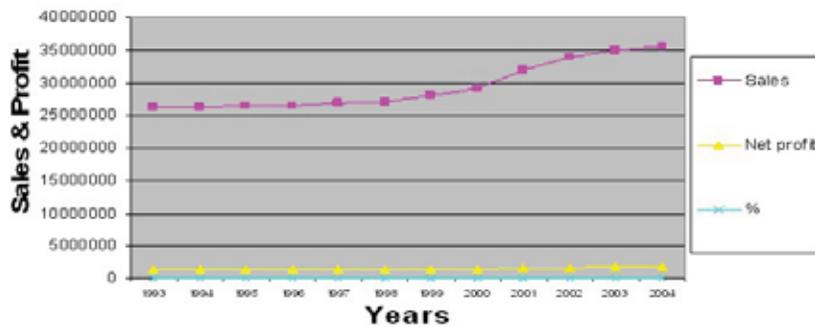
Graph-5

Growth rate of sales and profit of one flour mill. Owners of this mill is uneducated



Graph-6

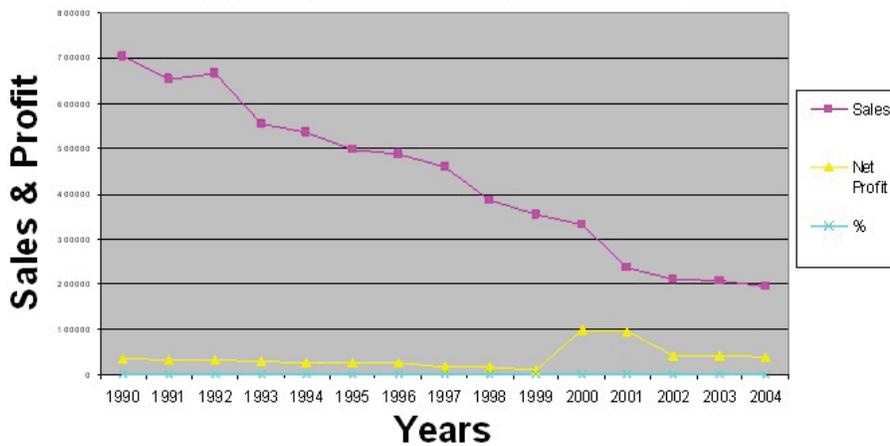
Growth rate of sales and profit of one flour mill. Owner of this mill is M.A.L.L.B



The owner of this flour industry is highly educated and he did get training in the field of management and marketing from the Pakistan Institute of Management (PIM) Karachi. The owner of this industry is highly professional and belongs to the very rich family of Sukkur. We found during the interview that he made a sound strategy with clear vision as how to increase the sales and profit of the unit.

So it can be concluded that the owner of this mill is professionally sound there fore the unit shows an upward trend in sales and net profit over the years.

Graph- 7 Growth rate of sales and profit of one Biscuit Factory at Sukkur estate area. Owner Uneducated



The above graph shows that the sales during the years 1990-96 decreased but the profit remained at 5% each year. In the year 1997-98 the sales were further decreased and the profit also decreased from 5% to 4% in the same years. In the year 2001-02 sales sharply declined and so the profit from 4% to 3%. Like wise, in the year 2002-04 similar downward trend in sales and profit continues.

On the basis of our analysis we found that the rote cause of declining results is poor management and weak financial base and lack of vision coupled with absence of motivation and diversified interest, result in underutilization of capacity and dearth of managerial knowledge.

Growth Rate of Small Scale Industries at Sukkur Estate Area

$$P = \frac{\text{Number of Projects in Operation}}{\text{Number of Plots Available to the Estate}} \times 100$$

$$P = \frac{113}{298} \times 100$$

$$= 37.91$$

Average income of the individual employee & daily wages of workers Rs: 60,000 per year.

Summary of industrial units in production of small industries at Sukkur estate area.

Name of industry	Number of units	Total investment capital (In millions Rs.)	Number of Employees
Paints & Color	1	0.320	8
Cotton Waste	11	4.802	135
Agriculture implements	2	0.768	36
RCC Pipe	4	1.640	68
Flour Mills	8	8.261	115
Furniture	1	0.566	22
Pulses	7	4.390	123
Rice Mills	3	4.418	56
Oil Mills	7	3.028	92
Spies Grinding	10	5.134	104
Plastic Bags	1	0.200	8
Printing Press	2	0.200	7
Iron Chain Manufacturers	1	0.162	6
Confectionery	2	1.784	20
Biscuits & Bakery	3	2.269	28
Soap Manufacturers	2	0.988	22
Tin Manufacturers	1	0.251	11
Salt Grinding	1	0.288	11
Poultry Farm	2	0.945	20
Poultry Feed	3	1.817	13
Herbal Laboratory	1	0.500	10
Saw Mill	1	0.800	8
Cotton Thread	1	0.168	13
Wood Work	1	0.575	10
Food Products	2	1.035	11
Air Coolers	3	1.284	33
Marble & Tiles	3	2.610	28
Ice Factory	2	0.816	22
Auto Rubber	1	0.481	8
Steel Furniture (Almari)	1	0.685	4
Tin Container manufacturers	1	0.870	5
Metal Container Manufactures	1	0.590	10
Chemical manufactures	1	0.257	6
Plastic manufacturing	1	0.345	6
Liquor Works	1	1.168	8
Grant Total	93	54.415	1087

Source: The Sukkur chamber of Commerce & Industry

Conclusion:

This paper has briefly examined the growth of sales, profit and employment. Actually these enterprises are nursery for local entrepreneurs and learning ground for workers to develop the skills. This research has found that those entrepreneur who are highly educated their sales and profit of units were increasing. Besides those owners who are matriculate, intermediate and uneducated their sales and profit units were decreasing every year. The policy makers and the concerned department of Sindh Small Industries Corporation (SSIC)

have not so far promoted the small industries in Sukkur estate area. Now it is very important for the SSIC, Government, banks and other concerned departments, they must give the opportunities to the graduates in economics, commerce and business administration field because the candidates of these fields are highly capable to run the small firms more effectively and efficiently rather those who are uneducated and have merely business experience.

It is a fact that Small Business Administration of America has opened many offices near all universities and colleges of various states for the purpose of hunting the prospective candidates who are interested to invest and launch an independent business in the America. Small Business Administration of America is providing technical and financial assistance to the willing candidates for promoting the small-scale industries in America. Small Business Administration (SBA) has provided training facilities to the ten million entrepreneurs through seminars, workshops and counseling sessions in the field of management and marketing.

Small Business Administration of America (SBA) has provided in each estate of small-scale industries well equipped infrastructure like roads, electricity, hospitals, libraries, gas, telephone, and internet and E-Commerce facilities.

The most units of small-scale industries are sick due to the absent of proper feasibility report, and such units were declared sick since beginning in the estate area of Sukkur while others were sick due to the lack of working capital, wrong choice of financiers, high interests payments, frauds, corruption, lack of financial control and absence of costing system and delay in the release of funds by banks or financiers.

Through the field study we found that, in the all sample firms, there is no concept of hands-some salary and wages for the efficient workers. They are giving low wages and meager salary to the regular and daily wages workers.

Through the survey method we have found that there is low growth of small-scale industries in the Sukkur estate area due to the lack of proper motivation of first generation entrepreneurs and U-turn in government policies.

This research has also found in Sukkur Estate Area there are poor infrastructure facilities such as internet, libraries, hospitals, training centers, counseling program and roads.

According to banking council report (June 1995-96) 3785 Small Scale Industries were closed in Pakistan, out of these 1296 Small Scale Industries were closed in Sindh. The owners of all these closed units became the defaulters of various banks and financial institutions total amounting Rs.240.29 Billion.

According to another report of Development Statistics of Sindh 1998, During the year 1990 – 91, the total established units of Small Scale Industries were 1751, but in 1991- 92 56 units became sick in one year.

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