SMEs and its role in economic and socio-economic development of Pakistan

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Abstract

SME’s contribute to over 55% of GDP and over 65% of total employment in high-income countries. SME’s and informal enterprises, account for over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries. Small and medium-sized enterprises (SMEs) are non-auxiliary, autonomous firms which employ less than 250 number of workers in Pakistan or having paid-up capital up to Rs.25 million & sales up to Rs.250 million per annum. Moreover, SME segment is the foundation of Pakistan’s economy as far as its commitment towards GDP, work era and fare improvement. Economy related access is a key driver in building up the SME division which thusly prompts economic growth of the country. SMEs constitute about 90% of the considerable number of ventures in Pakistan; utilize 80% of the non-rural work constrain; and their contribution in the yearly GDP is up to 40%, roughly it has proportion of 30% in Pakistan’s all exports. SMEs are spread in all areas of Pakistan with a noteworthy fixation in Punjab (65.4%). The contribution of Balochistan in the nation’s SME part happens to be the littlest (2.3%) while those of Sindh and Khyber-Pakhtunkhwa are 18% and 14.3%, separately. Despite of significant contribution of SMEs to the economic growth of Pakistan, more than 90% young people in the biggest city i.e. Karachi, believe they do not have enough economic opportunities for their professional growth. The studies reveal that, SMEs not only impacts GDP. It also helps to enhance the livelihood of people of the country by creating more economic opportunities. The study focuses on structural analysis of SMEs and its role on economic and socio-economic growth of Pakistan. It also discusses the socio-economic challenges faced by Pakistan.

Keywords: Economic growth, Socio-economic growth, Economic opportunities, Gross domestic Product
**Introduction**

Small and medium-Enterprise (SMEs) play a critical part in the economic, modern and social advancement of a nation. It assumes a vital part in the worldwide economy through its critical commitment to the GDP and enhancing the general population's standard of living. Generally, the advanced nations possess 90% of enterprises in SMEs part and one of the significant reasons for financial development. The modern part of SMEs assumes an indispensable part in the worldwide economy through fare of household items to different nations. As per the United States International Trade Commission (2012) that American economy is additionally considering the presence of SMEs, which contributes half to 70% in the GDP of the nation through work creation and self-reliance. SMEs are considered as a vital method for work creation and destitution lessening in the developed nations. The presence of SMEs brings the successful usage of nearby assets and lifts up the economies everywhere throughout the world. SMEs assume an indispensable part in developing the economies through import and fare of merchandise, which prompts worldwide economic success. As indicated by Rohra and Panhwar (2009), a large portion of the high-income nations yield the significance of SME segment in helping their economies. SMEs assume an distinctive part in the advancement, as it has been a wellspring of work creation and wage era. These contribute in the improvement of a country in keeping up the standard of life by expanding the salary of the general population. SMEs have a noteworthy commitment in the advancement and competitiveness of the economy (Dar, Ahmed, & Raziq, 2017). Small and Medium Enterprise Development Authority (SMEDA) is the head establishment of Government Pakistan which works under the elected service of ventures. SMEDA helps Small and medium enterprise for to secure financing in the nation. It is Leading workshop and preparing system to reinforce SMEs area in Pakistan by enhancing information and specialized aptitudes. It also Encouraging the Small and medium enterprise in getting the universal standard confirmation for their subjective item and procedures. The SMEDA encourages development of mechanical group in and upgrades the SMEs productivity in Pakistan (Chughtai & Alam, 2014).

The meaning of SMEs in Pakistan lies on the quantity of representatives up to 250 individuals, paid-up capital up to Rs.25 million and yearly deals up to Rs.250 million (Kureshi et al., 2009). This definition was a result of a consultative procedure of spreading over more than two years taken after by investigation and refining at different levels of government prior to its finish and endorsement by the Federal Cabinet in 2007 (SMEDA, 2007). For the most part one of the defects in the definition is the nonappearance of isolating line amongst Small and Medium and among Assembling, Trade and Service segments. In this way, the definition of SMEs couldn’t be concluded.
Table -1 Definition of SMEs in Pakistan

| Institution                  | Enterprise Category | Nature of Business | Number of Employees | Value of Capital (Pak Rs) |
|------------------------------|---------------------|-------------------|---------------------|--------------------------|
| SMEDA                        | Small Scale         | Production Sector | Up to 36            | Up to 20 Million         |
|                              | Medium Scale        | Production Sector | Up to 99            | Up to 40 Million         |
| SME Bank                     | Small Scale         | Service Sector    | N/A                 | Less than 100 Million    |
|                              | Medium Scale        | Service Sector    | N/A                 | More than 100 Million    |
| Federal Bureau of Statistics | Small Scale         | Service Sector    | Less than 10        | N/A                      |
|                              | Medium Scale        | Service Sector    | N/A                 | N/A                      |
| SBP                          | Small Scale         | Manufacturing     | Less than 250       | Less than 100 Million    |
|                              | Small Scale         | Service Sector    | Less than 250       | Less than 50 Million     |
|                              | Medium Scale        | Manufacturing     | Less than 250       | Less than 100 Million    |
|                              |                     | Service Sector    | Less than 50        | Less than 50 Million     |
| Sindh Industries Deptt.      | Small scale         | Manufacturing     | N/A                 | Less than 10 Million     |
| Punjab Industries            | Small/ Medium Scale | Manufacturing     | N/A                 | Less than 10 Million     |
| Punjab small Scale Corporation | Small/ Medium Scale | Manufacturing     | N/A                 | Less than 20 Million     |

According to economic survey (2005) of Pakistan more 30% exports of Pakistan rely on output produced by SMEs. Nearly 3.2 million workforces are engaged in SMEs. It has become major employment generation sector in Pakistan. It is playing an important role in economic and socio-economic development of Pakistan. SME sector has become backbone of industrial sector in Pakistan but in comparison with neighboring countries i.e. China and India it is much far behind in contributing GDP of the country. SMEs sector has contributed more 40% in India and more than 60% in China (See Figure 1). Studies also reveal the fruit of SMEs in Pakistan has not been transferred to people by true means. So, it is not causing significant impact on socio-economic life of countryman. Pakistan is ranked at 139 in prosperity index of People that is much behind with its neighboring countries. Government need to prepare more flexible policies that can give relief to new entrepreneurs. Since 2009 Pakistan has ranked after 100 countries in ease of doing business reports. That reveals it is not easy to start new business venture in Pakistan.
In the developed economies, private companies are perceived as the fundamental motors for growth and advancement due to their huge commitments to financial growth and thriving.

The capability of SMEs to advance domestic-drove growth in new and existing enterprises and to reinforce the flexibility of the economy in an aggressive and testing condition is inarguable. As per the Department of statistics of Malaysia, the financial growth in developed nations, for example, Korea, Japan, Taiwan and numerous others, was essentially produced by SME exercises. The rate commitment of SMEs to Gross Domestic Product (GDP) add up to esteem included extents from 60 percent in China, 57 percent in Germany, 55.3 percent in Japan and 50 percent in Korea, contrasted with 47.3 percent accomplished by Malaysia. The SME growth is evaluated by SME commitment to the three (3) fundamental divisions of the economy; assembling, administrations and horticulture (Frimpong, 2013).

Small and medium-sized enterprises (SMEs) are progressively being perceived as productive drivers of economic growth and improvement for African nations. For instance, it is assessed that SMEs account shape 70 percent of Ghana's gross domestic product (GDP) and 92 percent of its organizations. They likewise make up 91 percent of formalized organizations in South Africa and 70 percent of the assembling division in Nigeria. SMEs contribute essentially to the economy as well as fill in as a catalyst for economic expansion through their improvement of new and unsaturated segments of the economy. What's more, creative and innovation based SMEs can give an intriguing stage to expanding outside of domestic fringes, and entering intra-local and global markets.

In numerous African nations SMEs represent around half of occupation creation. In Tanzania for instance, it is evaluated that more than 33% of the GDP starts from the SME area. In South Africa then again, it is assessed that 91 percent of the formal business entitles are MSMEs, contributing in the vicinity of 52 and 57 percent to GDP and giving around 61 percent to work (Frimpong, 2013).
The vital part of SME in the making of profitable work identifies with its position amidst the range of sizes and capital powers in a developing economy. Every sector of an economy has an interest in work of each sort (Berry, 1998). SME could play important role in future job creation. It is helpful to recognize the work request related with each of five separate sectors of the economy instead of simply the three size-based classes specified previously. Agriculture, while still vital in many nations, has been and will keep on losing relative significance as a source of business, even though in a couple of cases the economic advancement ought to have the impact of briefly turning around this characteristic procedure. Overall it is impossible to anticipate that this sector will make a lot of extremely profitable work (Berry, 1998). Small and medium enterprises perceived as a critical part for the financial development on the planet. The SMEs has constructive effect on the economic development through work creation, fare of household products, upgrades pay level of people groups that at last expanded general GDP in the nation (Subhan, Mehmood, & Sattar, 2013). It has coordinate association with financial development in Iran economy. The study reveals that in Iran economy 94% of modern unit are occupied with SMEs area, which contributed 43% of mechanical work in the nation (Johari, 2012).

SMEs are key performing artists for improving innovation, competitiveness, entrepreneurship and the foundation of a successful innovation framework for advance nations. Enhancing the speculation atmosphere for SMEs, and fortifying their abilities to react to exchange and venture openings, strengthens the financial execution of SMEs and this thusly positively affects development and destitution diminishment in developed nations (KESKĠN, ġENTŪRK, SUNGUR, & KĠRĠġ, 2010).

SMEs constitute the fundamental source of materials, ideas, process and service that huge undertakings can't do or don't have any desire to do. Since expecting to profit by the cost preferred standpoint of economies of scale, expansive undertakings execute an arrangement of assembling an item for a long stretch because of the huge ventures for the machines, devices, gadgets and work constrain. In any case, SMEs don't have such issues as keeping up a substantial scale speculation. Since their economies are little and they have more flexible structure when contrasted with substantial ventures (KESKĠN, ġENTŪRK, SUNGUR, & KĠRĠġ, 2010).

SMEs add to business and pay age and fare incomes in developed nations. Be that as it may, keeping in mind the end goal to take advantage of the capability of SMEs for improvement and neediness decrease, change and government of developed nations, advancement accomplices and SMEs themselves need to address various difficulties (OECD, 2004).

SMEs constitute the ground of the national economy as far as advancement of nearby innovation, incitement of indigenous enterprise, preparation and usage of local reserve funds, business creation, auxiliary adjusting of vast and little industry segments in both country and urban ranges, supply of brilliant middle items consequently reinforcing the international aggressiveness of producer's merchandise, empower mechanical advancement and developments, give the ability to grow send out plausibility and substitute import successfully. Revelation has additionally demonstrated that the normal part commitment by the substantial
scale undertaking to the economy regarding change in the GDP, business age, expanding nearby esteem included, mechanical improvement among others are been settled by SMEs (Opafunso & Omoseni, 2014).

SMEs are the real supporters of employment in all regions, although the size of the commitment fluctuates. The median commitment of SMEs to employment in various regions, characterizing SMEs by connection to worker numbers in table. For instance, SMEs utilizing up to 500 individuals represent just about 57% of employment in North America, however 88% in the South Asian region (Edinburgh Group, 2012).

Table – 2 SME contribution to Employment Shares by Region – Median

| Median across regions          | SME100 | SME150 | SME200 | SME250 | SME300 | SME500 |
|-------------------------------|--------|--------|--------|--------|--------|--------|
| Africa                        | 54.77% | 63.79% | 68.15% | 76.85% | 80.56% | 85.11% |
| East Asia and Pacific         | 56.79% | 61.58% | 67.42% | 65.70% | 71.34% | 71.34% |
| Europe and Central Asia       | 44.71% | 53.08% | 59.46% | 66.32% | 67.48% | 75.47% |
| Latin America                 | 53.72% | 56.71% | 64.36% | 67.77% | 70.99% | 78.26% |
| Middle East and North Africa  | 31.20% | 48.10% | 36.63% | 57.31% | 58.56% | 62.30% |
| North America                 | 41.73% | 39.34% | 41.99% | 0.00%  | 59.27% | 56.58% |
| South Asian Region            | 56.68% | 65.29% | 73.63% | 78.00% | 80.26% | 88.55% |

Source: Growing the global economy through SMEs report (Edinburg group, 2012)

Table – 3 shows contribution of SMEs in employment for different income group. As per table SME of 500 person having much more contribution on than high income countries.

Table – 3 SME contribution to Employment Shares by Income Group – Median

| Median across income groups   | SME100 | SME150 | SME200 | SME250 | SME300 | SME500 |
|-------------------------------|--------|--------|--------|--------|--------|--------|
| Low                           | 59.43% | 65.73% | 74.21% | 78.00% | 83.29% | 86.71% |
| Lower-Middle                  | 52.58% | 59.16% | 64.70% | 66.19% | 71.34% | 77.80% |
| Upper-Middle                  | 41.84% | 49.15% | 53.90% | 58.15% | 64.03% | 73.86% |
| High                          | 48.13% | 54.39% | 61.46% | 66.89% | 67.23% | 75.16% |

Source: Growing the global economy through SMEs report (Edinburg group, 2012)

**Role of SMEs in Economic growth of Pakistan**

SME part in Pakistan is basically a less formally sorted out division; more than 96 percent organizations are possessed and overseen by a person as a sole restrictive concern. While 2 percent are associations, there are not really any corporate substances in the SME area, suggesting that the consideration of expert individuals in business administration process is yet to be seen. SMEs in a perfect circumstance should fill in as the rearing ground for future corporate part yet this truly does not appear to occur in Pakistan.
Pakistan is having much certainty in GDP After 2009. Pakistan is an economy involving predominantly of SMEs. The centrality of their part is distinctly shown by different insights. As per later gauges there are around 3.2 million business endeavors in Pakistan. Undertakings utilizing up to 99 people constitute more than 95% of every private venture in the Industrial segment and utilize about 78% of the non-farming work constrain. They contribute more than 30% to the GDP, Rs.140 billion to fares, and record 25% of fares of produced merchandise other than sharing 35% in assembling esteem included.

Figure 2

The SME area contributes 60% of GDP and more than 70% of aggregate work in low-income nations (LIC); while they contribute more than 95% of aggregate business and around 70% of GDP in middle income nations. Surprisingly, over 90% mechanical units in the nation are micro SMEs. 84% of the SMEs have yearly income of under Rs. 0.5 million (DFR, 2008; Qureshi & Hirani, 2011).

Contribution of SMEs in the Economy of Pakistan

| Total Numbers of Economic Establishments | 3.2 million |
|----------------------------------------|------------|
| Total Numbers of SMEs                  | 99% of all enterprises |
| (Along with Agriculture) Contribution in Employment | 90% |
| Total % of Non-Agricultural Workforce (emp. in SMEs) | 78% |
| Average No. of Employees in 99% of SMEs | 1-10 persons |
| Share in Export Earning                | 25% |
| Share in Gross Domestic Product (GDP)  | 30% |
| Share in Manufacturing Industry       | 35% |

In any case, there has been worry that in Pakistan the SME area has not possessed the capacity to understand its maximum capacity. The SMEs keep on suffering from various shortcomings, which hamper their capacity to take full preferred standpoint of the opening of
economy and the undeniably available world markets. The territories of imperatives are typically distinguished as work, taxation, trade capacity, finance and credit availability (SMEDA, 2017). Pakistan is facing continuous decline in the yearly ranking of ease of doing business. Since 2011, when Pakistan was ranked 96 out of 183 affected by various factor and now in 2017 ranked on 144 out of 190 countries of the world. Pakistan had fall of 48 ranks in ranking. It is become more difficult to start business in Pakistan as the years passed. People were more likely to feel ease to start business in Pakistan in 2011 but now they are feeling Pakistan is not suitable country for investment. Only 9.3% young people are engaged in running their own business in the Karachi that is megacity of Pakistan. Study reveals lack of proper education about running business and lack economic opportunities are the most significant causes for low growth of young entrepreneurs in Pakistan (Zafar, Iraqi, & Mustafa, 2017). People in Pakistan are more likely to invest on Education as believe getting the education is only way to comprehend the problems of society (Zafar, Mustafa, & Jameel, 2016).

![Ease of Doing Business](image)

**Figure 3**

Pakistan is much far behind from its neighboring countries like china, Iran and India. According ease of doing business report (2017) Pakistan is ranked after China, Iran and India. Investors from the world are more likely to invest in neighboring countries rather than Pakistan. China is much favorable country as compared to Pakistan with the score of 78 in the report beside this Iran has 120 and India is lying at 130. This increase competition to Pakistan in attracting more investment for SME sector.
The neighboring countries of Pakistan took some prominent and powerful measures over the last recent five years for the improvement of modern part. They are giving power without stack shedding to their enterprises on 35% low electric charges; they lessened expense rate, giving unique levy, free access to European market and likewise giving tax exempt status to units of material businesses. Also, they have minimal effort work. 60% to 70% nearby Textile industry of Pakistan has moved to neighboring i.e. India, Bangladesh (Akhtar, Zafar, & Fahad, 2015). Comparison of neighboring countries about ease of doing business reveals Pakistan much far behind from the statistic of China and Iran. Although Iran had not that past for ease of doing business but as the time being Iran made progress and came ahead of Pakistan.
Role of SMEs in Socio-economic growth of Pakistan

Pakistan's growth rate has been the speediest in South Asia. By and large, net national item has expanded by around 6% a year for the initial forty years. Moreover, this economic progress has not been converted into the advancement of lives of poor people. The advantages of quick growth have been unevenly appropriated. In 1960, around 19 million individuals lived beneath the poverty line in Pakistan. By 1980, the quantity of individuals characterized by the legislature as completely poor had developed to 34 million. It at that point fell by 10 million toward the finish of the 1980s. However, poverty began expanding in the 1990s, and in the vicinity of 1990 and 2000 the quantity of supreme poor rose from 24 million to around 50 million (Haq, 2000). Since the year 2012 Pakistan is consistently rank high that shows lower socio-economic growth of Pakistan. In 2012 Pakistan ranked at 132 and for 2013, 2014, 2015, 2016 was at 132, 127, 130, 139 respectively. Despite of economic growth the fruit of growth has not transferred to people of the country. Pakistan is still facing catastrophic challenges in the education, energy and health sector.

As per the Times Higher Education (THE) 2016, there is no Pakistani educational institution in the best 100 institutions in Asia, and that mirrors the scrape of education in nation. As per the UNSECO report 2015, educational markers of Pakistan are frantically low. Right now, around 33% elementary school kids are out of school, and 42 percent of populace matured 10 or more is unskilled. In education division gender discrepancies generally hold on. The report additionally includes that at the national level around two-third females of age more than 15 can't read and compose, and 35 percent stay out of school. The Gender Parity Index if there should be an occurrence of cooperation in essential education is 0.82. It is surveyed that more than 6.7 million youngsters are out of school, and greater part of them, 62 percent, are young ladies (Talpur, 2016).

Energy crisis is wild in Pakistan. The explanations behind that are: poor administration of the energy foundation, untrustworthiness, absence of straightforwardness and poor or terrible administration. The crisis began amid the Musharraf period and steadily expanded; now it has turned out to be troublesome for government to end it. Pakistan needs around 22,000-megawatt power every day; be that as it may, presently, it can create around 15,886 megawatts for every day, and thus there is a shortage of more than 6,000 megawatt for each day. Because of deficiency of power, the monetary development of the nation has gravely been hampered.

Health is likewise a critical issue in Pakistan. Around 80 percent of every single significant ailment, for example, the runs, cholera, typhoid, hepatitis and intestinal sickness are because of hazardous drinking water, lacking sanitation, and poor cleanliness. As per the State of the World's Mother Report 2015 by Save The Children, mother mortality proportion in Pakistan had moved from 147th in 2014 to 149th. Moreover, the report depicts that Pakistan's name figures high in mother death rate of 276 for each 100,000 live births, and the under-five youngster death rate of around 89 for every 1,000 live births amid the most recent 10 years or somewhere in the vicinity. These makes sense of swing to be more troublesome when the
contrast between the rich and the poor in sundry urban regions was looked at, for instance in Baluchistan where the mother death rate was more than 700.

![Prosperity Index (Pakistan)](image)

**Figure 6**

In comparison with neighboring country, China has much better socio-economic conditions as it is ranked at 90 before India at 104 and Pakistan at 139 on prosperity index for the year 2018. Pakistan is not losing the social sense. It is also losing the trust of people because of low transfer of fruit of economic growth to the society. That creating the income gap among people of the country. Pakistan need invest on the people of middle class and low income by creating more economic opportunities in term of promoting SMEs.

![Prosperity Index](image)

**Figure 7**

The ascent of unemployment among youth in Pakistan is an extremely grave issue. As indicated by the World Bank Statistics 2014, 32 percent of youth is ignorant in Pakistan, though 8.2 percent youth is jobless. There are additionally those individuals who have post-graduate
degrees and Ph.Ds. be that as it may, have no occupations. Because of this grave issue, each day in social, print and electronic media we see instances of suicide; besides, social wrongs are increasing among such individuals. Not just that, as a result of unemployment, specialists, engineers, IT specialists and different experts are leaving Pakistan causing brain drain (Talpur, 2016).

SMEs are also a channel for promoting socio economic life of people in Pakistan. There are too many small organizations are working for betterment of health and education sector of Pakistan beside this too many small institutions are working for betterment of poor people living under the poverty line by increasing their day income. These are decidedly influenced the financial development of Pakistan through fare gaining and business age, neediness minimization, nearby assets usage in the nation (Ahmadani, Shaikh, & Shaikh, 2012). SME are contributing in enhancing per capita income in Pakistan that is making people’s life better.

![Per Capita Income of Pakistan](image)

**Figure 8**

The volume of SMEs in Pakistan is assessed to be 3.2 million people, with the SME part's commitment to the national gross domestic product (GDP) being 40%. With an offer of 30% in Pakistan's aggregate fares, SMEs are working in entire Pakistan with a large concentration in Punjab (65.4%). The offer of Balochistan in the nation's SME part happens to be the lowest (2.3%) while those of Sindh and Khyber-Pakhtunkhwa are 18% and 14.3%, individually. Pakistan's SME part is in front of India's (17%) and behind China's (60%) and Japan's (55%). As far as aggregate products sent out, Pakistan's SME segment has an offer of 30%, which is not exactly those of India (40%), China (68%) and Japan (38%). As far as non-cultivate work, the offer of Pakistan's SME division is 80%, which is not as much as China's (82%) yet higher than India's (35%). SMEs are helping in reducing the cost of goods e.g. normal cost per work made in a turning factory (extensive scale segment) is Rs1.1 million while the same is just Rs75,000 in an article of clothing fabricating unit (SME segment). Banks and financial institutions should help to SME division. As the default rate of SMEs has dependably been under 1% (Tribune, 2014).
Research Methodology

Study is based on data collected from secondary sources i.e. research articles, published thesis, and other publication. The study has reviewed literature about role of SMEs in economic and socio-economic development of Pakistan. It also made comparison of ease of doing business among China, Iran, India, Pakistan and Afghanistan. It also attempts to highlight the causes that are motivating industries from Pakistan to neighboring countries. The study also discussed report written by world Bank and other institution of Human development. The Doing Business report gives target measures of business directions and their implementation crosswise over 190 economies and chose urban areas at the subnational and territorial level. The Doing Business project, propelled in 2002, takes a look at local small and medium-size organizations and measures the controls applying to them through their life cycle. By social event and breaking down far reaching quantitative information to think about business control situations crosswise over economies and after some time, Doing Business urges economies to contend towards more proficient direction; offers quantifiable benchmarks for change; and fills in as an asset for scholastics, columnists, private segment specialists and others keen on the business atmosphere of every economy (IBRD, 2017). The study also reviewed prosperity reports published by Legatum association. Prosperity is essentially the open door for everyone to find, satisfy, and share their potential, turning into as well as can be expected be and helping other people be as well as can be expected be. It includes both wealth and wellbeing. No individual need mope in destitution or in social detachment. In measuring prosperity, the objective of the Legatum Prosperity Index™ is the change of individuals. We need to comprehend what life is truly similar to for individuals, distinguish what is averting it being better, and evacuate obstructions to prosperity so as to enable all to end up plainly as well as can be expected be (LEGATUM, 2017).

Conclusion

The study concluded SMEs are the most driving factor of world’s economy. They are producing the huge volume of output not only in developed countries but also playing a significant role in boosting economy of developing countries like Pakistan and India. The study reveals Pakistan is facing major challenges in Education, Energy and sector. None of educational institution appeared in Ranking under 100 since long. Beside this it is facing shortfall of electricity more than 5000 megawatts. Shortage of electricity is motivating industries to shift in neighboring countries that is causing Pakistan a low economic growth. Pakistan is still facing a higher early death rate 89 per 1000 birth. According to prosperity report Pakistan is comparatively low socio-economic growth as neighboring countries have. Study also compared the ease of doing business report and reveals that starting a business is much difficult in Pakistan than neighboring countries due to various reason i.e. lack of finance, government policies and lack of interest from people youth about to start their own business. Although SMEs are providing employment opportunities to more than 3.2 million people and producing huge volume of GDP but it is still much lesser than neighboring countries.
Policy Recommendation

- Government should initiate specialized program about to start small scale business.
- Government should motivate private sector to finance new small-scale business in Pakistan.
- New policies should be structured in order to provide relief to young entrepreneur.
- Special plans ought to be acquainted with support the women business visionary of SMEs to come advances and set up new little scale endeavors.
- New and cheapest way of transportation for goods supply should be design to maximize the profit of SMEs.
- SMEDA should present a legal structure about to register small scale business that can enhance the ease of doing business.
- Young entrepreneur should be train to focus quality of business product.
- Aware the people about to spend on their social living to make better their socio-economic status.

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