

Analyzing Entrepreneurship Competencies, Private Investment and Economic Growth (A case study of Larkana Industrial Estate in Pakistan)

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Abstract: This empirical research has examined the competencies of entrepreneurs of small scale Industries of Sindh Pakistan in the perspectives of educational back ground, and managerial knowledge and their impact on the growth of sales and employment per year since 1990 to 2004. This study has also found that only few entrepreneurs have high educational base and possessed the managerial abilities. But contrary, the majority of entrepreneurs have low educational base, lack of managerial knowledge and conservation oriented attitude results in underutilization of capacity in low growth of units, sales and profit per year. The various regression models have been applied to find out the impact of education on the respondents required traits. In this regard it is found that there is high co-relationship i.e., 0.7 over the response of qualified respondents towards required competent traits. The test results of the equality of variances. The significant values tell us that the samples taken are not dependent on each other. T-test for equality of samples are applied hence sample are equal and independent in selection. The model applied for the measuring the impact of education over responses are suitable and applicable at $R=0.794$ and $R^2=0.631$. The picture that emerges of the small entrepreneurs or a new business owner is generally that of a necessity driven person who has other family members in business, is poorly educated and short of capital and skills in the Larkana estate area. This research work provides a survey of the theoretical and empirical literature to promote the educational base of entrepreneurs through in-depth training program

Key words: Entrepreneurs, Small industries, conservation oriented, Growth, Underutilization, Necessity-driven.

INTRODUCTION

The role of the entrepreneur in economic development is very important because entrepreneur starts business provides jobs and uses the indigenous resources of the country for better socio-economic growth. In the U.S.A the small industries created millions of jobs in the last decade. In Singapore, Entrepreneurship and the growth and development of small Industries (SIs) have a direct and dramatic impact on the economic stability. SMEs in Indonesia have also maintained a significant position and role in terms of the absorption of the labor force, the distribution of income, the development of a rural economy and the foreign exchange earning.

The government of France taken to the giant measures on financial support to the small Industrial sector (SIs) by giving loans to the entrepreneurs on the low interest rates, tax exemption, information services, entrepreneurship promotion programs, research and development and training to the entrepreneurs. The Government of United Kingdom has also taken the bold steps to increase the growth of small Industries by tax relief, local business links, research and development and entrepreneurship educational programs. In Pakistan small Industries contribute to all the major goals of economic and social development.

Indeed, it is a fact that Pakistan's comparative advantage was the skill its people had in many fields of small and cottage industry. Its people were famous for hand-crafted products in metal, wool, cotton and wood. But this comparative advantage fritted away over time and was not exploited or developed. There was no tradition of institution building and guilds and associations that would foster the skill and pass it on to the next generation were not nurtured. There were no laws requiring the skill or recognition of skill to be preserved. Hence national industrial development suffered. The real development that did take place was in the 1960's but owing to the nationalization phase in the 1970's it died away. During the glorious 1960's the manufacturing growth rate recorded was about 8%. However, unfortunately, there was no diversification from

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Textile and food processing. Industrial development was marred by low productivity and import substituting industrialization. The trend since the 1960's has been towards capital intensive and labor displacing industrialization. The focus on workers rights and increasing unionization compelled investors to avoid using large numbers of labor. Thereby the rate of unemployment increased, and poverty worsened. Pakistan's economic development policies favored capital-intensive technology choices, ignoring the fact that this would create unemployment. Even the subsidized credit available for small enterprises stimulated more capital-intensive technologies. This situation is further compounded by the fact that Pakistan ranks relatively low among other Asian countries in such areas as per capita number of science and technology personnel and levels of research and development expenditures. This therefore mars the spirit of the small enterprise development environment that requires appropriate labor-intensive technologies which use local resources. It is in such an environment that Small Industries (SIs) can develop to fulfill their role of employment generation, economic development and poverty alleviation.

Any enterprise building process involves three major components viz., the entrepreneur, the 'enterprise' and the 'environment' (more specifically, the Economic and business environment). The degrees to which the three components operate in unison determine the success of the enterprise. Interventionary instruments for Entrepreneurship Development (ED) have to therefore focus on all the three components. The overall effect of these is what we call the Entrepreneurial Economic.

The changes in the said components offer useful clues to road map the future course of action for the entrepreneurs, the managers and the support system. (But at the outset the authors would like to caution that no SIs development could take place with one SMEDA and one SME Bank for the whole country. we will be running from pillar to post with no avail. In fact each province needs a small Enterprise Development Bank and the regional hub for SME coordination and development). The 'environment' for entrepreneurial economics demands a host of support services, an infrastructure support for the 'handholding' of SIs. The entrepreneurial spirit will prevail eventually reminding us the engine of growth of a free economy is the entrepreneur.

Review of Literature:

It was in the early 20th Century when Moravian and Joseph Schumpeter cast the entrepreneur as being the central actor in the change process, that anyone really took note. Schumpeter contended that the single most important function of the entrepreneur was innovation. Max Weber's entrepreneur is depicted as an energized individual. As the hero, the entrepreneur sets in motion the revolutionary processes associated with change. The result was higher productivity, increased savings, and investment, all factors which are vital to economic growth.

Marchall in 1920 described the entrepreneur as someone who "combines through vigorous activity the factors of production, labor and capital so as to produce an increased output of goods and services thereby increasing the total wealth or material welfare of society". David McClelland the behaviorist who inspired the introduction of achievement motivation training for entrepreneurs defined the entrepreneur as "a person who organizes and maintains a business undertaking assuming the risks for the sake of profit". William Bygrave "an entrepreneur is someone who perceives an opportunity and creates an organization to pursue it". Educated individuals are likely to engage in boundary spanning, tolerate ambiguity, and show an ability for "Integrative complexity" (Dollinger, 1984; 354). further high levels of education have consistently been associated with respectively to innovation (Becker, 1970; Kimberly and Evansko, 1981; Rogers and Shoemaker, 1971). Bental and Jackson (1989) found that top management teams with high levels of education led innovative banks.

Allan Gibbs defends an enterprising culture as one which is characterized by "a set of attributes, values and belief operating within a particular community or environment that leads to 'enterprising' behavior." Some of these traits exist and some have to be inculcated through education. Some societies are known to have these traits. "Therefore there has been much academic debate about whether the attributes can be developed in an individual or are the products of genetics. The weight of opinion supports the notion that they can be influenced considerably" says Allan Gibbs. He goes on to say "Education underpins culture. The lesson from this is that entrepreneurship education is for everyone, not just the small business entrepreneur." Talking about educational and managerial context he says "that entrepreneurship is embodied in sets of values and beliefs relating to ways of doing things and communication things." Therefore his logic is that we should learn from our environment and adopt the value system or adopt a behavior, which is admired by the society. The attributes that are admired are what we adopt, and we tend to look for those people who have these attributes. And people who are projected as heroes are looked upon as being our heroes because we recognize these attributes and behavior in them. They become our role models.

However, there prevails a controversy on what it takes to be a successful entrepreneur. Earlier, people used to believe that entrepreneurs are born, not made. In other words, persons with business family background could become successful entrepreneurs. Subsequently, the sharpened knowledge of entrepreneurial competencies over the last four decades made people to believe that entrepreneurs are made, not born. According to this view, persons possessing proper knowledge and skill acquired through education and experience can become successful entrepreneurs. In view of above controversy in order to understand clearly what it takes to be a successful entrepreneur, research institutions and behavioral scientists, through their research studies, have tried to resolve the controversy on what makes a successful entrepreneur. Here, we are presenting the findings of the representative institutional and individual research studies on entrepreneurial competencies.

MATERIALS AND METHODS

In the year 2004 at Larkana estate area, total 84 small and cottage industries were in operation. During the field study, it has found that the numbers of small rice mills were high and these industries were also coming in the definition of State Bank of Pakistan. In this regard we selected 30 units of rice industries and six units of food industries from the Larkana estate area. To collect the required information from the selected samples of small industrial units, we distributed the structured questionnaire among the selected samples.

For analysis of data we have used the regression model for measuring the relationship between the dependent and independent variables. We have also used the graphical techniques to examine the slope of distribution, and scatter plot to find out the relationship between two variables. Some analysis has been interpreted on the basis of respondents' response. We have also selected some samples on the random basis for the purpose of in-depth case studies such as samples of un-educate, matriculate, intermediate and graduate entrepreneurs of small industrial units at Larkana estate area.

Analysis and Results of Larkana Estate Area:

The growth line of employment is showing the ups and down from 1976 to 2000, but during the year 2002 to 2004 the line of employment growth were going to upwards. It shows that during the year 1976 only one unit was established and that unit had provided employment to the ten persons and the growth rate of employment was 1.45%. During the year 1977 total numbers of units six were established and these established units provided job opportunities to the fifty nine persons and the growth rate of employment also increased up to 8.56. The reasons of high growth rate of small-scale industries were the effective policies of the government. But in the year 1978 only one unit was established which provided job opportunities to ten persons and growth rate of employment was 1.45%. During the year 1979 to 1990 0.58% growth rate of employment were increased. It means in twelve years employment growths was unsatisfactory and in these years only fourteen units of small industries were established and these industries had provided jobs opportunities to the 147 peoples. During the year 1991 to 2004 only thirty nine units were established and these small industrial units had employed to the four hundred ninety three persons and growth rate of employment was 24.28%. Keeping in view of above mentioned facts and figures it can be concluded that the growth rate of employment and units established was very low. It has found that compound employment growth rate was 31.91 of twenty eight years shows the dismal position of the Larkana Estate Area.

Above table shows that there are so many different communities which are contributing in the economic development of the country and providing job opportunities to the various local peoples in the region. It is a quite clear that Shaikh community has dominated in the establishment of different type of small industrial units in the Larkana estate area and they have invested Rs.18.738 million in small industries. Shaikh communities have contributed in establishment of small scale industries i.e. 20.41% and it is a tremendous contribution. Second high contributor community is Hindu and this community has established ten different small industrial units and invested 16.574 millions rupees and share of this community is 8.30% in the establishment of small industries. Third contributor community is Bhutto and this community has established four small industries in the estate and invested Rs.4.554 million share of this community in establishment of industries is 3.32%. Fourth contributor community is Abbasi and this community has established 4 small industries and invested Rs.5.916 million and share of this community is 3.32%. Fifth high contributor community is Mehesar and this community has established three small industries and invested Rs.3.126 million and share of this community in establishment of small industrial units is 2.49%. There are different communities such as Brohi, Soomara, Mughal and Jatoi, who have established only two industries. Brohi community has invested Rs.1.020 million and share of this community is 2.49%. Soomara has invested Rs.4.554 million and share of this community is 2.49% Jatoi has invested Rs.1.360 million and share of this community is 2.49%. There are various others

communities as well such as Jokhia, Merani, Chachar, Khohro, Ghori, Bangali, Bughti, Arain, Mangi, Chawro, Channa and Dayo. These communities have established one small industrial unit each in Larkana Estate Area and their contributions are mentioned in the table.

Above graph shows that the limit set were within 5.0 to -10 and 35 different respondents were incorporated for the process proportion / control chart. In this regard Mega Stat software is used. This graph shows that the process proportion of the respondents is under control and that the responses over few questions are underestimated and incorrectly responded. However, those respondents are predicted as lower in knowledge and qualification.

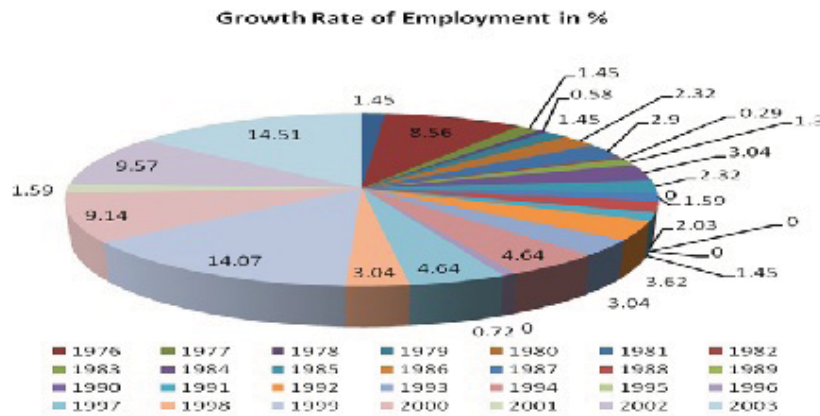


Fig. 1: Growth rate of employment at Larkana industrial estate area

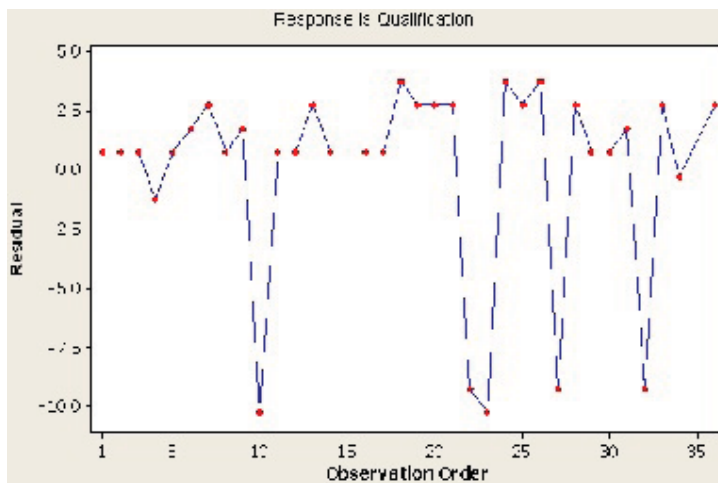


Fig. 2: Process Proportion of the Respondents

The above correlation table proves that there is a high relationship of qualified respondents with the required qualities to be a successful entrepreneur i.e 0.7 correlation at Larkana estate area. It is crystal clear that high education is a strong factor by which Pakistan can increase the growth of small scale industries.

The model applied for the finding the impact of education over responses. The model is suitable and applicable $R=0.794$ and $R^2=0.631$. This also shows the responses are closely related with respondents.

Conclusions and Recommendations:

This study has found significant co-relationship between educated entrepreneurs and growth of sales per year. The various regression models have been applied to find out the impact of education on the respondents required traits. In this regard it is found that there is high co-relationship i.e., 0.7 over the response of qualified respondents towards required competent traits. The test results of the equality of variances. The significant

values tell us that the samples taken are not dependent on each other. T-test for equality of samples are applied hence sample are equal and independent in selection. The model applied for the measuring the impact of education over responses are suitable and applicable at $R=0.794$ and $R^2=0.631$. This also shows that the responses are closely related with the respondents. Indeed, it is crystal clear that, in Larkana estate area, the most of owners of small-scale industries are family concern with centralized management structure. In the simple words it can be said that there is one man show. This gives the picture of highly-unprofessional management with very little emphasis on the professionally qualified management due to the lack of education or low level education. The overwhelming majority of firms' representatives are conservative-oriented because they are not capable to critically examine and interpret financial statements such as, balance sheet, return on investment and breakeven analysis and workout ratios to keep them in taking timely corrective measures.

Table 1: Growth rate of Units established and Employment at Larkana estate area

Years	No. of Units Established	No. of Employment Created	Growth Rate of Employment in %
1976	1	10	1.45
1977	6	59	8.56
1978	1	10	1.45
1979	1	4	0.58
1980	2	10	1.45
1981	1	16	2.32
1982	2	20	2.90
1983	1	2	0.29
1984	1	9	1.30
1985	2	21	3.04
1986	2	20	2.32
1987	0	0	0.00
1988	1	11	1.59
1989	1	14	2.03
1990	0	0	00
1991	0	0	0.00
1992	1	10	1.45
1993	2	25	3.62
1994	2	21	3.04
1995	3	32	4.64
1996	0	0	0.00
1997	1	5	0.72
1998	2	32	4.64
1999	1	21	3.04
2000	7	97	14.07
2001	6	63	9.14
2002	1	11	1.59
2003	7	66	9.57
2004	6	100	14.51
Total	61	689	100

Source: Study Survey

Table 2: First Generation & Community wise Owners of Small Industrial Units at Larkana Estate area

Name of Community	No: of Units Established	Investment in Millions Rupee	Results in % Share of each community for establishment of small industries per year
Shaikh	27	18.738	22.41
Hindu	10	16.574	8.30
Bhutto	4	4.554	3.32
Abbasi	4	5.916	3.32
Mahesar	3	3.126	2.49
Barohi	2	1.020	2.49
Soomra	2	4.554	2.49
Mughal	2	1.237	2.49
Jatoi	2	1.360	2.49
Jokhia	1	0.636	0.83
Merani	1	1.765	0.83
Chachar	1	1.100	0.83
Khorro	1	3.500	0.83
Ghori	1	0.300	0.83
Bangali	1	1.177	0.83
Bughti	1	0.268	0.83
Arain	1	0.155	0.83
Mangi	1	0.500	0.83
Chawro	1	0.988	0.83
Channa	1	1.163	0.83

Table 2: Continuc

Dayo	1	0.473	0.83
Panwhar	1	0.099	0.83
Mangsi	1	1.025	0.83
Sahito	1	0.754	0.83
Shah	1	3.775	0.83
Pathan	1	0.578	0.83
Sandelo	1	9.300	0.83
Mugheri	1	0.056	0.83
Singh	1	0.779	0.83
Unknown	5	2.749	0.83
Total		88.219	67.23

Source: Study Survey

Table 3: Regression Analysis versus Respondents of Small Firms on Five Points Likert Scale in Larkana Industrial Estate

	Mean	Std. Deviation	N
Question Number	13.00	7.360	25
Strongly Disagree	11.28	7.924	25
Disagree	8.56	5.657	25
Neither Agree nor Disagree	7.52	2.201	25
Agree	6.68	5.513	25
Strongly Agree	2.96	1.428	25

Table 4: Correlations

		Question Number	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Pearson Correlatio	Question Number	1.000	.446	-.278	.003	-.165	-.737
	Strongly Disagree	.446	1.000	-.653	.003	-.578	-.735
	Disagree	-.278	-.653	1.000	-.021	-.148	.266
	Neither Agree nor Disagree	.003	.003	-.021	1.000	-.384	.007
	Agree	-.165	-.578	-.148	-.384	1.000	.522
	Strongly Agree	-.737	-.735	.266	.007	.522	1.000
Sig. (1-tailed)	Question Number	.	.013	.089	.495	.215	.000
	Strongly Disagree	.013	.	.000	.494	.001	.000
	Disagree	.089	.000	.	.460	.241	.099
	Neither Agree nor Disagree	.495	.494	.460	.	.029	.487
	Agree	.215	.001	.241	.029	.	.004
	Strongly Agree	.000	.000	.099	.487	.004	.
N	Question Number	25	25	25	25	25	25
	Strongly Disagree	25	25	25	25	25	25
	Disagree	25	25	25	25	25	25
	Neither Agree nor Disagree	25	25	25	25	25	25
	Agree	25	25	25	25	25	25
	Strongly Agree	25	25	25	25	25	25

Table 5: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.794 ^a	.631	.557	4.899	.631	8.543	4	20	.000

a. Predictors: (Constant), Strongly Agree, Neither Agree nor Disagree, Disagree, Agree

b. Dependent Variable: Question Number

Table 6: Anova^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	820.043	4	205.011	8.543	.000 ^a
	Residual	479.957	20	23.998		
	Total	1300.000	24			

a. Predictors: (Constant), Strongly Agree, Neither Agree nor Disagree, Disagree, Agree

b. Dependent Variable: Question Number

Table 7: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients			Correlations		
		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part
1	(Constant)	19.402	4.955		3.916	.001			
	Disagree	.053	.200	.041	.267	.793	-.278	.059	.036
	Neither Agree nor Disagree	.556	.523	.166	1.064	.300	.003	.231	.145
	Agree	.543	.261	.407	2.081	0.50	-.165	.422	.283
	Strongly Agree	-4.956	.951	-.962	-5.211	.000	-.737	-.759	-.708

a. Dependent Variable: Questin Number

The policy makers and the concerned department of Sindh Small Industries Corporation (SSIC) have not so far promoted the small industries in Larkana estate area. Now it is very important for the SSIC, Government, banks and other concerned departments, they must give the opportunities to the graduates 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 finical assistance to the willing candidates for promoting the small-scale industries in America. SBA has provided training facilities to the ten million entrepreneurs through seminars, workshops and counseling sessions in the field of management and marketing.

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

The most 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 Larkana 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 Larkana estate area due to the lack of proper motivation of first generation entrepreneurs and U-turn in government policies. We have used the simple linear regression model and found relationship between high educations with the better growth of sales per year and so we have also found a relationship between the low education and illiterate with lesser sales per year.

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