

Evaluation of intermediate level training in sma of pakistan



As the backbone of Pakistan's economy, approximately ninety-five percent of all businesses in Pakistan are SMEs. Small and medium enterprises provide eighty percent of the employment to the industrial labour force; as well as contributing approximately forty percent of the country's gross domestic product. SMEs in Pakistan however, have not developed to their full potential for various reasons. Small and medium enterprises are not well defined in Pakistan, which demonstrates the lack of successful economic development of the country (See Figure 1).

Various SME departments or organizations in Pakistan define SMEs differently as Mufasa and Kahn explain, "...the SME Bank defines an SME as that which has total assets up to Rs. 20 million whereas a medium scale enterprise may have total assets equaling Rs. 100 million. On the other hand, SMEDA defines SMEs according to the dual criterion of productive assets and number of employees" (1). The Small and Medium Enterprise Development Authority was established in 1998 with the purpose of fostering the development of SMEs in the economy (Abbas). SMEDA's objectives include improving the conditions which are hindering small and medium enterprises; by improving policy, identifying business opportunities by focusing on the gap in supply and demand and securing financing for SMEs (Abbas).

SMEDA is also involved in providing resources such as seminars, workshops and training programs to better prepare SMEs for conducting international business; as well as the " facilitation of sectoral Business Development Services to SMEs" (3). Finally, SMEDA is responsible for linking Federal and Provincial organizations to help develop or strengthen existing SME

associations and chambers (Abbas). Recently, in 2000, " SMEDA was restructured into a parallel organization with specialist departments in Finance, Technical, Business Technology and SME policy division, Donor liaison and sectoral analysis wings" (Abbas: 4). SMEDA, in cooperation with Japan International Cooperation Agency (JICA), initiated the Industry Support Program for Pakistan SMEs (Abbas). Pakistan is a market economy and trade liberalization is encouraged. Both local and foreign investment are hindered in Pakistan due to political instability, a " non conducive legal and economic policy environment" and a distrust between the private and public sectors (Abbas: 2).

The reasons for underdeveloped SMEs in Pakistan are (Abbas):

- Obsolete labour laws and skills.
- Inappropriate taxation system.
- An idle trade capacity.
- A lack of finance and credit availability.
- A lack of market access

Suggestions of improving the probability of success have been made by SMEDA; geared towards stabilizing the unstable political and economic forces which negatively affect SMEs in Pakistan. SMEDA believes that the friction between private and public sectors have the most negative impact on SMEs.

SMEDA suggests that defining the roles of each of these sectors will reduce the current power struggle evident in the Pakistan economy (Abbas). The roles would improve communication by balancing power and performance. Pakistan's political turmoil has negatively affected the success of SMEs; SMEDA believes that the restructuring of private and public sectors should aim at protecting SMEs from the political changes in leadership. To motivate the cooperation of sectors, SMEDA suggests that " a balanced system of

incentives both for public and private stakeholders encouraging cooperation” should be designed (Abbas).

Rationale

The researcher for this paper has several reasons for pursuing a study on the evaluation of the effectiveness of intermediate level training in Pakistan’s SMEs using intermediate level assessment. Reasons for such a study involve personal interest and relevant experience; but also the researcher finds the research topic important for supporting the success of Pakistan’s SMEs. A prosperous and growing economy requires a flourishing SME sector (Mustafa & Kahn). Contributions made by SMEs assist in economic development by creating employment, providing flexibility and innovation and significant contributions are made to exports by the diversification of economic activity. These contributions have the potential to alleviate poverty and enhance the overall quality of life.

Unfortunately, Pakistan’s economy has not flourished, even though ninety-five percent of businesses are SMEs. It was this rationale that motivated the researcher to investigate factors of SMEs that may be hindering them and to focus on SME workforce training because it is likely that there is a lack of much needed training which is leading to the unsuccessful economic development. Until recently, the development of SMEs in Pakistan has been debated by private and public forums with a “ socio-political” motivation; which resulted in the promotion of large scale industry through economic policy, budgetary measures and regulatory regime (Mustafa & Kahn).

The new slow developing change in private and public sectors by SMEDA has brought about a better focus on SMEs and defined policies aimed at improving the probability of success of SMEs. The researcher's interests in Pakistan SMEs involve the development of a better, more efficient workforce which would be a primary factor in improving Pakistan's economy through the creation of jobs and an increase in GDP.

Objective

The objective of this study is to evaluate current intermediate level training in SMEs in Pakistan by implementing the intermediate level assessment methods. The researcher aims to answer the following research classes; 1. What are the most common intermediate level training procedures in Pakistan's SMEs? 2. What factors influence the application of intermediate training evaluation? 3. How successful has intermediate level training been in Pakistan's SMEs? 4. What aspects of intermediate level training in SMEs need adjusting? How can they be improved?