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CLUSTER DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES: A PROPOSED PATHWAY FOR POLICY MAKERS IN PAKISTAN.

Presenter

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ABSTRACT

- Cluster development – an emerging phenomenon for coping with the needs of the customers through unification of businesses across value-chains.
- Despite the enormous emphasis by government, academia and entrepreneurs, the practical steps to synergize cluster development are still lacking.
- This paper it is an attempt to influence the policy makers to facilitate cluster businesses.
- It elaborates major challenges and the recommendations. Moreover, it emphasizes the need for the integration of SME's into well-defined clusters.

INTRODUCTION

- The businesses which employ up to 99 persons constitute about 90% of the enterprises in Pakistan.
- There are more than one hundred types of businesses which constitute various SMEs clusters and their input in economic domain is remarkable (SMEDA).
- Pakistan has a diverse range of SMEs spread out across the country.
- It is also gifted with natural clusters of various businesses.

INTRODUCTION

- The few well known on international scale include **industrial clusters** in Faisalabad, **marble clusters** in Khyber Pakhtun Khwa, **bed wear clusters** in Multan, **cotton seed processing clusters** in Rahim Yar Khan, **rice husking clusters** in Mandi Bahauddin and **sports goods clusters** in Sialkot etc.
- A range of steps is being taken by the government to detail deep down into the SME clusters for their prosperity.

OBJECTIVES OF THE STUDY

- I. To identify and explain the major challenges of SME clusters in Pakistan.
- II. To persuade how effective clustering can increase the exposure of SMEs to the battlefield of today's business.
- III. To pinpoint how strategic partners can be helpful in gaining the potential from effective business clusters which are allied and manifest as regional joint gains.
- IV. To recommend a plan for the sustainable development and expansion of SME clusters in Pakistan.

METHODOLOGY

- This study utilized both the primary and secondary sources of information.
- The desk research comprised of the available statistics published by various authentic sources.
- This included published articles, progressive reports by Bureau of Statistics, (UNIDO) publications, reports as working papers published by SMEDA and Planning Commission of Pakistan and studies conducted by Government of Pakistan (GOP) National Trade Corridor Management Authorities and reputed publications.

METHODOLOGY

- An open ended approach to grounded theory building is adopted and followed by interviewing the actors involved.
- The method is validated by (Strauss & Corbin, 1990; Patton, 1990).
- Interviews both formal and informal were conducted by using Key Informant Interviewers (KII) method, on interviewees including government officials, entrepreneurs and academic experts who have a firsthand insight of the SMEs, clustering businesses, and social and economic conditions prevailing in Pakistan.

FINDINGS

Challenges for SMEs Clusters

- I. Trust.
- II. Governance.
- III. Pro-poor Growth and Development.
- IV. Government Initiatives.
- V. Cluster Mapping and Database Maintenance.
- VI. Sustainability In Policy Decisions.

PRACTICAL IMPLICATION AND **RECOMMENDATIONS**

- I. Concerns on Public Sector Development programs (PSEP).
- II. Close Collaboration with China.
- III. Industry Academia Linkage.
- IV. Market Oriented Plan to Reduce Bias.
- V. Promotion of Entrepreneurship.
- VI. Tax Collection and Its Focus on Reimbursement In SMEs Facilitation.

PROPOSED PATHWAY FOR CLUSTER DEVELOPMENT

- This study also proposes to employ an adapted course of action proposed by 'UNIDO cluster development approach' with 'triple helix' approach complimented with 'trust facilitators' advocated by Mesquita, (2007) as an active constituent in cluster fostering.

PROPOSED PATHWAY FOR CLUSTER DEVELOPMENT

Step 1: Selection of Clusters.

Step 2: Appointment of Cluster Trust Facilitators.

Step 3: Detailed Diagnosis.

Step 4: Building a Vision and action planning.

Step 5: Implementation, monitoring and evaluation.

Step 6: Replication in other clusters with improvements on feedback.

CONCLUSION AND FUTURE RESEARCH

IMPLICATIONS

- The contribution of SMEs towards GDP, poverty alleviation, skill development, increase in income and quality of life is embedded in financial relief through occupation and self-expression of entrepreneurs (Ginneken, 2003).
- This study concludes that all actors i.e. Government, academia and entrepreneurs must join their powers and trust facilitators must exhibit their accurate roles with unified industrious spirit to uplift SMEs generally and SME clusters particularly.

CONCLUSION AND FUTURE RESEARCH

IMPLICATIONS

- A detailed analysis of exclusive data on individual business clusters to address cluster specific hurdles is the need of the time.
- An in-depth investigation by focus group method is more appropriate research design for further study.

Thank you