
SMEs' Survey of Gujranwala District

Exploring the SMEs' Business Dynamics

State Bank of Pakistan

Banking Services Corporation (Bank)

Development Finance Support Department

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Introduction

The limited information and understanding of banks about the SMEs' business dynamics has been one of the key reasons for their limited penetration in the SMEs sector particularly the smaller firms that constitutes bulk of the SMEs operating in the country. The banks traditionally focused on serving the financing needs of corporate sector and larger firms with absolutely no focus on the medium and smaller sized firms due to perceived high risks, information asymmetries, high transaction cost due to small tickets and large volumes and no or limited understanding of the sector. The sector thus, despite contributing significantly in the country's economic development and employment creation, could not fetch due attention of the banks' senior management and as such the banks' capacity to effectively serve the sector remained limited. State Bank of Pakistan and SBP-BSC since the recent past have taken a number of initiatives to strengthen the banks' capacity including training and capacity building programs for banks' SME finance staff and research studies and surveys to broaden and deepen the banks' understanding of the sector.

The SME Surveys of Gujranwala District was initiated as pilot projects to explore the sector in detail and thus enable SBP and banks to devise market responsive initiatives and products to bring larger number of SMEs in the fold of banking system. The survey was conducted by SBP-BSC Gujranwala office through interns of a local Business School under the guidance and supervision of Development Finance Support Department (DFSD) HOK. The Gujranwala Chamber of Commerce and Industry also fully supported the conduct of the survey and lend its 2 young officers of its Research and Development Cell to SBP-BSC Gujranwala to work as members of the survey teams. The Chamber also provided a list of trading units operating in the District that helped us a lot in sample selection for the trading units. The Chamber's support also proved extremely useful in minimizing the SMEs' apprehensions about the usage and confidentiality of the information being collected as otherwise it would have been difficult to get the questionnaires filled and collect the SMEs' response on the survey questions.

The survey questionnaire comprised 135 questions grouped in 6 parts viz. i) general information about the SMEs and their proprietors/partners, ii) Manufacturing SMEs, iii) Trading SMEs, iv) Accounting & Record keeping, v) Access to Business Development Services, vi) Access to Finance and vii) Key Issues and Challenges.

Responses of 300 SMEs, with a break-up of 210 manufacturing units and 90 trading units, selected randomly using stratified sampling technique, were collected and compiled. The survey provides detailed information and insights about the key features, assets base, cash flow cycles, growth trends and potential thereof, the levels of access to financial services along with the reasons for the limited access and finally the key issues and challenges faced by the sector and reasons thereof. While most of the SMEs have more or less similar set-up and business and economic conditions, the results of the survey however cannot be generalized for all the SMEs operating across the country. We have plans to cover some more regions in the near future which would enable us to assess the possibility of generalization of the survey findings for all SMEs operating across the country.

Executive Summary

Objectives

The survey was aimed at exploring the SME sector of Gujranwala district to facilitate SMEs stakeholders, particularly the banks in enhancing their understanding of the sector. This will enable them to expand their outreach in the sector particularly to the smaller firms that have been remained largely out of the banking services' net. It would also help SBP to better design and focus its policy, regulatory and promotional initiatives to increase the flow of funds to the SMEs generally and low end SMEs particularly. The survey was conducted as a pilot project and similar surveys will be conducted for SMEs operating in other regions for having a better understanding of their business dynamics, risk profiles, growth potentials and cash flow cycles etc.

Survey Methodology

The survey covered 300 manufacturing & trading SMEs operating across the district. As the district is a hub of manufacturing SMEs, 70% of the SMEs covered in the survey were manufacturing concerns and 30% were trading concerns. The manufacturing SMEs were selected from the directory of industrial establishments Punjab 2006 that gives district-wise data of industrial establishments in Punjab. Using the directory 30 major industrial clusters were identified and 4 – 11 units from each cluster were selected randomly. A total of 90 trading units were also selected randomly from the list provided by Gujranwala Chamber of Commerce and Industry (GCCCI).

Two Teams of two surveyors each were constituted comprising an MBA student of a local Business School and an officer of GCCCI R&D Cell. The teams were provided training for about 10 days on the objectives of the survey and the survey methodology.

Survey Findings

SME Type and Size

More than 68% of the SMEs covered by the survey were proprietorship concerns, about 27% were partnership concerns and 4% were corporates. Most of the firms (61%) were small in size employing up to 10 workers, 22% had 11-25 workers, 9% 26-50 workers and only 7% had more than 50 workers. The trading concerns were predominately small with 93% having up to 10 workers, 6% 11-25 workers and only 1% more than 25 workers. The manufacturing units though also largely small, however were relatively larger than the trading concerns. 48% of the manufacturing units had up to 10 workers, 30% 11-25 workers, 13% 26-50 workers and remaining 9% had more than 50 workers.

Entrepreneur's Educational Qualification

49% SMEs were owned and operated by businessmen having inter or graduate level qualification; the manufacturing units had relatively better educated owners as 50% of them were owned/run by inter or graduate level entrepreneurs compared to 45% such trading SMEs. Only 3% of the SMEs were headed by entrepreneurs having master level qualification; also 4% were headed by entrepreneurs with no education.

Technical/professional Training of Owners

About 70% SMEs' owners/proprietors had not obtained any training, formal or informal for their business; 81% in trading SMEs and 65% in manufacturing units. Only 4% had obtained formal training, mostly in manufacturing units, whereas 26% obtained informal training from their mentors (*Ustads*); 30% manufacturing units and 16% trading units had

owners/proprietors who had obtained informal training. Further the larger firms have more trained entrepreneurs/ businessmen than the smaller firms.

Entry into the Business

64% of the respondents units were self starters i.e. the entrepreneurs themselves started the business whereas 34% had inherited the business units and a meager 2% had either acquired or joined the running businesses. The SME type wise analysis of entry into business shows that 60% of manufacturing units were self starter compared to 71% of the trading units; whereas 38% of manufacturing and 27% of trading units were inherited by the existing owners.

Ownership of Business Premises

74% of the SMEs had their own premises, whereas 26% were working in the rented premises. The manufacturing units have greater tendency to own the business premises as 87% of them owned their business premises compared to 44% trading units that owned the premises. Further most of the larger sized SMEs owned their business premises than the smaller firms; 87% of the SMEs operating in rented premises had up to 10 employees and 13% had 11-50 employees. The ownership of the business premises by majority (74%) of the SMEs is a healthy sign, as it could be leveraged to raise funds from banks and financial institutions to expand the business.

Market Value of Owned Premises

The average market value of the land/buildings owned by 62% SMEs was about Rs.12 million with minimum & maximum of Rs.0.2 million & 80 million. However 38% SMEs who owned their business premises did not respond to the question about market value of the premises.

Average Monthly Rent

The average monthly rent of the SMEs operating in rented premises was Rs. 9,300/- with minimum and maximum of Rs. 550/- and Rs. 61,000/- p.m. Most of these SMEs were small units paying monthly rent of up to Rs. 10,000/-; only 23% were paying more than Rs. 10,000/- p.m. whereas 12% did not disclose the rent they were paying.

Manufacturing SMEs

Number of Workers & HR Composition

Most of the manufacturing units are small employing on average 26 workers with minimum and maximum 1 and 250 workers. About 23% manufacturing units had up to 5 workers, 48% up to 10 workers and 71% up to 20 workers; only 29% had more than 20 employees. Further the 210 manufacturing units surveyed had 5,396 workers of which 52% were skilled, 20% semi skilled and 28% were unskilled.

Major Products and their Nature

The major products produced in the district include ceramics and sanitary fittings, electronic goods, fans, air coolers, motor pumps, agri-implements, auto parts, cutlery, utensils, grey cloth, silk, shawls etc. About 19% of the firms are producing intermediate goods and 81% are producing final/finished goods.

Sale Destinations

The goods produced in Gujranwala are in good demand both across the country and in international markets. About 15% units sale their products within the district, 22% across the Punjab province and 43% have sales across the country. Further 15% units are serving both export and local markets and 3% are exporting all their production. Most of the firms thus have country wide market which is encouraging given the predominantly smaller nature of firms and is indicative of their capacity to have linkage and connectivity with the markets across the country.

Sale Mode and Payment Receipt Composition

About 47% manufacturing units sell their products on both cash and credit, 18% on cash only, 32% on credit only and 3% display their items on showroom/shops etc and receive payments only after sale of their products. Further on average 41% of the payments and receipts are made through cheques, about 52% through cash and 7% through other instruments like Parchi, Hawala etc. The 41% payments/receipts through cheques are encouraging given the predominantly small firms covered in the survey and are indicative of improving acceptability of cheque as a payment instrument amongst the small units.

Basic Raw Material Sources

59% manufacturing units had basic raw material available within Gujranwala district and another 16% from within Punjab province; only 10% units procure their basic raw material from across the country; 13% use both local and imported raw material and 1% use only imported raw material.

Cost Structures

The raw material cost constitutes the bulk (62%) of the manufacturing SMEs' cost structure followed by energy charges that make-up 17% of the total cost. The labor cost that used to be the second major cost after raw material is now the third major cost constituting 14% of the total cost due to significant rise in energy charges since the recent past. The Industry average for admin/operating expense is 6.6% whereas the financial charges on average constitutes 4% of the total cost with minimum and maximum of 2% and 10% respectively.

Average Credit Collection Period

About 19% manufacturing units on average collect all their credits within 15 days of the sale, another 26% within 16-30 days, 15% within 31-60 days and 27% take 90 days or more in the collection and recovery of the credit.

Sales Growth

About 58% of the manufacturing units opined that they registered no or negative growth in sales during last three years with 34% registering negative growth. The remaining 48% however registered positive growth ranging from 25% to over 100%. Of the 30 clusters covered in the survey, 15 registered positive growth, 9 booked negative growth and 6 clusters registered no growth. The Marble, Utensils, Sanitary Fittings, Furnace Steel, and Ceramics registered positive growth whereas Hosiery, Power looms, and Foundry reported negative growth. These growth estimates are however based on the SMEs' response and not on the review of the SMEs' financial statements and thus might have some perception or deliberate biases. There is a tendency amongst the business community to understate their profits and sales etc due to deeply ingrained fears of taxation departments.

Optimism about future Growth

Despite pessimism due to high energy costs, frequent power outages, rising raw material prices, high inflation and uncertain economic & political situation, about 55% of the SMEs were optimistic and hopeful about future growth prospects.

Investment in Plant & Machinery

62% manufacturing SMEs did not make any major investment in plant and machinery during last 5 years. The remaining 38% manufacturing units however invested Rs. 250,000/- and more to improve their plant and machinery during the same period.

Plan for further investment in Plant & Machinery

52% manufacturing units have no plans to invest in machinery and other fixed assets in future, the remaining 48% however have plans to improve investment in their plant and machinery. 64% of the units having plans to invest in plants and machinery would like to finance the investment through personal savings and the remaining 36% through a mix of personal savings and bank loans. Interestingly small firms are relatively more optimistic about future and have plans to invest in plant and machinery than the larger firms. for instance 53% of the firms having up to 10 workers would like to improve their existing plant and machinery compared to about 36% firms employing 11-25 workers and 41% of the firms having 26-50 workers.

Power Outages and Production time losses

62% of the manufacturing units did not have their own power generation mechanism and thus had to shut their operations during the power outages. Most of units are experiencing production time losses of 24 hours or more per.

Trading SMEs**Legal Type and Firm Size**

82% of the trading units were proprietorship firms and remaining 18% partnership concerns; none of the trading units was a company. Further most of the trading units were very small with 93% having up to 10 employees. The assets base of most of the firms was also very thin as only 20% had total assets (excluding land and building) in excess of Rs. 1 million. In terms of sales, 69% had monthly sales of up to Rs. 0.5 million, 17% Rs. 0.5 – Rs.1 million and 12% more than Rs.1 million.

Sale composition (Credit vs. Cash)

12% trading units sell only on cash basis, 21% had credit sales of up to 20%, 35% had 21 – 50% and remaining about 33% had more than 50% of their sales on credit. Further 79% SMEs engaged in credit sales recover the outstanding credits on average within 30 days, about 9% in 31- 60 days and 12% in 90 days and more.

Accounts Receivable and Payables

The average account receivables of the trading units were 1.486 million with minimum & maximum of Rs 5,000 & 30 million. About 69% SMEs had average receivables of up to Rs.0.2 and only 10% had more than Rs.1 million. The average accounts payables were even lower at Rs.0.891 million with 56% having average payables of up to Rs.01 million, 30% Rs.0.1-0.5 million and 14% more than Rs. 0.5 million.

Payment Receipt composition

About 38% trading SMEs make/receive payments only in cash and 4% only through cheques. 13% use cheques for up to 10% of the payments/receipt, 29% for 21-50% of the payments/receipts and 16% make/receive 60-90% of their payments through cheques.

Accounting and Business Development Services

Formal Books of Accounts

74% SMEs do not maintain formal books of accounts; the ratio is 80% for trading units and 71% for manufacturing units. There is a strong positive correlation between the firm size and the maintenance of books of accounts. The larger firms have greater tendency to maintain the formal books. Similarly the SMEs headed by educated entrepreneurs have larger tendency to maintain formal books of accounts than the SMEs run by entrepreneurs with no or lesser education. Most SMEs are maintaining informal books of account (Day book/Payment and Receipts book) and periodically assess their profits and losses. Further 73% SMEs having informal accounting books, record the periodic withdrawals to meet the personal expenses, the rest 27% however don't record the withdrawals made for personal use.

Accounting Training

None of the SMEs that are keeping informal accounting books received any accounting training from SMEDA or other training institutes. 9% of the SMEs maintaining formal books of accounts however received accounting and book keeping training from SMEDA. Further 68% of the SMEs would not like to attend training program on accounting and maintenance of books of accounts even if provided free of cost; only 32% expressed their willingness to attend such program.

Computer Usage

46% of the total firms covered in the survey (50% of the manufacturing and 38% of the trading units) have Computers. 57% of the firms having computers are using them for maintaining books of accounts whereas the remaining 43% for letter writing/email/internet etc. 65% of the firms that are using computers for maintaining books of accounts have purchased/developed their own Accounting software whereas the remaining 35% are using Excel etc for maintaining the accounting records. Further 95% SMEs have no information about the accounting software developed by SMEDA and only 20% of the SMEs expressed their willingness to acquire the SMEDA accounting software.

Business Development Services

91% SMEs have no awareness about the Business Development Services (BDS) with almost all the smaller firms having no information about the BDS. Lack of awareness, no or limited belief in the utility of the programs, lack of reputed institutions, lack of time with the owner/member/partners are some of the key reasons for the SMEs' no or limited interest in BDS. Further 59% SMEs expressed their willingness to attend BDS programs if arranged free of cost, the rest 41% however, had no faith in such programs.

Training program and HR Development for Workers

97% SMEs have not arranged any training programs for their workers during the last 2 years. Almost all the trading units opined that their workers don't need any training due to simple and non-technical nature of their business activities. Further most of the trainings in both

manufacturing and trading units are on the job wherein the seniors/*Ustads* imparts training to the juniors/*Shagirds* during live operations.

Access to Finance

Bank Accounts

90% SMEs have bank accounts; 50% in the name of SMEs and 40% in the name of their proprietors and or partners; 10% have no bank account neither in the name of SMEs nor in the name of their proprietors. Almost all the SMEs not having the bank accounts are small units having up to 10 employees. Further majority of the SMEs opened the bank accounts during last 7-8 years, the period during which the banking industry registered fast pace growth and expansion.

Loans for Business Expansion

Only 35% SMEs need loans to expand their business while 65% don't need any loan for business expansion. The smaller firms are relatively shy of accessing the bank loans than the larger firms. For instance 66% of the SMEs having up to 100 employees don't need loans compared to about 50% of the firms having more than 100 workers.

Whether Approached by Banks

68% SMEs were approached by banks for extending loans and other financial services; 32% however were never approached by banks. Further although banks' marketing staff had a relatively greater focus on larger SMEs, however a substantial proportion (66%) of smaller firms having up to 10 employees were also approached by banks marketing staff for introduction of their products and services. This is a healthy sign and is indicative of improving interest of banks in small enterprises.

Awareness about Banks loan Products

73% SMEs had awareness about banks' loan products with 43% receiving the information through the banks' marketing staff, 13% through their business colleagues and another 13% through multiple sources including banks' marketing staff. 27% SMEs however had no awareness about banks' loan products and procedure to obtain the loans.

Whether Applied for Bank Loan?

Only 25% SMEs applied for bank loans whereas the remaining 75% never applied for the bank loans; most of the SMEs that applied for bank loans were the manufacturing concerns. Further the larger firms have greater tendency to apply and avail bank loans than the smaller firms. For instance 16% of the firms having up to 10 employees applied for bank loans compared to 83% firms having more than 100 employees. The interest (*Riba*) based loan products, high interest rates and banks' cumbersome and lengthy procedure were reported as the primary reasons for not applying for bank loans.

Loan Acceptance Ratio

The loan acceptance ratio was encouragingly high at 84% which is indicative of Banks' willingness to cater to the SMEs financial services needs. 35% of the SMEs whose loans were accepted were very small having up to 10 workers and another 27% had 11-25 workers. Thus although the larger firms have greater tendency to apply for bank loans and their loan acceptance ratio's are also relatively higher, most of the smaller firms that applied for the loans have been able to obtain the loans. The lack of access thus seems to be more due to

SMEs reluctance to access banks loans rather than general perception that banks deny loans to smaller firms. The interest (Riba) was quoted by 78% of the SMEs that had not applied for the bank loans as key reason for their reluctance to access the bank loans.

The period since 1st Bank Loans

82% of the SMEs obtained bank loans during 2001-08 and only 18% availed the loans prior to 2000. This may be attributed to fast pace expansion of banks during the period and increased SBP focus on broadening and deepening of the banking system to bring un-banked/under-banked areas/sectors like SMEs in the fold of banking. Further 75% SMEs availed short term running finance, 14.7% long term fixed investment loans and 10% export finance under SBP export finance scheme.

No. of days consumed in obtaining loan

43% SMEs on average consumed 21-30 days in obtaining the bank loan, 21% consumed 31-60 days and 14% more than 2 months. 17% also used the references for obtaining the loan and 14% used undue considerations for obtaining the loans.

Key Issues

The energy shortages, high energy cost, the excessive government regulations, the hostile taxation authorities, increasing competition from Chinese products that are cheap and attractive in design although inferior in quality, the lack of technical and vocational training facilities and poor roads and communications infrastructure were reported as the key issues faced by the SMEs operating in Gujranwala district.

METHODOLOGY

Questionnaire

The questionnaire designed to explore the SME sector in Gujranwala district had seven sections viz. A-General, B-Manufacturing SMEs, C-Trading concerns, D-Accounting & Record keeping, E-Access to Business Development Services, F-Access to Finance and G-Key Issues/Challenges.

The first section sought information about the nature, type and size of SMEs, the educational qualification, technical/professional training, work experience etc of proprietor/partner and skill profiles of workers. The *Section-B* and *C*, was aimed at assessing the current position of business, including size of enterprises, total assets, revenue and income streams and expenses, nature of product etc. The *Section-D* tried to assess the Accounting and Record keeping practices of SMEs and their willingness and capacity to maintain proper books of accounts and prepare periodic financial statements. The awareness and access to the BDS was assessed in *Section-E* which also tried to assess the demand for BDS and role of SMEDA in improving the capacity of SMEs as well as facilitating their access to BDS. The *Section-F* was aimed at assessing the SMEs access to financial services, the correlation between the SME size/type and access to finance, the reasons for low access, the major sources of finances for SMEs etc. The last section, a list of common and generally known issues faced by the sector, was discussed with the respondents to know which of these issues were faced by them.

Survey Teams

Two teams were constituted for the survey. Each team had two surveyors comprising an intern and a Researcher of GCCI, R&D Cell. The Survey Teams were provided training for about 10 days to conduct the survey. Detailed discussions were held on the questionnaire to ensure clarity on each and every question. The training also included tips for effective conduct of the survey, including the question asking and recording techniques.

Sample size and sampling criteria

A sample of About 300 SMEs spread across the entire district including was selected for the survey. Considering the predominance of manufacturing SMEs in the district the sample was skewed towards the manufacturing SMEs. 70% of the SMEs were manufacturing concern and 30% trading concerns. To select the manufacturing SMEs, the directory of industrial establishments Punjab 2006 that gives district-wise data of industrial and manufacturing establishments in Punjab was used. Using the directory 30 major industrial clusters was identified and 4 – 11 units from each of the 30 clusters were selected randomly to collect their response on the survey questions. There were total 4682 units in these 30 clusters out of which 210 units were selected. The sampling frame also contained 90 trading concerns which were selected from the list provided by Gujranwala Chamber of Commerce and here again the sample was selected random from the list.

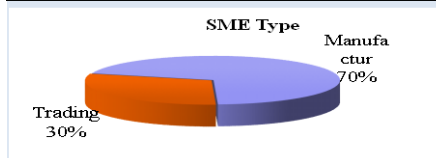
Section -I: General Characteristics

SME Type

As explained in methodology section the sample was skewed towards manufacturing concerns as the district is a hub of manufacturing SMEs. Thus 70% or 210 units covered in the survey were manufacturing concerns and 30% or 90 units were the trading concerns. The annexure-I gives the total number of units in each of the 30 clusters covered in the survey.

Table 1.1: SME Type

	Freq.	%
Manufacturing	210	70
Trading	90	30
Total	300	100

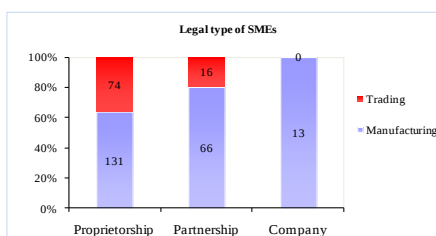


Legal Type of SMEs

More than 68% of the SMEs covered by the survey were proprietorship concerns, about 27% were partnership concerns and 4% were corporate. While all the corporate units were in manufacturing sector, a bulk of proprietorship concerns, 64%, was in manufacturing and 36% in trading. Similarly 80% of the partnership concerns covered in the survey were manufacturing concerns and remaining 20% trading concerns. Further 62.4 of the manufacturing units were proprietorship concerns compared to 82.2% of trading concerns; and 31% of manufacturing units were partnerships compared to 18% of trading units.

Table 1.2: Legal type of SMEs and SME Type

Type	Manufacturing		Trading		Total	
	Freq.	%	Freq.	%	Freq.	%
Proprietorship	131	62.4	74	82.2	205	68.3
Partnership	66	31.4	16	17.8	82	27.3
Company	13	6.2	0	0.0	13	4.3
Total	210	100	90	100	300	100



Firm size – Based on Workers Engaged

Most of the firm (about 61%) covered in the survey were small units, employing upto 10 workers/employees, 22% had 11-25 workers, 9% 26-50 workers and only 7% had more than 50 workers (table 1.3). The trading concerns covered in the survey were predominately small as 93% of them had upto 10 workers, 6% had 11-25 workers and only 1% had more than 25 workers. The manufacturing units covered in the survey though largely small, however were relatively larger than the trading concerns. 48% of the manufacturing units had upto 10 workers, 30% had 11-25 workers, 13% 26-50 workers and remaining 9% had more than 50 workers.

Table-1.3: Type of SME

No. of Employees	Manufacturing		Trading		Total	
	Freq.	%	Freq.	%	Freq.	%
1-10	100	48	84	93	184	61
11-25	62	30	5	6	67	22
26-50	27	13	1	1	28	9
51-100	9	4	-	-	9	3
101-150	9	4	-	-	9	3
151-250	3	1	-	-	3	1
Total	210	100	90	100	300	100
% of Total	70		30		100	

The firm size and legal type-wise analysis (table 1.4) suggests that most of the proprietorship concerns were small firms with 74% having upto 10 employees, 20% having 11-25 employees and only 6% having more than 25 employees. The partnership firm were however relatively larger in size; 40% had upto 10 employees, 28% 11-25 employees and 32% more than 25 employees. As

Table-1.4: Legal type of SME

No of employees	Proprietorship		Partnership		Company		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
1-10	151	74	33	40	-	-	184	61
11-25	41	20	23	28	3	23	67	22
26-50	10	5	14	17	4	31	28	9
51-100	2	1	4	5	3	23	9	3
101-150	0	-	6	7	3	23	9	3
151-250	1	-	2	2	-	-	3	1
Total	205	100	82	100	13	100	300	100
% of Total	68.3		27.3		4.3		100.0	

expected majority of the corporates were larger in size; 77% had over 25 employees while 46% had over 50 employees/workers¹.

Owners' Education Level and SME Type

The table 1.5 sheds some light on SME type and educational qualification of proprietors/partners etc. 4% of the SME units surveyed were owned by individuals with no education. 19% units had business heads having up to middle level education, 25% had matriculate level education, 49% had inter or graduate level qualification and only 3% were headed by entrepreneurs having master level qualification. Overall the manufacturing units had better qualified owners/partners than the trading units.

Further cross sectional analysis of the educational qualification and SME legal type shows that 27% of the proprietorship concerns were headed by individuals having below matric qualification compared to about – 17% of the partnership firm having partners/managers below matric. Similarly 62% of the partnership firms had managers/partners with inter and above qualification compared to 45% of the proprietorship. Overall the partnership firms had better qualified owners/partners than the proprietorship firms. In corporates all but one company had managers with intermediate and above qualification with more than 50% graduates and above qualification.

SMEs and Technical Education

About 70% of the respondent SMEs were owned and run by individuals who did not obtain any training, formal or informal for their business (Table 1.7). The SME type-wise break-up of such SMEs shows that 81% of trading and 65% of manufacturing units' proprietors/owners had no formal or informal training to run and manage their businesses/production units; only 4% had obtained formal training, mostly in manufacturing units. 26% of the SMEs' entrepreneurs had obtained informal training from their mentors (Ustads); The SME type wise break up of informal training obtained shows that 30% of manufacturing and 16% of trading units were run by individuals who obtained informal training. Further analysis of technical and professional training with the firm size shows that the larger firms tend to have more trained entrepreneurs/businessmen than the smaller firms (see Table 1.7 & graph).

Table- 1.5: Education and SME type

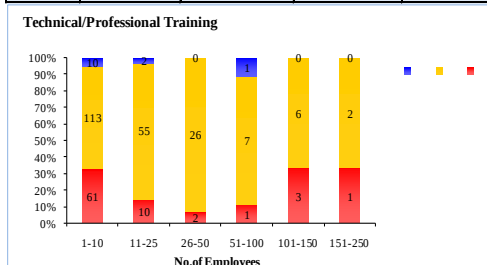
Educational Qualification	Manufacturing		Trading		Total	
	Freq	%	Freq	%	Freq	%
Illiterate	8	3.8	4	4.4	12	4.0
Primary	14	6.7	5	5.6	19	6.3
Middle	31	14.8	8	8.9	39	13.0
Matric	48	22.9	27	30.0	75	25.0
Inter	48	22.9	30	33.3	78	26.0
Graduate	56	26.7	12	13.3	68	22.7
Masters	5	2.4	4	4.4	9	3.0
Total	210	100	90	100	300	100
% of Total	70		30		100	

Table- 1.6: Education Vs. Legal type of SME

Educational Qualification	Proprietorship		Partnership		Company		Total	
	Freq	%	Freq	%	Freq	%	Freq	%
Illiterate	9	4.4	3	3.7	0	-	12	4.0
Primary	14	6.8	5	6.1	0	-	19	6.3
Middle	33	16.1	6	7.3	0	-	39	13.0
Matric	57	27.8	17	20.7	1	7.7	75	25.0
Inter	48	23.4	25	30.5	5	38.5	78	26.0
Graduate	39	19.0	23	28.0	6	46.2	68	22.7
Masters	5	2.4	3	3.7	1	7.7	9	3.0
Total	205	100	82	100	13	100	300	100
% of Total	68.3		27.3		4.3		100	

Table-1.7: Technical/Professional Training

No of Employees	Formal		Informal (Ustad- sha)		No training		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
1-10	10	76.9	61	78.2	113	54.1	184	61.3
11-25	2	15.4	10	12.8	55	26.3	67	22.3
26-50			2	2.6	26	12.4	28	9.3
51-100	1	7.7	1	1.3	7	3.3	9	3.0
101-150			3	3.8	6	2.9	9	3.0
151-250			1	1.3	2	1.0	3	1.0
Total	13	100	78	100	209	100	300	100
% of Total	4.3		26.0		69.7		100.0	



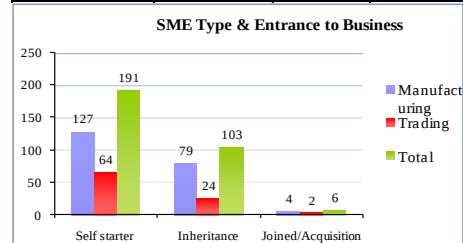
¹ The sample size of corporates however was very small (just 4 units) and thus the findings may not be representative of all the corporates operating in the district.

Mode of Entry into the Business

Table 1.8 shows the mode of the entrepreneurs' entry into the SME business. 64% of the respondent units were self starters i.e. the entrepreneurs themselves started the business whereas 34% had inherited the business and a meager 2% had either acquired a running business or joined an existing/operative units as partners. The SME type wise analysis of entry into business shows that 60% of manufacturing units were self starters compared to 71% of the trading units; whereas 38% of manufacturing and 27% of trading units were inherited by the existing owners.

Table 1.8: SME Type and Enter into the Business

Type	Manufacturing		Trading		Total	
	Freq.	%	Freq.	%	Freq.	%
Self starter	127	60.5	64	71.1	191	63.7
Inheritance	79	37.6	24	26.7	103	34.3
Joined/Acquisition	4	1.0	2	2.2	6	2.0
Total	210	100	90	100	300	100
% of Total	7.0		30.0		100.0	



Business Premises Ownership

74% of the SMEs had their own business premises whereas the remaining 26% were working in the rented premises; the business premises ownership was more prevalent in as 87% of them had their own premises compared to about 44% trading units that owned their business premises. Further most of the larger sized SMEs which were surveyed tend to own their business premises than the smaller firms; 87% of the SMEs operating in rented premises had upto 10 workers/employees and 13% had 11-50 employees (table 1.9).

Table- 1.9: Employee Size & the Kind of Premises

No. of Employees	Owned		Rented		Total	
	Freq.	%	Freq.	%	Freq.	%
1-10	116	52.3	68	87.2	184	61.3
11-25	59	26.6	8	10.3	67	22.3
26-50	26	11.7	2	2.6	28	9.3
51-100	9	4.1			9	3.0
101-150	9	4.1			9	3.0
151-250	3	1.4			3	1.0
Total	222	100.0	78	100.0	300	100
% of Total	74.0		26.0		100	

The ownership of the business premises by majority (74%) of the SMEs is a healthy sign as the premises could be leveraged to raise funds from banks and financial institutions to expand the business.

Market Value of Owned Premises

About 38% of the SMEs who owned their business premises did not respond to the question about market value of the premises. The average market value of the land\ buildings owned by the remaining 62% SMEs was about Rs.12 million with the minimum & maximum of Rs.0.2 million & 80 million. 8% had business premises valuing up to Rs.1 million, 19% Rs. 1-2.5 million, 14% Rs.2.5-5 million, another 14% Rs. 5-10 million, 15.4% more than Rs.10 million (see table 1.10 for details).

Table 1.10: Market Value of SME Premises

	Units	%	% having Own Premises
Rs. 1 - 2.50 mn	42	14.0	18.9
2.51 - 5.0 mn	31	10.3	14.0
5.01 - 10.0 mn	30	10.0	13.5
10.1 - 20.0 mn.	13	4.3	5.9
20.01 - 30.0 mn.	5	1.7	2.3
30.01 - 50.0 mn.	10	3.3	4.5
Over Rs. 50 mn.	6	2.0	2.7
Sub Total	137	45.7	61.7
Not responded	85	28.3	38.3
Rented Property	78	26.0	-
Total	300	100	100.0

Average Monthly Rent

The 26% of the respondent SMEs operating in rented premises were on average paying a monthly rent of Rs. 9,325/- with minimum and maximum of Rs. 550/- and Rs. 61,000/- p.m. 65% of the SMEs operating in rented premises were small units paying monthly rent of upto Rs. 10,000/-, 23% were paying monthly rent of more than Rs. 10,000/- ; 12% however did not disclose the rent they were paying.

Table 1.11: Monthly Rent of Premises

Rent in Rupees	Units	Percent
1-5000	27	9.0
5001 - 10000	24	8.0
10001 - 15000	11	3.7
15001 - 20000	2	0.7
More than 20,000	5	1.7
Not responded	9	3.0
Owned	222	74
Total	300	100

Section – II: Manufacturing SMEs

Size

The manufacturing SMEs though relatively larger in size than trading units are predominantly small units employing on average 26 workers with the minimum & maximum 1 & 250 workers. Only 03 SMEs covered in the survey had more than 200 employees. About 23% of the manufacturing units had up to 5 employees, 48% had upto 10 employees and 78% had upto 25 employees/workers; only 22% of the manufacturing units had more than 25 employees.

HR Composition

The manufacturing units covered by the survey had 5,396 workers, of which 52% were skilled, 20% semi skilled and 28% were unskilled. The cluster wise composition of

human resource is given in the table at **Annexure 11**. The Furnace steel industry had on average maximum number of 93 workers per firm whereas foundry industry had on average minimum number of 5 workers per firm.

Major Products Produced

The manufacturing units operating in Gujranwala district are producing a variety of products which are in good demand not only within country but also in international markets and earning valuable foreign exchange for the country. The major products produced in the district include ceramics and sanitary fittings, electronic goods, fans, air coolers, motor pumps, agri-implements, auto parts, cutlery, Utensils, Grey cloth, silk, shawls etc. Cluster wise list of products being produced by the manufacturing units covered in the survey is given at Annexure III. Further a large majority (81%) of the firms is producing final/ finished goods and 19% are producing intermediate goods and. (table 2.2)

Sale Destinations

The goods produced in Gujranwala are in good demand within the District, across the country and in export markets (table 2.4). 15% of the units sell their produce within the district; most of such units are very small having upto 10 workers, 22% of the units are selling their production across the Punjab province, 43% across the country and 15% serving both export and local markets. 3% SMEs are exporting all their production. There is a strong correlation between the firm size and exports; the larger firms tend to have more inclination towards exports than the smaller firms. Similarly the firms larger in size are having larger geographic boundaries for sale of their products i.e. the larger firms have better tendency to serve markets outside the district as well

Table-2.1: Size of Manufacturing SMEs by No. of Employees

No. of Employees	Freq.	%
1-10	100	48
11-25	62	30
26-50	27	13
51-100	9	4
101-150	9	4
151-250	3	1
Total	210	100

Table-2.2: HR Composition of Manufacturing SME

	No. of Employees	%
Unskilled	1511	28.0
Semi-Skilled	1063	20.0
Skilled	2822	52.0
Total	5396	100

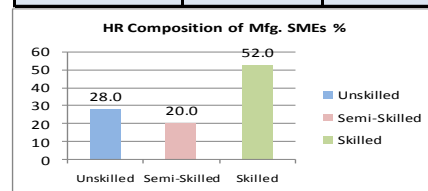


Table-2.3: Nature of Product

No. of Employees	Intermediate		Final/Finished		Total	
	Freq.	%	Freq.	%	Freq.	%
1-10	25	62.5	75	44.1	100	48
11-25	6	15	56	33	62	30
26-50	3	8	24	14	27	13
51-100	3	8	6	4	9	4
101-150	2	5	7	4	9	4
151-250	1	3	2	1	3	1
Total	40	100	170	100	210	100
% of Total	19.0		81.0		100.0	

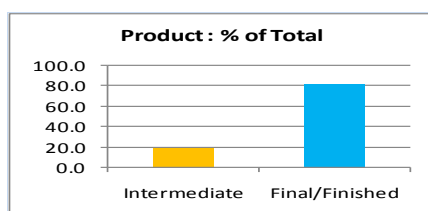


Table 2.4: Sale Destination

Sale Places	Frequency	Percent
Same District	30	14.3
Same Province	46	21.9
Across country	91	43.3
Specific Customer	7	3.3
Exporting	6	2.9
Export and domestic market	30	14.3
Total	210	100

as outside the province. Further most of the firms are having country wide market which is encouraging given the predominantly smaller nature of firms and is indicative of their capacity to have linkage and connectivity with the markets across the country.

Sales Mode

About 47% of the units sell their products both on cash and credit, 18% on cash only and 32% on credit only. 3% manufacturing units display their items on showroom/shops etc and receive payments only after sale of their products (table 2.4A). The sale mode is thus largely skewed towards cash & credit combination which is normally the case for products in good demand. The products with relatively weaker demand are usually placed on display and payments are only received on sale of the products to the end consumer.

Table 2.4 A: Sale Mode (Mutually exclusive options)

Sale Mode	Frequency	Percent
Cash	38	18.1
Credit	68	32.4
Cash and Credit	98	46.7
Payment received on Sale	6	2.9
Total	210	100

Payment Receipt Composition

The business transactions among manufacturing SMEs are settled through cheque, cash, Parchi etc. on average about 41% of the payments and receipts are made through cheques, 52% through cash and 7% through other instruments like Parchi, Hawala etc. With a large majority of the units covered in the survey being small, the finding that about 41% payments/receipts are being made through cheques is encouraging and is indicative of improving acceptability of cheque as a payment instrument among the small units.

Table-2.5: Manufacturing SMEs Payment Receipt Composition (Cheque %)

No of employees	Cash Only		10% Cheque		11-25%		26-50%		51-75%		76-100%		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
1-10	26	56.5	5	41.7	13	46.4	22	42.3	20	55.6	14	38.9	100
11-25	11	23.9	5	41.7	13	46.4	17	32.7	7	19.4	9	25.0	62
26-50	6	13.0	1	8.3	1	3.6	9	17.3	6	16.7	4	11.1	27
51-100	1	2.2			1	3.6	2	3.8			5	13.9	9
101-150	2	4.3	1	8.3			1	1.9	2	5.6	3	8.3	9
151-250							1	1.9	1	2.8	1	2.8	3
Total	46	100	12	100	28	100	52	100	36	100	36	100	210
% of Total	21.9		5.71		13.3		24.8		17.1		17.1		100

Basic Raw Material Sources

59% of the units covered in the survey had basic raw material available within Gujranwala district and for another 16% from within Punjab province. 10% of the firms procure their basic raw material from across the country; about 13% use both local and imported raw material and 1% use only imported raw material. The availability of basic raw material in the same district for most of the firms is a major strength of the manufacturing SMEs of the district which coupled with the entrepreneurial mindset of the business community of the area has been instrumental in growth of the manufacturing units in the district and surrounding areas.

Table 2.6: Availability of Basic Raw Material

	Units	Percent
Same District	124	59.1
Same Province (Punjab)	34	16.2
Same Province and Other Province	22	10.5
Imported	3	1.4
Local & imported	27	12.9
Total	210	100

Cost Structures

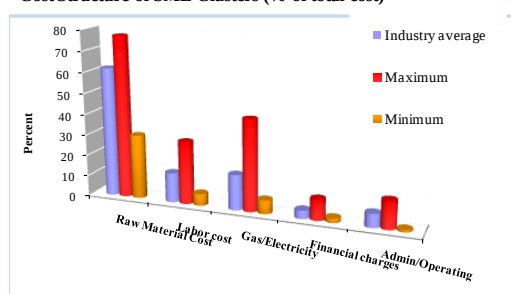
The raw material cost, labor charges, gas and electricity charges, admin/operating expenses and financial charges are the major constituents of manufacturing SMEs cost structure. The raw material cost constitutes the bulk of the total cost; on average the manufacturing SMEs covered in the survey incurred 62% of their total cost on raw material procurement with minimum of 31% for pottery and maximum of 78% for nuts and bolts sector. The Industry average for labor cost is 14.18% with maximum of 30% in light engineering cluster and minimum of 5.67% in furnace steel cluster. The second highest

Table 2.7: Cost Structure of SME Clusters (% of total cost)

Description	Industry average	Maximum	Minimum
Raw Material Cost	61.96	77.5	30.71
Labor cost	14.18	30	5.67
Gas/Electricity	16.89	43.57	6.5
Financial charges	3.96	10	2
Admin/Operating	6.6	13.33	1

component in the SMEs cost structure is the energy (gas and electricity) cost which constitutes 16.89% of total cost with maximum of 43.57% in Pottery cluster and minimum of 6.5% in nuts and bolts cluster. The higher energy cost in pottery is attributable to massive use of gas in pottery sector. Financial charges on average constitute 4% of the total cost structure of the SMEs with minimum and maximum of 2% and 10% respectively. Industry average of admin/operating expense is 6.6% of total cost. Gas Appliances cluster has the highest admin/manufacturing expenses & that is 13.33% of total cost.

Cost Structure of SME Clusters (% of total cost)



The cluster wise cost structure given at Annexure-IV sheds some light on the nature of various industrial clusters. For instances light engineering is labor intensive cluster with labor cost up to 30% of total cost. Hosiery is also labor intensive with labor charges constituting more than 1/5th of total cost. Pottery, wires and cable, and woolen textiles are energy intensive and consume huge amount of gas and electricity.

Average Credit Collection Period

The credit collection period² analysis of manufacturing units covered in the survey shows that about 19% of the manufacturing units on average collect all their credits within 15 days of the sale and another about 26% within 16-30 days. 15% of the firms recover all outstanding credit within 31-60 days; about 27% of the firms however take 90 days or more in collection and recovery of the credit.

Table-2.8: Average Credit Collection Period in Days (Manufacturing Concerns)

No. of Employees	Only Cash		15 days		30 days		60 days		90 days & more		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.
1-10	18	60.0	15	38.5	31	56.4	18	60.0	28	34.48276	100
11-25	8	26.7	14	35.9	11	20.0	6	20.0	35	41.37931	62
26-50	3	10.0	3	7.7	9	16.4	4	13.3	12	13.7931	27
51-100			4	10.3	3	5.5			2	3.448276	9
101-150	1	3.3	3	7.7	1	1.8	2	6.7	2		9
151-250									4	6.896552	3
Total	30	100	39	100	55	100	30	100	83	100	210
% of Total	14.29		18.57		26.19		14.29		39.52		100

There seems to be positive correlation, though weak, between firm size and collection period. The credit collection period of the smaller firms tends to be shorter than the larger firms. For instance 46% firms having upto 10 workers were collecting their credit within 30 days compared to 40% of the firm having 11-25 employees.

Sales Growth

About 59 % of the manufacturing units opined that they registered no or negative growth in sales during past three years with 34% claiming to have experienced negative growth. The remaining 41% however registered positive growth ranging from 25% to over 100%. 31% of the units registered upto 25% growth, 5% units grew by 26-50%, 3% by 51-100% and only 1% by more than 100%. These

Table-2.9: Estimated Sales Growth during last 3 years

No. of Employees	Upto 25%		26-50%		51-100%		Over 100%		-ve Growth		No Growth		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.
1-10	31	48	1	9.1	2	33			44	62	22	41	100
11-25	20	31	2	18	1	17			19	27	20	37	62
26-50	9	14	5	45	1	17	1	33.3	5	7	6	11	27
51-100	3	4.6	3	27	1	17					2	3.7	9
101-150	1	1.5			1	17	2	66.7	3	4.2	2	3.7	9
151-250	1	1.5									2	3.7	3
Total	65	100	11	100	6	100	3	100	71	100	54	100	210
% of Total	31.0		5.2		2.9		1.4		33.8		25.7		100

* Based on respondents' perception of growth which might have some element of bias.

² Based on response of the SME

growth figures are however based on the response of the SME and not based on the review of the SMEs books of accounts and financial statements and thus might have some perception biases. There is a tendency amongst the business community to understate their profits and sales etc due to deeply ingrained fears of taxation departments.

The cluster wise sales growth, given in annexure V, analysis during last 3 years shows that 15 of the 30 key clusters covered in the survey registered positive growth, 9 booked negative growth and 6 clusters registered no growth. The industrials clusters that registered positive growth included Marble, Utensils, sanitary fittings, furnace steel, and ceramics. The major clusters that responded negative growth in sales during last 3 years were Hosiery, Power looms, and Foundry. The annexure-II gives cluster-wise growth trends during last 3 years; however as the cluster wise sample size is very small 4-11 units only, the cluster-wise growth trends thus may not be representative of the whole cluster.

Educational Qualification and Sales

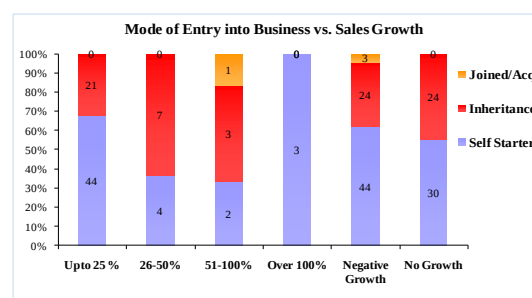
The educational qualification of proprietor, partners etc does seem to have some association with the growth levels of the SMEs; the growth performance of educated entrepreneur was relatively better than the entrepreneur with no or lesser education. For instance all but one SME headed by businessmen with no education registered negative growth. Similarly 30% of the SMEs with owners having upto middle level education registered positive growth compared to 45% of the SMEs headed by entrepreneurs with Matric and Inter level qualification. This trend however could not continue for SMEs owned by businessmen with graduation and above qualification as 39% of such SMEs registered positive growth compared to 45% SMEs with Matric and Inter level owners. The overall analysis suggests that businessmen with Matric and inter are more successfully running their business followed by the graduates & above. However as cautioned earlier these growth trends are based on the opinion and responses of the SMEs' heads/owners and thus might have biases.

Table-2.10: Education and Estimated Sales Growth during last 3 years

Educational Qualification	25%		26-50%		51-100%		Over 100%		Negative Growth		No Growth		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
Illiterate	0		0		1	16.7	0		5	7.0	2	3.7	8
Primary	4	6.2	1	9.1	0		0		7	9.9	2	3.7	14
Middle	9	13.8	0		0		0		16	22.5	6	11.1	31
Matric	17	24.6	1	9.1	1	16.7	1	33.3	15	21.1	14	25.9	48
Inter	22	33.8	0		3	50.0	2	66.7	12	16.9	11	16.7	48
Graduate	13	20.0	8	72.7	1	16.7	0		15	21.1	19	35.2	56
Masters	1	1.5	1	9.1	0		0		1	1.4	2	3.7	5
Total	66	100	11	100	6	100	3	100	71	100	56	100	210

Growth and Business Entry Mode

The analysis of estimated growth achieved with the mode of entry into the business suggests that the self starter as a whole achieved better growth performance than those who inherited or acquired the running businesses; 62% of the SMEs that registered positive growth were self starter whereas about 36% had inherited the business.



Optimistic about future Growth

High energy costs, frequent power outages, rising raw material prices, high inflation and uncertain economic & political situation has eroded the confidence of business community and given rise to pessimism about future

Table-2.11: Optimistic about Future Growth

No of employees	No		Yes		Total
	Freq.	%	Freq.	%	
1-10	46	48.42	54	46.96	100
11-25	31	32.63	31	26.96	62
26-50	12	12.63	15	13.04	27
51-100	2	2.105	7	6.087	9
101-150	3	3.158	6	5.217	9
151-250	1	1.053	2	1.739	3
Total	95	100	115	100	210
% of Total	45.2		54.8		100

growth prospects. However despite all this pessimism about 55% of the SMEs were optimistic and hopeful about future growth prospects. The remaining 45% however expressed their pessimism about growth and turnaround in their industrial clusters.

Investment in Plant & Machinery

62% manufacturing SMEs did not make any major investment in plant and machinery during last 5 years. The remaining 38% however invested Rs. 250,000/- to over Rs.1 million to improve their plant and machinery during last 5 years. Encouragingly bulk of SMEs that invested in plant & machinery invested more than Rs. 1 million. Interestingly 82% of the manufacturing units that made investment in plant and machinery during last 5 years were small firms having upto 50 workers.

Owners' Education and Investment in Plant

The educational qualification of entrepreneurs have positive correlation with the investments in plants and machinery as the entrepreneurs with better qualification invested more in plant and machinery than the entrepreneurs with no or lesser education.

Plans for investment in Plant & Machinery

54% of the manufacturing units have no plans to invest in machinery and other fixed assets in future; this however include % SMEs that made investments in their plant and machinery during last 5 years and thus they don't foresee any further investment in the plant and machinery in near future. The SMEs that did not make any investment in the plant and machinery during last 5 years and have no plans to invest in machinery in future seems to be disappointed with their existing and future business prospects due to internal weaknesses in their units and hostile external environment, particularly political instability and uncertainty that has gripped the country for last about one and half year. Interestingly the smaller firms are relatively more optimistic about future and have plans to invest in plant and machinery than the larger firms. For instance 53% of the firms having upto 10 workers would like to improve their existing plant and machinery compared to about 36% for firms employing 11-25 workers and 41% of the firms having 26-50 workers. This trend however is not true for large SMEs having more than 100 workers as 67% of SMEs have plans to invest further in the plant and machinery. The sample size for this category of SMEs however is too

Table-2.11A: Major Investment in plant & machinery in last 5 yrs (Rs)

	No Investment		upto 0.25 mn		upto 0.50 mn		upto 1.0 mn.		Over 1.0 mn.		Total
No of Employees	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.
1-10	73	55.7	12	70.6	2	15.4	5	62.5	8	19.5	27
11-25	38	29.0	3	17.6	5	38.5	2	25.0	14	34.1	24
26-50	13	9.9	2	11.8	3	23.1	1	12.5	8	19.5	14
51-100	4	3.1	0		1	7.7	0		4	9.8	5
101-150	1	0.8	0		2	15.4	0		6	14.6	8
151-250	2	1.5	0		0		0		1	2.4	1
Total	131	100	17	100	13	100	8	100	41	100	79
% of Total	-		21.5		16.5		10.1		51.9		100

Table- 2.12: Major Investment in Plant & Machinery during last 5 years (in Rs)

Educational Qualification	No Investment		upto 0.25 mn.		0.25 0.50 mn		0.50-1.0 mn		Over 1.0 mn		Investing total	
	Freq.	Column %	Freq.	Column %	Freq.	Column %	Freq.	Column %	Freq.	Column %	Freq.	Column %
Illiterate	7	5.3			0				1	2.4	1	1.3
Primary	11	8.4	2	11.8	1	7.7					3	3.8
Middle	24	18.3	2	11.8	1	7.7			4	9.8	7	8.9
Matric	30	22.9	8	47.1	0		3	37.5	7	17.1	18	22.8
Inter	28	21.4	3	17.6	5	38.5	3	37.5	9	22.0	20	25.3
Graduate	29	22.1	2	11.8	5	38.5	2	25.0	18	43.9	27	34.2
Masters	2	1.5			1	7.7			2	4.9	3	3.8
Total	131	100.0	17	100.0	13	100.0	8	100.0	41	100.0	79	100.0
% of Total			21.5		16.5		10.1		51.9		100.0	

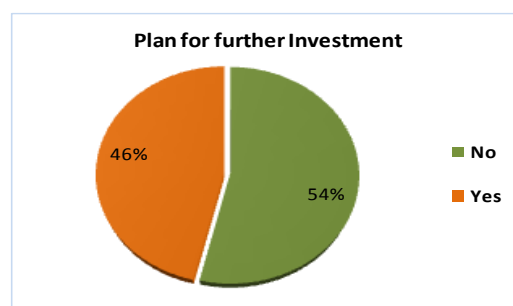


Table-2.13: Plans for Future Investment in Machinery & Fixed Assets

	No		Yes		Total
No of Employees	Freq.	%	Freq.	%	Freq.
1-10	47	41.6	53	54.6	100
11-25	40	35.4	22	22.7	62
26-50	16	14.2	11	11.3	27
51-100	6	5.3	3	3.1	9
101-150	2	1.8	7	7.2	9
151-250	2	1.8	1	1.0	3
Total	113	100	97	100	210
% of Total	53.8		46.2		100

small (just 12 SMEs out of 210). Further 79% of the SMEs that have plans to invest in plants and machinery are small firms having upto 50 workers.

Financing of the Investment Plans

55% of the SMEs with plans to invest in plant and machinery would finance the investment through personal savings, 17% through bank loans, 9% through personal savings and loans from friends & family and 19% through a mix of personal savings and bank loans. Thus a large majority does not seem to be interested in accessing bank loans to finance the future investment plans. Interestingly a large majority (61%) of those interested in accessing bank loans for the purpose are small enterprises having upto 10 employees; the sample size of those interested in accessing the bank loans, however is very small (just 17) and thus the ratio needs to be interpreted cautiously.

Table-2.14: If yes, How to Finance Investment Plans?

No of Employees	No Plan		Bank loan		Savings		Bank+Savings		Savings+Family		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
1-10	46	41.8	12	70.6	28	50.9	10	52.6	4	50.0	100
11-25	39	35.5	1	5.9	19	34.5	1	5.3	2	25.0	62
26-50	15	13.6	2	11.8	5	9.1	3	15.8	2	12.5	27
51-100	6	5.5	1	5.9			1	5.3	1	12.5	9
101-150	2	1.8	1	5.9	3	5.5	3	15.8			9
151-250	2	1.8					1	5.3			3
Total	110	100	17	100	55	100	19	100	9	100	210
% of Total	52.4		8.1		26.2		9.0		4.3		100
% with Plans	-		17.0		55.0		19.0		9.0		

Own Power Generation Arrangement

62% of the manufacturing units covered by the survey did not have their own power generation arrangements and thus had to shut their operations during the power outages. The load shedding and frequent power failures have severely affected the production levels with most of units facing production time losses of 24 hours or more per week; on average the units experienced production time losses 33 hours per week. Further 93% of the manufacturing units reported production time losses of 16 hours or more per week and 40% reported the losses of 30 hours or more. Although the larger and medium sized firms have better capacity to sustain such shocks, however the survey suggests that the energy crisis has severely affected both the smaller and larger units across the board (table 2.15).

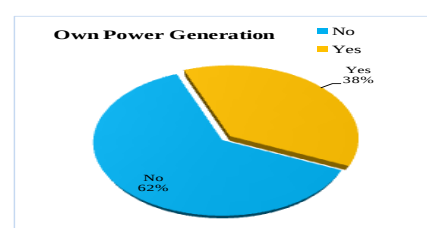
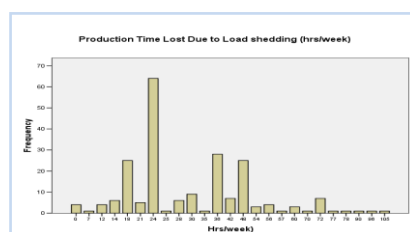


Table-2.15: Production Time Lost due to Load Shedding- Hrs/week

No of Employees	<= 0		1 - 15		16 - 30		Over 30 Hrs		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
1-10	1	25	7	63.6	58	52.73	34	33.3	100
11-25	3	75	3	27.3	29	26.36	27	38.9	62
26-50			1	9.09	14	12.73	12	19.4	27
51-100					5	4.545	4	2.78	9
101-150					4	3.636	5	2.78	9
151-250							3	2.78	3
Total	4	100	11	100	110	100	85	100	210
% of total	1.9		5.238		52.4		40.48		100

Section – III: Trading SMEs

Firm Size – based on Total Assets

While 29% of the trading SMEs covered in the survey did not respond to the question regarding total assets, a bulk of the SMEs (34%) had total assets (excluding land and building) of upto Rs. 500,000/-, 17% had assets valuing Rs. 0.5 million to Rs. 1 million. Only 20% had total assets in excess of Rs. 1.0 million (with 7% having assets value of over Rs. 5.0 million) which is indicative of predominantly small nature of the trading SMEs.

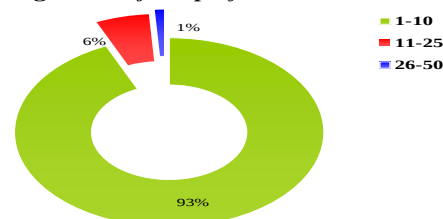
Table 3.1: Total Assets (Excluding Land & Building) (in Rs.) - Trading SMEs

No. of Employees	No Response		Upto 0.5 mn.		0.5-1.0 mn.		1.0-5.0 mn.		Over 5.0 mn.		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
1-10	24	92.308	30	96.8	15	100	12	100	3	50	84
11-25	2	7.6923	1	3.2					2	33.33	5
26-50									1	16.67	1
Total	26	100	31	100	15	100	12	100	6	100	90
% of Total	28.9		34.4		16.7		13.3		6.7		100

Firm Size – based on Number of Employees

The trading units covered in the survey were predominantly small based on the number of employees as well; 93% of the units had upto 10 employees/workers, 6% had 11-25 workers and only 1% had 26-50 workers.

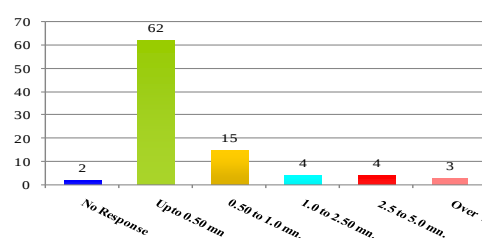
Trading SMEs by Employees Size



Firm Size – based on Sales

69% of the trading concerns had monthly sales of upto Rs. 0.5 million, 17% Rs. 0.5–Rs.1.0 million and 12% had monthly sale of more than Rs. 1 million.

Average Monthly Sales (in Rs.)- Trading SMEs Frequency #



Sale Composition (Credit vs Cash)

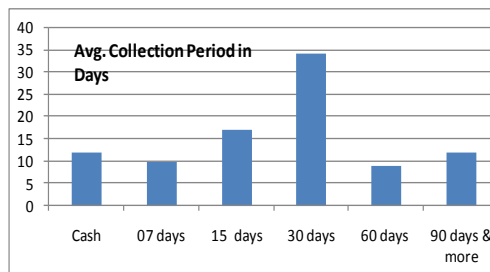
The survey suggests that 12% trading units sell only on cash basis, 21% make upto 20% of the sales on credit, 33% units have credit sales of 21–50% and remaining about 33% have more than 50% of their sales on credit.

Average Credit Collection Period

35% of the trading units engaged in credit sales recover the outstanding credits on average within 15 days of the sale and about 79% recover/collect the credit within 30 days, about 9% in 31- 60 days and 12% in 90 days and more. The analysis of credit collection period with the firm size suggests that smaller firms have relatively shorter credit collections period than the larger firms. The smaller trading firms generally deal in cash or fewer days' credit than the larger firms due their limited capacity to finance the longer duration receivables.

Table 3.2: Credit Sales Ratio Vs. Avg Monthly Sales

Credit Sales %	Up to Rs.0.50 m	0.50-1.0 mn.	Over Rs. 1.0 mn	Total	%
0 (Cash)	6	1	3	11	12.2
1-10 %	7	4	1	12	13.3
11-20	6	1	0	7	7.8
21-30	8	0	1	9	10.0
31-40	1	1	0	2	2.2
41-50	16	3	0	19	21.1
Over 50%	18	5	6	30	33.3
Total	62	15	11	90	100
% of Total	68.9	16.7	12.2	100	

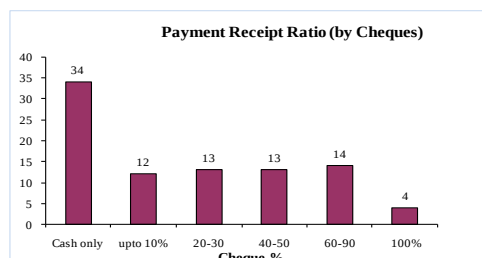


Payment Receipt Composition

About 38% trading SMEs make and receive payments only in cash whereas 4% make receive almost all payments through cheques. 13% trading firms use cheques for upto 10% of the payments and receipt, 29% have cheque usage for 21-50% of the payments/receipts whereas about 16% of the firms make/receive 60-90% of their payments through cheques. The excessive use of cash for payments/receipts is attributable to predominantly smaller size of the trading units and the nature of their operations; most of the sales are over the counter that are normally made in cash.

Payment Receipt by Cheque

Valid	90
Mean	1,486,189
Median	42,500
Minimum	5000
Maximum	30,000,000



The Average Account Receivable

The average account receivables of the trading units were 1.486 million with minimum & maximum of Rs 5,000 & 30 million. About 69% SMEs had receivables of up to Rs.0.2 m, 9% Rs. 0.2 – 0.4 million, 9% Rs.0.4-1 million and about 10% SMEs had receivables of more than 1 million.

Table 3.3: Average Accounts Receivable

(in Rs)	Freq.	%
0	5	5.6
1 – 200,000	62	68.9
200,001 – 400,000	8	8.9
400,001–1,000,000	6	6.7
Over Rs. 1,000,000	9	10.0
Total	90	100

The Average Account payable

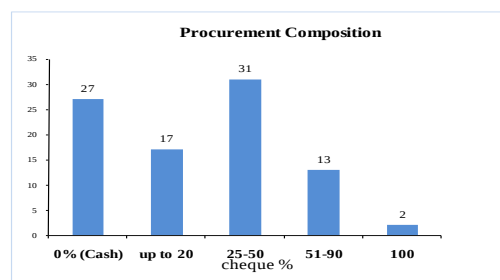
The Average Account Payables of the trading SMEs covered in the survey was Rs.0.891 million with the minimum & maximum of Rs. 10,000/- and 30 million; only one SME has payables of 30 million; about 56% of SMEs have payables of upto Rs. 0.1 million, 16% Rs.0.1 – 0.2 million, and the remaining about 27% had payables of more than Rs. 0.2 million.

Table 3.4: The Avg Account Payable

(in Rs.)	Freq.	Percent
0	2	2.2
1 – 100,000	50	55.6
100,001 – 200,000	14	15.6
200,001 – 300,000	6	6.7
300,001 – 500,000	6	6.7
Over Rs. 500,000	12	13.3
Total	90	100

Procurement Composition (Cash vs Credit)

30% of the respondent SMEs were having all their procurement on cash basis and only 2% on credit only basis. About 19% had upto 20% of the procurements on credit, 34% had 25-50% procurement on credit and the remaining 14% were having 60-90% of procurements on credit.



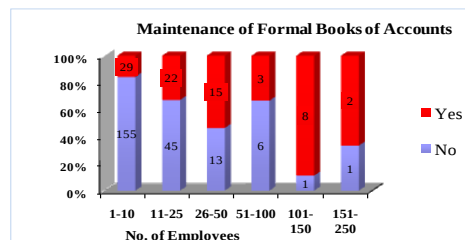
Section – IV: Accounting & Record Keeping

Formal Books of Accounts

74% of the SMEs of Gujranwala district does not maintain formal books of accounts; the practice is more common in trading SMEs 80% of whom do not maintain formal accounting books compared to 71% manufacturing units that don't maintain the formal books of accounts. As expected the firm size and the maintenance of books of accounts are strongly associated; the larger firms have greater tendency of maintaining formal books of accounts compared to the smaller firms. For instance 84% of the firms having upto 10 workers were not maintaining the formal books of accounts compared to 46% of the firms having 26-50 employees.

Table 4.1: Maintain Formal Books of Account

	Manufacturing		Trading		Total	
	Freq.	%	Freq.	%	Freq.	%
No	149	71.0	72	80.0	221	73.7
Yes	61	29.0	18	20.0	79	26.3
Total	210	100	90	100	300	100
% of Total	70.0		30.0		100	



Formal Books of Accounts and Owners' Education

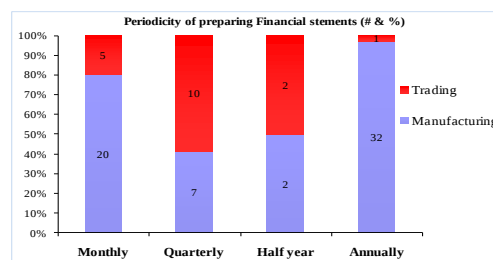
There is a strong correlation between entrepreneurs' educational qualification and maintenance of books of accounts (table 4.2); the SMEs headed by educated entrepreneurs have greater tendency to maintain books of accounts than the SMEs run by entrepreneurs with no or lesser education. 94% of the SMEs maintaining formal books of accounts were run by individual with Matric and above qualification and 47% of them had owners/ managers with graduate and above qualification.

Table-4.2: Maintain Formal Books of Account

Educational Qualification	No		Yes	
	Freq.	%	Freq.	%
Illiterate	11	5.0	1	1.3
Primary	18	8.1	1	1.3
Middle	36	16.3	3	3.8
Matric	59	26.7	16	19.2
Inter	57	25.8	21	26.9
Graduate	37	16.7	31	39.7
Masters	3	1.4	6	7.7
Total	221	100	79	100
% of Total	73.67		26.33	

Periodicity of Financial Statements

42% of the SMEs maintaining formal books of accounts prepare the income statement and balance sheet on annual basis followed by 32% and 22% that prepare the statements on monthly and quarterly basis respectively.



Specialized Accountants

About 65% of SMEs maintaining formal books of accounts had specialized Accountants for maintaining the books whereas the proprietors/partners of remaining the 35% SMEs were themselves maintaining the formal books of accounts. Similarly for 47% of the SMEs having informal books of account (Day book/Payment and Receipts book), the proprietorship/partners were themselves maintaining the books; about 12% had hired Munshi for the purpose. 41% of SMEs maintaining informal books also hire tax lawyers for

Table- 4.3: How the Books of Accounts are Maintained?

	Manufacturing		Trading Concern		Total		Total %
	Freq.	%	Freq.	%	Freq.	%	
Don't maintain	15	7.1	17	18.9	32	100	10.7
Sub Total	15	7.1	17	18.9	32	100	10.7
Formal Books by:							
Specialized Accountant	45	21.4	6	6.7	51	64.6	17.0
Proprietor himself	16	7.6	12	13.3	28	35.4	9.3
Sub Total	61	29.0	18	20.0	79	100	26.3
Informal books by:							
Munshi	22	10.5	1	1.1	23	12.2	7.7
Proprietor himself	75	35.7	14	15.6	89	47.1	29.7
Lawyer for taxation	37	17.6	40	44.4	77	40.74	25.7
Sub Total	134	63.8	55	61.11	189	100	63.0
Total	210	100	90	100	300	300	100

preparation of the tax returns and the accounting books. Interestingly 10% of the SMEs denied maintaining and having any books of accounts, formal or informal. While this may be true for very small SMEs, there are chances that the entrepreneur deliberately denied to have any books due to apprehensions about disclosure of the information to tax authorities.

Accounting Training

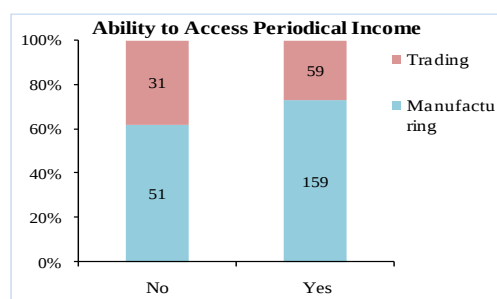
None of the SMEs that are keeping informal accounting books received any accounting training from SMEDA or other training institutes. 9% of the SMEs maintaining formal books of accounts however received accounting and book keeping training from SMEDA. The remaining 91% of the SMEs maintaining formal books have either specialized accountants for the purpose or the proprietorship/partners had the sufficient understanding to keep and maintain the books by themselves.

Table 4.4: If Formal Books Maintained, then any Accounting training from SMEDA etc.?

	Manufacturing		Trading		Total	
	Freq.	%	Freq.	%	Freq.	%
No	55	90.2	17	94.5	72	91.1
Yes	6	9.8	1	5.6	7	8.9
Total	61	100	18	100	79	100

Periodic Assessment of Income

73% of the SMEs not maintaining the formal books of accounts make periodical assessment of income based on the informal books and record they are maintaining. The remaining 27% however have no idea of their income or losses. While this may be true for some SMEs, it may also be due to manipulated or biased response of the SMEs due to apprehensions of disclosure of tax authorities.



Party-wise Accounts Payable and Receivable

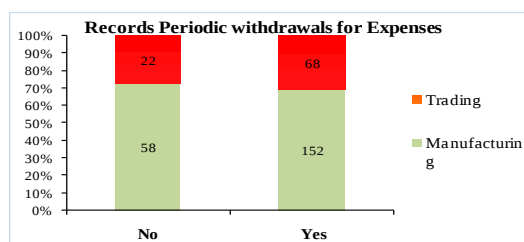
100% of the SMEs having formal books of accounts and an overwhelming majority of SMEs maintaining informal books maintain party wise records of accounts payables & receivables. Overall more than 92% SMEs has a practice of maintaining the party-wise record of accounts payables and receivables. The practice is more common in manufacturing units where 94% units maintain this record as compared to 89% in the trading concerns.

Table 4.5: Maintain Party-wise Records of Accounts

	Manufacturing		Trading		Total	
	Freq.	%	Freq.	%	Freq.	%
No	13	6.2	10	11.1	23	7.7
Yes	197	93.8	80	88.9	277	92.3
Total	210	100	90	100	300	100

Periodic Withdrawals for Personal Use

73% SMEs records the periodic withdrawals to meet the personal expenses while the rest don't maintaining any record of the withdrawals made for personal use.



Free Accounting training

68% SMEs would not like to attend training program on accounting and maintenance of books of accounts even if provided free of cost; only 32% expressed their willingness to attend such program. The response may be due to lack of belief in the utility of such programs, limited awareness about the importance of maintaining books of accounts due to predominantly small and

Table-4.6: Willing to attend free training on maintaining the day book etc?

	Manufacturing		Trading		Total	
	Freq.	%	Freq.	%	Freq.	%
No	139	66.19	66	73.3	205	68.3
Yes	71	33.81	24	26.7	95	31.7
Total	210	100	90	100	300	100

informal nature of the SMEs operating in the District and apprehensions that maintenance of formal books would attract tax liabilities etc.

Use of Personal Computer

46% firms have personal computers whereas the remaining 54% are operating without computers. Almost 50% of the manufacturing units have the Personal Computers compared to about 38% of the trading units. Further about 57% of the firms that have computers are using them for maintaining the books of accounts and remaining 43% use the computers for letter writing/email/internet etc. 65% of the firms that are using computers for maintaining books of accounts have purchased/developed their own Accounting software whereas the remaining 35% are using Excel etc for maintaining the accounting records.

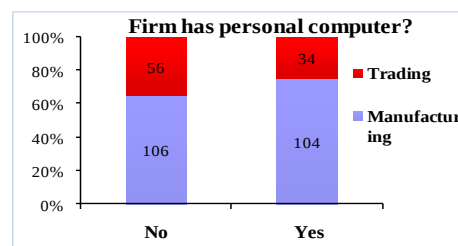


Table 4.7: PC Usage for Books Maintenance

	SME type				Total	
	Manufacturing		Trading			
	Freq	%	Freq	%	Freq	%
No	43	41.4	16	47.06	59	42.75
Yes	61	58.6	18	52.94	79	57.25
Total	104	100	34	100	138	100

Awareness about SMEDA Accounting Package

95% SMEs have no information about the accounting software developed by SMEDA and being given to SMEs free of cost. Only 20% SMEs expressed their willingness to acquire the SMEDA accounting package/software. As discussed earlier SMEs don't even know about the existence of SMEDA which emphasize the need for change in SMEDA policy to create awareness about its services and facilities for SMEs. The SMEDA business model to expect the SMEs to visit its offices for availing its services has seemingly not been able to attract a large majority of SMEs and thus some adjustments in the business would probably be needed to improve its presence amongst the SMEs.

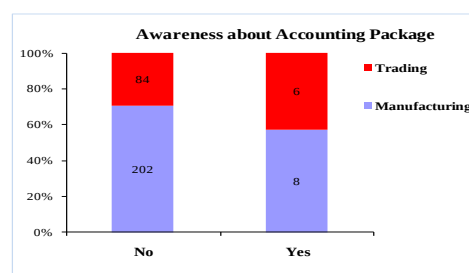


Table 4.8: Acquired or willing to acquire the software?

	Manufacturing		Trading		Total	
	Freq.	%	Freq.	%	Freq.	%
No	168	80	72	80	240	80
Yes	42	20	18	20	60	20
Total	210	100	90	100	300	100

Section – V: Business Development Services

Awareness about BDS

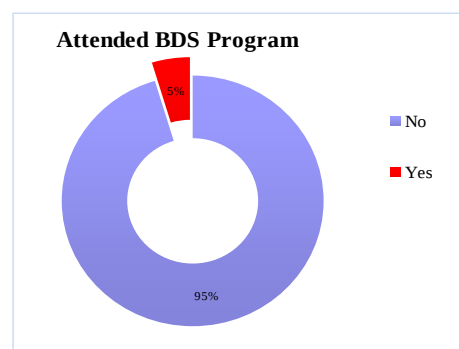
91% SMEs have no awareness about the Business Development Services (BDS) with almost all the smaller firms having no information about the BDS. Even a good number of relatively larger sized SMEs have no awareness about BDS being extended by SMEDA or other public/private organization. This large scale unawareness about BDS emphasizes the need for review in existing marketing and information dissemination policy of institutions like SMEDA to maximize the impact of their institution.

Table-5.1: Awareness about BDS by SMEDA/others

No. of Employees	No		Yes		Total
	Freq.	%	Freq.	%	
1-10	178	65.4	6	21.4	184
11-25	56	20.6	11	39.3	67
26-50	23	8.5	5	17.9	28
51-100	7	2.6	2	7.1	9
101-150	7	2.6	2	7.1	9
151-250	1	0.4	2	7.1	3
Total	272	100	28	100	300
% of Total	90.7		9.3		100

Whether Attended BDS Programs?

Only 9.3% SMEs had awareness about the BDS of which about 50% (or 4% of total respondent SMEs) had attended 1-10 seminars on BDS. Further most of these SMEs had attended the BDS programs the programs about 2 years back in 2006, which suggests further deceleration in BDS programs in the recent past. The large scale unawareness about BDS providers and SMEDA signifies the need for substantial improvement in interaction between SMEs and BDS providers including SMEDA to improve awareness and productivity of their programs and initiatives for the SMEs. The respondent SMEs also suggested that SMEDA should arrange programs in the industrial estates of the Gujranwala and other SME hubs in the district in collaboration with the SME Associations, trade bodies and Gujranwala Chamber of Commerce.



Reasons for not attending BDS Programs

Lack of awareness, no or limited belief in the utility of the programs, lack of reputed institutions, lack of time with the owner/ member/partners are some of the key reasons for the SMEs' no or limited interest in BDS.

Table-5.2: Reasons for Not Attending the BDS Prog

		No		Yes
		Freq.	%	
Lack of awareness	Freq.	29	271	
	%	9.7	90.3	
No institution	Freq.	147	153	
	%	49	51	
Lack of Faith	Freq.	120	180	
	%	40	60	
Lack of Time	Freq.	222	78	
	%	74	26	
Costly/unaffordable	Freq.	278	22	
	%	92.7	7.3	
Would Like to attend BDS program?				
		No	Yes	
	Freq.	123	177	
	%	41	59	

Willingness to Attend Training Program

Interestingly 59% of the SMEs expressed their willingness to attend BDS programs if arranged free of cost, the rest 41%, however, had no faith in such programs. Some of them lacked confidence to actively participate in such programs/trainings due to their low qualification. Further there is a strong positive correlation between the firm size and the willingness to attend the Business Development trainings; the larger firms have shown greater willingness to attend such programs

Table-5.3: Willingness to Attend such program Free of Cost

No of employees	No		Total
	Freq.	%	
1-10	88	96	184
11-25	23	44	67
26-50	7	21	28
51-100	3	6	9
101-150	2	7	9
151-250		3	3
Total	123	177	300
% of Total	41.0	59.0	100.0

than the smaller firms. This suggests that the larger firms have better appreciation and understanding of the need for such programs than the smaller firms.

Training Program for Workers

97% SMEs have not arranged any training programs for their workers during the last 02 years due to lack of resources, and lack of awareness and understanding about the training needs of their workers and the kind of programs that can be arranged for the workers to enhance their productivity. Almost all the trading units opined that their workers don't need any training due to simple and non-technical nature of their business activities. Further most of the trainings in both manufacturing and trading units are on the job wherein the seniors/*Ustad* imparts training to the juniors/*Shagirds* during live operations.

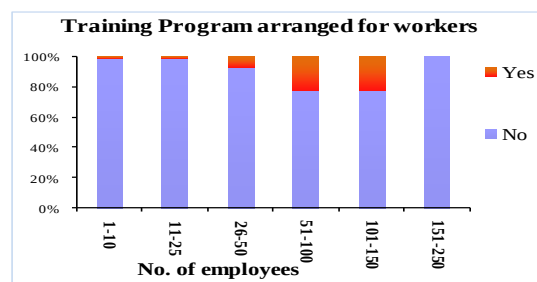


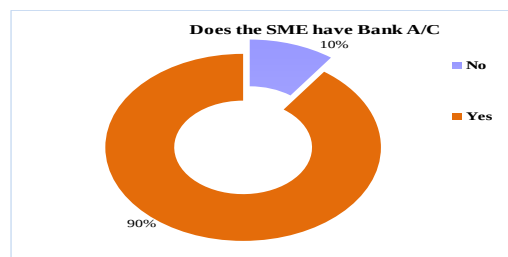
Table-5.4: Reasons for not conducting training programs

	Freq.	%
No Need	86	28.7
Lack of awareness	42	14.0
No Enough Resources	26	8.7
On the job training	137	45.7
Arranged Training programs	9	3.0
Total	300	100

Section - VI: Access to Finance

Bank Accounts

90% SMEs covered in the survey have bank accounts; about 50% had the accounts in the name of the SME and 40% in the name of their proprietors and or partners. 10% of the SMEs had no bank account, neither in the name of SMEs nor in the name of their proprietors. Almost all the SMEs not having the bank accounts are small units having upto 10 employees.



The manufacturing SMEs being relatively larger in size, resources and capacity than the trading SMEs, exhibited greater tendency to use banking facilities and services than the trading units. 92% manufacturing SMEs have banks accounts as compared to 86% trading SMEs. Further 53% manufacturing SMEs have accounts in their own name compared to 43% of trading SMEs. Overall more manufacturing SMEs are routing their business transactions through banks than the trading SMEs. This may be attributable to the larger business activity of manufacturing concerns and their engagement in import/export activity and sale/purchase of finished goods/ raw material across the country where the need for banking facilities is greater. The trading concerns in addition to normal banking channels also use parchi system & self collection for making/receiving payments.

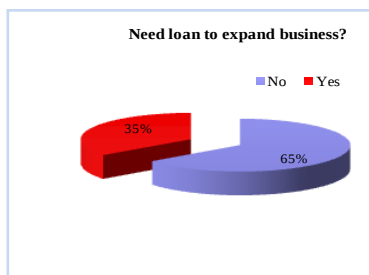
No of employees	No		Yes		Total
	Freq.	%	Freq.	%	Freq.
1-10	28	93.3	156	57.8	184
11-25	2	6.7	65	24.1	67
26-50			28	10.4	28
51-100			9	3.3	9
101-150			9	3.3	9
151-250			3	1.1	3
Total	30	100	270	100	300
% of total	10.0		90.0		100

Further 43% of the SMEs have opened accounts during last 05 years, 26% have the bank accounts since 6-10 years and the remaining 31% for more than 10 years. The bulk of SMEs thus opened the bank accounts during last 7-8 years, the period during which the banking industry registered fast pace growth and expansion. The opening of account however is the first step towards a possible long term banking relationship that needs nurturing through competitive products and services by banks and responsible attitude of the

No of employes	1-5 Yrs		6 - 10		Over 10 Y		Total	
	Freq.	%	Freq.	%	Freq.	%	Frequ	Colu mn %
1-10	82	71	37	52	38	50	157	58
11-25	23	20	21	30	21	33	65	24
26-50	5	4	7	10	15	10	27	10
51-100	3	3	3	4	3		6	3
101-150	3	3			6	7	9	3
151-250			3	4	0		3	1
Total	116	100	71	100	83	100	267	100
% of total	43.4		26.6		31.1			100

Loans for Business Expansion

Only 35% of the respondent SMEs opined that they need loans to expand their business whereas 65% reported that they don't need loan for business expansion. This is an interesting



No. of Employees	No		Yes		Total	
	Freq.	%	Freq.	%	Freq.	%
1-10	119	61.3	65	61.3	184	61.3
11-25	45	23.2	22	20.8	67	22.3
26-50	18	9.3	10	9.4	28	9.3
51-100	6	3.1	3	2.8	9	3.0
101-150	4	2.1	5	4.7	9	3.0
151-250	2	1.0	1	0.9	3	1.0
Total	194	100	106	100	300	100
% of Total	64.7		35.3			100

finding and may be due to depressed business environment in the country for last about one

and half year, lack of vision of SMEs to expand the business and apprehensions about interest (Riba) based nature of banking products.

The smaller firms are relatively more reluctant to access the bank loans than the larger firms. For instance 50% of the firms having 100 or more workers did not need loans for business expansion compared to about 66% of the SMEs having less than 100 employees. The sample size of SMEs having 100 or more employees was however very small, only 4% of the total SMEs covered in the survey; had this sample was larger the ratio of the larger SMEs interested in accessing bank loan might have further improved.

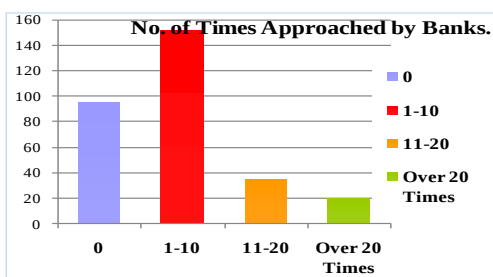
Whether Approached by Banks for Extending Loan?

68% of the SMEs covered by the survey were approached by banks for extending loan and other financial services; 32% however were never approached by banks. Interestingly most of the SMEs approached by banks were visited upto 10 times. This is a healthy sign and is indicative of banks' increasing interest in tapping this market.

Table-6.4: Approached by Banks for Loan?

No. of Employees	No		Yes		Total
	Freq.	%	Freq.	%	
1-10	63	66.3	121	59.0	184
11-25	19	20.0	48	23.4	67
26-50	8	8.4	20	9.8	28
51-100	2	2.1	7	3.4	9
101-150	3	3.2	6	2.9	9
151-250	0		3	1.5	3
Total	95	100	205	100	300
% of Total	31.7		68.3		100

Further although banks' marketing staff had a relatively greater focus on larger SMEs for introduction/promotion of their products however a substantial proportion (66%) of smaller firms having upto 10 employees were also approached by banks' marketing staff for introduction of their products and services. This is encouraging and is indicative of improving interest of banks in small enterprises.



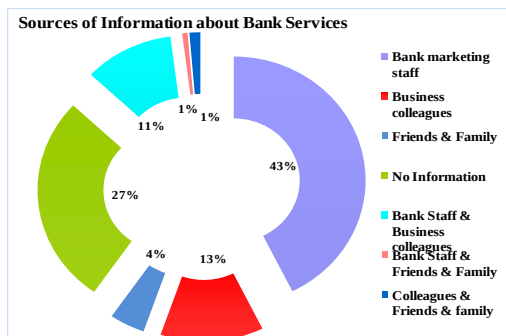
This may however also be due to better repute of SMEs operating in the district and larger concentration of banks in the urban areas of the district.

Awareness about Banks loan Products

Contrary to general belief that SMEs lack awareness about financial services, 73% SMEs had awareness about bank loan products. 43% SMEs got the information through the bank's marketing staff, 13% through their business colleagues and another 13% through more than one source. Although majority of the respondent SMEs has awareness about the banks' loan products, however still a handsome proportion (27%) is unaware of the loan products etc. Further 32% of the SMEs were never approached by banks. This signifies the need for further improvement in banks' sales and marketing efforts for expanding their SME portfolios. The more frequent awareness programs and meetings with the SMEs at their business locations with the help of SMEs association/ trade bodies may be instrumental in improving the awareness levels and thus expanding the banks' SME portfolio.

Table-6.5: Awareness about Banks' Loan Products

No. of Employees	No		Yes		Total
	Freq.	%	Freq.	%	
1-10	68	82.9	116	53.2	184
11-25	11	13.4	56	25.7	67
26-50	2	2.4	26	11.9	28
51-100	1	1.2	8	3.7	9
101-150			9	4.1	9
151-250			3	1.4	3
Total	82	100	218	100	300
% of Total	27.3		72.7		100



Whether Applied for Bank Loan?

Only 25% of the SMEs applied for bank loans whereas the remaining 75% never applied for the bank loans. This finding is in line with the earlier finding that 65% SMEs don't need loans for expanding their business. There is strong correlation between the firm size and possibility for applying for the loans, the larger firms have greater tendency to apply and avail bank loans than the smaller firms. For instance 16% of the firms having upto 10 employees applied for bank loans compared to 31% firms having 11-25 employees, 46% firms with 26-50 employees and 83% firms having more than 100 employees.

Table-6.6: Ever Applied for Bank Loan?

No. of Employees	No		Yes		Total
	Freq.	%	Freq.	%	Freq.
1-10	154	69.1	30	39.0	184
11-25	46	20.6	21	27.3	67
26-50	15	6.7	13	16.9	28
51-100	6	2.7	3	3.9	9
101-150	2	0.9	7	9.1	9
151-250			3	3.9	3
Total	223	100	77	100	300
% of Total	74.3		25.7		100

Reasons for Not Applying Loan

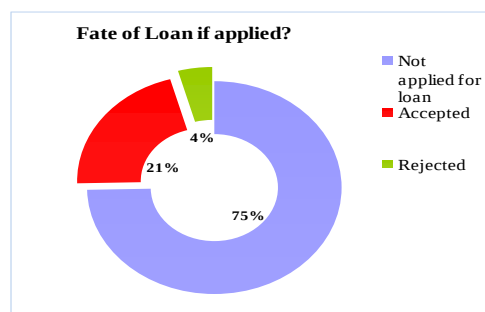
About 78% of the SMEs who had never applied for bank loans were uncomfortable with the interest based loan products being extended by banks. While this may not be a conclusive evidence for the extensive demand for Islamic finance products as it is not clear that whether these respondents need the loans etc, however generally the respondents do highlight the interest (Riba) based banking products as one of the reasons for their reluctance to access bank loans. A handsome majority (about 58%) opined that high interest rate of banks were responsible for their reluctance in accessing bank loans. One possible explanation for this response may be the timing of the survey; the survey was conducted in May-June 08, the period during which discount rate was increased by 150 bps. Further there has been rising interest rate regime for last about 2 years that might have created a perception amongst the business community that banks' interest rates are on higher side. The banks' cumbersome and lengthy procedure is also one of the key impediments in SMEs' access to bank loans as 52% of those who never applied for bank loans attributed their reluctance to apply for bank loans to the perceived complexities and lengthy procedures for obtaining the loans. The observation is in line with general perception that banks' procedures and documentation requirements are too stiff particularly for SMEs and that only influential and larger sized SMEs can access the bank loans.

Table-6.7: Reasons for not applying loan

Reasons	Yes	%	No	%	Total	%
Lack of awareness about financial services	14	6.3	210	93.8	224	100
Religious grounds	174	77.7	50	22.3	224	100
High interest rates	131	58.5	93	41.5	224	100
Cumbersome and lengthy procedure	117	52.2	107	47.8	224	100
Others	-	-	-	-	-	-

Loan Acceptance Ratio

Interestingly a large majority of the SMEs that had applied for bank loans were able to obtain the loans; the loan applications of only 13 SMEs (16% of those which applied for bank loans) were rejected by banks. The 84% loan acceptance ratio is encouraging and is indicative of Banks' willingness to cater to the SMEs financial services needs.



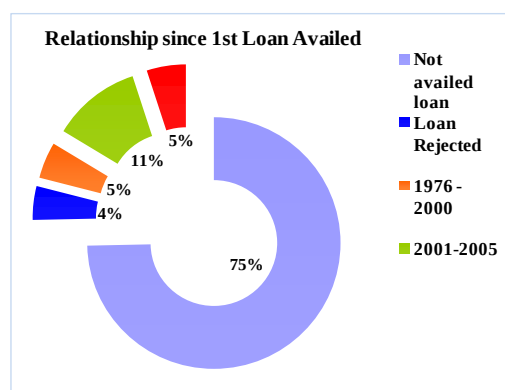
The firm size wise analysis of loan acceptance and rejection ratio shows that 62% of the firms whose loan applications were rejected were very small having upto 10 employees; however 35% of the SMEs whose loans were accepted were also very small having upto 10 workers and 27% of the firms whose loans accepted were also relatively small with 11-25 workers. Although the larger firms have greater tendency to apply for bank loans and their loan acceptance ratios are also relatively higher, most of the smaller firms that applied for the loans have been able to obtain the loans. Further almost all the loans to the SMEs except one were extended by commercial banks; one SME obtained loan from an SME bank. The SME type wise analysis shows that most of the SMEs that applied for bank loans were the manufacturing concerns and also most of the SMEs whose loans were approved were the manufacturing concerns.

Table-6.8: If yes, what was the Fate of Loan?

No. of Employees	Not applied		Accepted		Rejected		In Process		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
1-10	154	69.1	22	34.9	8	61.5			184
11-25	46	20.6	17	27.0	3	23.1	1	100	67
26-50	15	6.7	11	17.5	2	15.4			28
51-100	6	2.7	3	4.8					9
101-150	2	0.9	7	11.1					9
151-250			3	4.8					3
Total	223	100	63	100	13	100	1	100	300
% of Total	74.33		21.0		4.33		0.33		100

The period since 1st Loan Obtained

Another important feature of SME financing in the district is that most of the SMEs who obtained bank loans, took the loans during last about 7 years. Only 14 SMEs (18%) of those which obtained bank loans had availed the loans by the year 2000, whereas the rest about 82% of the SMEs obtained the bank loans during 2001-08. This may be attributed to the fast pace expansion of banking industry during the period and SBP focus on broadening and deepening of the banking system and thus bringing un-banked/ under-banked areas/sectors like SMEs in the fold of banking.



Reasons for Loan Rejection

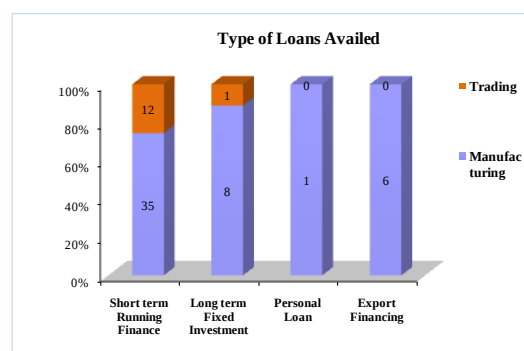
The absence of financial statements, insufficient cash flows and inadequate collaterals were the key reasons for the loan rejection. However as the sample size for loan rejection statistics was too small this finding may not be true representative of the reasons for SMEs loan rejection.

Table-6.9: Reasons for Loan Rejection

Reasons	Yes		No		Total
	Freq	%	Freq	%	
Lack of Collaterals	3	23.1	10	76.9	13
Inadequate Prop. Title	5	38.5	8	61.5	13
Insufficient Cash flows	8	61.5	5	38.5	13
Financial Statements	7	53.6	6	46.2	13

Type of Bank Loans Availed

75% of the SMEs having access to bank loans availed short term running finance and 14.7% obtained long term fixed investment loan. Further 9.6% of the manufacturing SMEs availed export financing under SBP export finance scheme. Thus most of the loans extended to the SMEs are short term in nature and the long term loans that encourage and accelerate capital formation, constitute a very small proportion of the loans



being extended to SMEs. The banks' entry into the SMEs (particularly the small enterprises) sector is however a recent phenomenon and most of the banks are at a very early stage of developing their capacities to serve the SMEs. The position thus would improve gradually with the improvement in banks' comfort level with the SMEs.

Bank Loans and SME Types

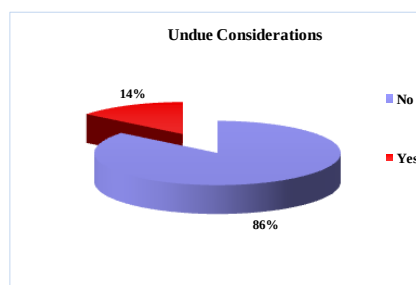
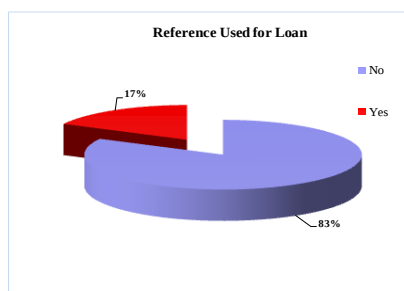
As also discussed earlier the manufacturing units seems to have better access to the financial services than the trading units; about 79% of total SMEs, that availed the loan are manufacturing units and only 21% are trading concerns. Further 71% of the manufacturing concerns did not apply for the loan as compared to 82% of trading units. Though the manufacturing units relatively have better access to banking facilities than trading units, a very large majority (more than 70%) does not have access to the bank loans that limit their capacity to grow and expand their business levels.

No. of days consumed in obtaining loan

43% SMEs consumed on the average consumed 21-30 days in getting the loan sanctioned by the bank. About 21% consumed 31-60 days in the loan sanctioning process while 14% consumed more than 02 months in the whole process; 02 of the respondent refused to respond. 17% used the references for obtaining the loan and 14% also used undue considerations for obtaining the loans.

Table-6.10: No of days consumed in obtaining loan

No of days consumed in obtaining loan	Freq.	%	%age out of 63 SMEs which availed loan
Not Applied/Availed	224	74.7	-
Loan Rejected	13	4.3	-
Not Responded	2	0.7	3.2
1-30 Days	6	2	9.5
31-60 Days	6	2	9.5
61-180 Days	27	9	42.9
Total	300	100.0	



Preferred Source of Finance

Majority (70%) of the SMEs prefer to borrow from the Friends & Family (F & F) as borrowings from F & F are easy and immediately available. Further it doesn't require any sort of laborious documentation/collateral and is also interest free. Only 22% SMEs considered the bank loans a preferred source as the bank loan are available in larger quantity and for relatively longer period compared to the loans from the F & F; the F & F loans are for short term of 2-3 months and the amount of such loans are also very small.

Table-6.11: Preferred Source of Finance

Source	SME type				Total	
	Manufacturing		Trading			
	Size	%	Size	%	Size	%
Friends and Family	147	70.0	62	68.9	209	69.7
Banks	44	21.0	21	23.3	65	21.7
SME Bank	0	0.0	1	1.1	1	0.3
Advance from Supplier	3	1.4	3	3.3	6	2.0
Advance from Buyer	3	1.4	0	0.0	3	1.0
Don't want to take loan	11	5.2	1	1.1	12	4.0
Friends & Family and Bank	2	1.0	2	2.2	4	1.3
Total	210	100	90	100	300	100
% of Total	70		30		100	

Key Issues

Table-6.30: Issues/Problems Identified

Size of SMEs by Employees No.→		1-10	11-25	26-50	51-100	101-150	151-250	Yes Freq.	Yes %
Excessive regulation	Yes (#)	120	54	26	7	6	3	216	72.0
Energy shortages (Electricity/gas load shedding)	Yes (#)	183	66	28	9	9	3	298	99.3
High energy cost	Yes (#)	182	66	28	8	9	3	296	98.7
Water shortages (for industrial processing)	Yes (#)	17	9	4		1	1	32	10.7
Difficulties in marketing & selling products	Yes (#)	91	33	13	6	3	2	148	49.3
Obsolete technology	Yes (#)	36	23	10	2	4	1	76	25.3
Rising Competition (particularly Chinese products)	Yes (#)	79	33	16	3	4	2	137	45.7
Limited R&D and BDS support	Yes (#)	101	49	14	4	5	2	175	58.3
Lack of capital and financial resources	Yes (#)	129	43	14	4	1		191	63.7
Limited awareness about backward/forward linkages	Yes (#)	58	33	10	3	1		105	35.0
Low skill mix of the labour/workforce	Yes (#)	45	22	13	1	4	3	88	29.3
Limited productivity of workers	Yes (#)	32	22	4	2	4	3	67	22.3

1. Excessive Regulations

72% of the SMEs covered in the survey considered excessive government regulation as one of the key impediments in the growth and expansion of their businesses. The SMEs seemingly perturbed with the excessive regulation said that about 19 Government Departments survey/visit their factories and demand undue considerations. Despite a series of reforms in taxation policies over the past few years, the SMEs were highly uncomfortable with the terrifying attitude of the tax officials. Most SMEs consider the tax system complex and ambiguous that forces them to engage lawyers for preparing the required tax documents and returns. At times the lawyers mislead and exploit the SMEs due to their lack of knowledge about the taxation system and laws that further complicates the issue.

The business community is also uncomfortable with the facilities being provided to the tax payers; even the basic infrastructure of the industrial zones is not only inadequate but also in bad shape and the business has no or limited hope for its improvement. They are also unenthusiastic about these surveys and don't think that these would solve their problems.

Another issue raised by many respondents was the withholding tax on cash withdrawals from banks. Most SMEs consider it unfair and warned that it would add to the financial exclusion of the SMEs as many have already started maintaining larger cash balances with them to avoid the tax.

2. Energy Shortages

Energy shortage is presently the most critical issue faced by the country generally and small industrial and manufacturing concerns particularly. Almost all (99.3%) of the respondent SMEs considered it one of the most critical issues that has threatened their existence and continuity. The average weekly production losses of the manufacturing SMEs are above 33 hours, which is almost 50% of the total weekly production time. If not addressed in the immediate future on war footings, the energy crisis would eat up many SMEs and would result into substantial rise in un-employment and poverty levels.

3. High Energy Cost

Rising fuel and energy prices have further aggravated the energy crisis implications. The hikes in the oil and electricity prices have translated into sharp rise in production and distribution cost and thus has made many businesses unviable. 98.7% of the SMEs considered the high energy cost as one of the key issue faced by them.

4. Difficulties in Marketing and Selling the Products

49% SMEs are facing difficulties in marketing and selling their products. The issue is predominantly faced by smaller firms due to their limited skills in marketing and their reluctance to hire business professionals in key areas like marketing and sales of their products; in most cases the entrepreneur himself is the manager, accountant, treasurer and marketer. The limited support available from institutions like SMEDA and TDAP is also partly responsible for this issue being faced by SMEs.

5. Rising Competition from Chinese Products

Chinese products are giving tough time to our manufacturing sector due to their low prices, better designs and finishing. 46% of the respondents opined that they are facing direct competition from Chinese products and expect Government to look into the issue and take measures to protect the local industry from the “*invasion*” of cheap Chinese products. However, in view of increasing trend of trade openness and free trade agreements, the domestic SMEs will have to improve their efficiency, quality and productivity otherwise their very existence is at stake.

6. Limited R & D and BDS support:

58% firms consider no or limited R&D and BDS (business development services) as a key issue being faced by them. Thus a large majority of SMEs has an understanding and appreciation of the importance of R & D and BDS in growth and development of their businesses; they are however uncomfortable with the existing infrastructure and institutional set-up for the same. Further the remaining 42% that doesn't consider this an issue may be having limited awareness and understanding about the importance of R&D and BDS. The finding thus signifies the need for reviewing the role and approach of institutions like SMEDA to facilitate the SMEs in improving their productivity as well as their capacity to maintain books of accounts etc. The enhanced productivity and maintenance of books of accounts would facilitate the SMEs in accessing financial services from banks.

7. Lack of Technical and Professional Training Institutions

Despite being a hub of light engineering industries, the region lacks quality institutions for producing skilled manpower necessary for technology up gradation. Although Rachna College of Engineering has been operative in the district, yet it has only limited liaison/linkage with industrial activity of the area. More than 50% of the SMEs covered in the survey considered it as one of the key issues as it limits innovation, product improvement, efficiency and productivity of the workers most of whom were trained in an informal environment. There is thus an urgent need for Federal/Provincial/District Government and institutions like TEVTA, SMEDA and chamber of commerce to develop a strategy for increasing the quantity of technical and vocational institutions in all the manufacturing hubs like Gujranwala District.

8. Lack of Capital and Financial Resources

About 64% of the respondent SMEs consider lack of capital and financial resources as a key issue/impediment in growth of their business. As expected, the issue is more prevalent in smaller firms having up to 25 workers probably due to perceived complexities in obtaining

the bank loans and or Riba based loan products. Interestingly earlier in the '**Access to Finance Section**' 65% SMEs had expressed their un-willingness to access bank loans to expand their businesses and a very large majority of about 75% SMEs had never applied for the bank loans. This seemingly contradictory response suggests that though the SMEs need financial and capital resources to both to finance their existing operations and expand their businesses, they however lack faith in the banking system either due to interest (Riba) based banks' products or perceived difficulties and complexities in accessing the bank loans. This interpretation is also in line with the earlier finding that about 78% SMEs are reluctant to access bank loans due to interest (Riba) based loan products of banks. Again though this is not a conclusive evidence for demand for Islamic banking products, however, it signifies the need for creating awareness about Islamic Banking products to address one of the concerns of the business community about interest based banking system.

Conclusion

The survey made an attempt to explore the key features, characteristics, technical, managerial and financial capacity, accounting and record keeping practices, cash flow cycles, the financial services needs, access to institutional finance and they key issues/problems faced by the manufacturing and trading SMEs in Gujranwala district. The key objective was to facilitate the stakeholders including banks to have a better understanding of business and risk dynamics of the district's SMEs, thus enabling them to better serve the SMEs. The survey not only confirmed some earlier findings about SMEs like their predominantly small and informal nature, lack of access to BDS and financial services and information asymmetries particularly regarding cash flows, but also made some interesting revelations such as; about two third of the SMEs don't need bank loans to expand their businesses, three fourth never applied for bank loans, more than three fourth of the SMEs that did not apply for bank loans consider Riba based banking products as un-Islamic.

The survey suggests that an overwhelming majority of the SMEs operating in the district are small proprietorship firms employing less than 20 workers, which signifies the need for separately defining Micro and Small Enterprises (MSEs) that largely remain un-served/under-served by banks and BDS providers and are more vulnerable to shocks like energy crisis, rising energy cost and inflation. The separate definition of MSEs would enable the policy makers both in the financial and real sector, to formulate more focused and responsive policies, products and initiatives for enhancing capacity of the MSEs and for improving their access to financial and business development services.

The survey observed that ownership of business premises by a very large majority of the SMEs, particularly by the manufacturing units, the access to basic raw material from within the district, the countrywide market for the products and deeply ingrained entrepreneurial culture are the major strengths of the SMEs of Gujranwala district. Whereas the key weaknesses include limited exposure in export/international markets, limited awareness and understanding of contemporary marketing and sales techniques coupled with reluctance to hire professional marketing and sales force, gross absence of BDS providers, non-maintenance of formal books of accounts, disbelief in the banking system etc. Further the District despite being a hub of manufacturing SMEs badly lack quality technical and professional training institutions and need urgent attention of the relevant authorities to establish quality technical and professional educational institutions in the district to increase the proportion of formally trained manpower in the industry.

The district's SMEs are also extremely disturbed with the multiple and excessive regulatory and revenue collection agencies that add substantially to the cost of doing business and make the policy and regulatory environment unfriendly for business and investment. The Federal/Provincial/District Governments should thus consider reducing the excessive regulatory departments and ensure business and investment friendly environment to attract further investment in SMEs, which are a major source of employment generation in the economy. Further the revenue collection system needs to be made simple and tax payers' friendly; preferably one revenue authority with minimum discretionary powers should collect revenues/taxes from the business community. Also there was an overwhelming demand for waiver of the withholding tax on cash withdrawals from banks as due to very nature of the SMEs' business and operations a substantially large number of their transactions are cash based; since the introduction of the tax there have been a greater tendency amongst the SMEs to keep larger cash balances with them to avoid the tax.

The energy crisis manifested by severe energy shortages and unprecedented hike in energy prices has played havoc with the district's manufacturing SMEs. On average the SMEs have been experiencing production time losses of up to 50% which coupled with hike in energy prices has substantially increased the production cost, thus rendering a number of SMEs unviable. The issue thus needs to be addressed on immediate priority; while government has plans to fix the issue in the medium term, special arrangements should be made as early as possible to provide uninterrupted power supply to industrial and manufacturing units/SMEs.

As expected the survey suggested that a large majority of SMEs is out of the banking system as 75% of the SMEs never applied for bank loans. This is despite the fact that about 64% of SMEs, mostly smaller firms, considered lack of capital and financial resources as a key issue being faced by them. The survey thus suggests that though the SMEs need financial and capital resources to finance their existing operations and also to expand their businesses, they however lack faith in the banking system either due to interest (Riba) based banks' products or perceived difficulties and complexities in accessing the bank loans. There is thus a need for greater interaction between banks and the business community and initiating awareness programs to minimize SMEs' apprehensions with the banking system and also to introduce market responsive products and services including Islamic Finance.

The survey also observed that most of the bank loans to the district's SMEs were extended during last 7-8 years, the period during which SBP made concerted efforts for broadening and deepening of the banking system and increasing its outreach to un-banked/under-banked sectors like SMEs and agricultural/rural communities. Thus though still a large majority of SMEs are out of the banking system, accession of a substantial proportion of SMEs (78% of the SMEs that obtained bank loans) during this period gives optimism that the continued focus and attention of SBP/financial sector on expanding the depth and breadth of the financial system will translate into substantial improvement in outreach of financial system to all sectors of the country's economy including SMEs provided the demand side issues faced by the sector are addressed on priority.

Annexures

Annexure-I: Clusterwise No. of SME Units Selected for Survey

No.	SME Cluster	No. of Units	Sample Size	Percentage (out of 210)
1	Looms	1620	10	4.76
2	Utensils	504	11	5.24
3	Foundry products	297	9	4.29
4	Fan/Cooler	154	8	3.81
5	Wooden Furniture	200	8	3.81
6	Sanitary fittings	234	10	4.76
7	Bolts and Nuts	58	7	3.33
8	Cutlery	198	9	4.29
9	Auto Parts	48	5	2.38
10	Electric Goods	33	4	1.9
11	Hosiery Products	65	8	3.81
12	Motor Pumps	138	8	3.81
13	Plastic Mela Mine	49	5	2.38
14	Gas Appliances	32	5	2.38
15	Metal Furniture	80	5	2.38
16	Plastic Products	130	10	4.76
17	Rice Mills	217	10	4.76
18	Marble	57	10	4.76
19	Washing Machines	95	8	3.81
20	Woolen Textl			
	Spin./Weaving	66	5	2.38
21	Agri Implements	39	5	2.38
22	Ceramics Products	87	8	3.81
23	Flour Mills	42	5	2.38
24	Industrial Machinery	45	4	1.9
25	Machine Tools	43	6	2.86
26	Wires and Cable	16	5	2.38
27	Light Engineering	27	4	1.9
28	Pottery	46	7	3.33
29	G.I/M.s Pipes	13	4	1.9
30	Furnace Steel	49	7	3.33
	Total	4682	210	100

Annexure -II: Clusterwise Composition of Workforce (Numbers and Averages)

Sr. No	Manufacturing Clusters	The Composition of HR (#)						Total	Average worker/firm
		Unskilled	Avg	Semi skilled	Avg	skilled	Avg		
1	Looms	10	1	0	0	155	16	165	17
2	Utensils	48	4	43	4	184	17	275	25
3	Foundry products	6	1	6	1	27	3	39	4
4	Fan/Cooler	16	2	42	5	115	14	173	22
5	Wooden Furniture	0	0	14	2	50	6	64	8
6	Sanitary fittings	138	14	98	10	247	25	483	48
7	Bolts and Nuts	17	2	14	2	22	3	53	8
8	Cutlery	51	6	45	5	161	18	257	29
9	Auto Parts	35	7	107	21	57	11	199	40
10	Electric Goods	10	3	15	4	105	26	130	33
11	Hosiery Products	10	1	4	1	92	12	106	13
12	Motor Pumps	45	6	73	9	88	11	206	26
13	Plastic Mela Mine	5	1	1	0	47	9	53	11
14	Gas Appliances	17	3	4	1	93	19	114	23
15	Metal Furniture	4	1	6	1	21	4	31	6
16	Plastic Products	68	7	44	4	90	9	202	20
17	Rice Mills	117	12	70	7	80	8	267	27
18	Marble	0	0	14	1	61	6	75	8
19	Washing Machines	40	5	81	10	62	8	183	23
20	Woolen Textile Spinning	7	1	70	14	194	39	271	54
21	Agri Implements	0	0	11	2	49	10	60	12
22	Ceramics Products	52	7	81	10	314	39	447	56
23	Flour Mills	22	4	11	2	69	14	102	20
24	Industrial Machinery	26	7	53	13	93	23	172	43
25	Machine Tools	4	1	5	1	25	4	34	6
26	Wires and Cable	0	0	4	1	37	7	41	8
27	Light Engineering	2	1	4	1	19	5	25	6
28	Pottery	179	26	100	14	183	26	462	66
29	G.I/M.s Pipes	17	4	14	4	30	8	61	15
30	Furnace Steel	565	81	29	4	52	7	646	92
Total		1511	7	1063	5	2822	13	5396	26
% of total		28.0		19.7		52.3		100.0	



Annexure-III: Cluster-Wise list of Manufacturing SMEs Products

1. Looms		14. Gas Appliance	
1 Grey Cloth	5 shawl	1 Burner	4 Gas Cork
2 PC Cloth	6 Crinkle	2 Cooking Range	5 Heater
3 Silk	7 Jarjhat	3 Gas stove	6 Geysers
4 Shafoon		15. Metal Furniture	
2. Utensils		1 Adjustable Rack	5 commode chair
1 BBQ Oven	8 Plates	2 Simple Chair	6 Table
2 Bread Box	9 Balti	3 Folding chair	7 Safe Almari
3 Dish	10 Hot Pot	4 Metal Furniture	
4 Karahi	11 Jugs	16. Plastic Products	
5 Kitchen Set	12 Parat	1 Bolt Kit	9 Water Tank
6 Mugs	13 Payali	2 Bowl	10 Baby Items
7 Tray	14 Spoons	3 Water mug	11 bath mug
3. Foundry Products		4 Office Furniture	12 Box
1 Air Cooler Parts	10 Chips Cutter	5 Plastic Dana	13 Chaba
2 Dies	11 condition brackets	6 Plastic Furniture	14 Filter
3 Donkey Pump Par	12 Fan Parts	7 Soap Handle	15 Garden Furniture
4 Fan Body	13 kamani patta	8 Toys	16 Jug
5 Hanger for Truck	14 washing machine part	17. Rice Mills	
6 Main Hole cover	15 Pipe Fittings	1 Rice	3 Husk
7 Parts of Motor	16 Turbine pump parts	2 Powder	
8 wais	17 wrench	18. Marble	
9 Diesel pump		1 Marble Tiles	3 Marble Roller
4. Fan/Cooler		2 Marble Floor Flower	
1 Fan	2 Cooler	19. Washing Machine	
5. Wooden Furniture		1 Washing Machine	
1 Home Furniture	2 Office Furniture	20. Woolen Textile Spinning/Weaving	
6. Sanitary fittings		1 Ladies Shawl	4 Ladies Suit
1 Sanitary Fittings	3 Bath Room Accessories	2 Polyester Grey Cloth	5 Thread
2 Pipes	4 Sink	3 Yarn	
7. Nuts and Bolts		21. Agri Implements	
1 Bolts	3 Spring washel	1 Cultivator	5 Drill
2 Nuts	4 Screw	2 Front Blade	6 Cultivator
8. Cutlery		3 Front Loader	7 Trolley Jacque
1 Dagger	6 Hunting Knife	4 Trolley	8 Reaper
2 Domestic Cutlery	7 Fork	22. Ceramics Products	
3 Knife	8 Domestic Knife	1 Orissa	5 Pedestal
4 Spoon	9 Fighting Knife	2 Sanitary Ware	6 P Trap
5 Sword	10 Tablet cutlery	3 Commode	7 Wash Basin
9. Auto Parts		4 Fire bricks	
1 Bush	8 Clutch	23. Flour Mills	
2 Dour Hinges	9 Compressor	1 Flour	3 Bran
3 Leave Spring	10 Cross Member	2 Semolina	4 Super Fine
4 Pipe Inlet	11 Excel	24. Industrial Machinery	
5 Ring Piston	12 compressor Head	1 Gear	5 Drop out Cutter
6 Cross Member	13 Cylinder Head	2 Transformers	6 Fuse Link
7 Pin		3 Unidate Machine	7 Rubber Mixture
10. Electric Goods		4 Tyre Curing press	8 Spur Gear
1 Ballast	5 Die-casting Parts	25. Machine Tools	
2 Chock Patti fitting	6 No Product	1 Electric Motor	2 Power Press
3 Flour Needing Ma	7 Tube Light	26. Wires and Cable	
4 Transformer		1 Copper Wire	2 Silver wire
11. Hosiery		27. Light Engineering	
1 Gloves	4 Scarf	1 Battery Cell	4 Mould
2 Jersey	5 Sweater	2 Heat treatment Ferns	5 Plastic Mold
3 Ladies Jersey		3 Ovens welding Equipment	
12. Motor Pumps		28. Pottery	
1 Deep Well	4 Diesel Engine	1 Cup	3 Juice Mugs
2 Mono Block	5 Mono Pump	2 Mug	4 Tea Mug
3 Pumps		3 Table Ware	
13. Plastic Mela-Mine		29. G.I/M.s Pipes	
1 Dinner Set	4 Dish	1 Pipes	
2 Hotpot	5 Donga	30. Furnace	
3 Plate		1 Billets	

Annexure-IV: Cluster-Wise Cost Structures of SMEs

	Avg Percentage in Total Cost *				
SME Cluster	Raw Material	Labor Charges	Gas/Electricity	Financial Charge	Admin/Operating
Looms	61.43	15.71	15.00	5.00	7.14
Utensils	56.82	16.82	16.82	-	9.55
Foundry products	55.00	11.43	26.14	4.00	6.29
Fan/Cooler	63.57	11.43	16.43	-	12.00
Wooden Furniture	70.83	15.00	7.50	-	6.67
Sanitary fittings	60.00	15.56	15.56	5.00	8.13
Bolts and Nuts	77.50	11.00	6.50	2.00	4.00
Cutlery	67.22	13.00	12.00	5.40	4.78
Auto Parts	67.00	15.60	12.40	4.00	5.20
Electric Goods	68.75	12.50	10.75	2.00	7.50
Hosiery Products	60.00	21.67	10.83	2.00	7.17
Motor Pumps	65.00	13.00	13.83	10.00	6.50
Plastic Mela Mine	57.50	15.00	22.50	-	5.00
Gas Appliances	66.67	10.00	10.00	-	13.33
Metal Furniture	62.50	17.50	15.75	2.00	5.00
Plastic Products	63.57	12.57	18.57	-	5.29
Rice Mills	74.50	8.20	12.40	2.60	3.80
Marble	60.30	16.70	19.10	2.00	4.63
Washing Machines	65.88	11.00	14.38	2.00	8.50
Woolen Txtil. Spin/Weav.	43.75	16.25	28.75	5.00	10.00
Agri Implements	69.00	13.60	11.80	-	5.80
Ceramics Products	45.00	14.17	27.50	7.50	8.33
Flour Mills	71.00	8.20	12.00	2.33	7.40
Industrial Machinery	63.33	20.67	11.67	-	4.00
Machine Tools	75.00	10.00	7.67	-	7.33
Wires and Cable	60.00	8.33	31.67	-	1.00
Light Engineering	50.00	30.00	15.00	-	5.00
Pottery	30.71	17.29	43.57	7.50	6.29
G.I/M.s Pipes	53.75	17.50	23.75	3.00	8.50
Furnace Steel	73.33	5.67	17.00	2.00	4.00
Average	61.65	13.95	17.14	4.27	6.73

* Based on the respondents's opinions/guess/rough estimates

Annexure V: Estimated Sales Growth during last 3 years *

SME Cluster	Estimated Sales Growth during last 3 yrs.							SMEs in Cluster	Overall Growth
	25%	26-50%	51-100%	over 100%	High Growth	Negative Growth	No Growth		
Looms	3	0	0	0		6	1	10	-Ve
Utensils	6	1	0	0		2	2	11	+Ve
Foundry products	0	0	0	0		8	1	9	-Ve
Fan/Cooler	3	1	0	0		2	2	8	+Ve
Wooden Furniture	4	0	0	0		1	3	8	+Ve
Sanitary fittings	2	1	0	2		3	2	10	+Ve
Bolts and Nuts	4	0	0	0		3	0	7	+Ve
Cutlery	0	0	0	0		8	1	9	-Ve
Auto Parts	2	0	0	0		0	3	5	+Ve
Electric Goods	0	1	0	0		1	2	4	Zero
Hosiery Products	0	0	0	0		7	1	8	-Ve
Motor Pumps	2	0	0	0		2	4	8	Zero
Plastic Mela Mine	2	0	0	0		3	0	5	-Ve
Gas Appliances	0	0	0	0		1	4	5	-Ve
Metal Furniture	2	0	0	0		2	1	5	Zero
Plastic Products	5	1	0	0		4	0	10	+Ve
Rice Mills	1	1	3	1		2	2	10	+Ve
Marble	8	0	0	0		1	1	10	+Ve
Washing Machines	4	1	0	0		0	3	8	+Ve
Woolen Textile Spinning/W	1	0	0	0		2	2	5	-Ve
Agri Implements	1	0	0	0		0	4	5	+Ve
Ceramics Products	2	0	0	0		0	6	8	+Ve
Flour Mills	4	0	0	0		1	0	5	+Ve
Industrial Machinery	2	0	0	0		0	2	4	+Ve
Machine Tools	1	0	1	0		4	0	6	-Ve
Wires and Cable	1	1	0	0		2	1	5	Zero
Light Engineering	1	0	0	0		1	2	4	Zero
Pottery	1	0	0	0		2	4	7	-Ve
G.I/M.s Pipes	2	0	0	0		2	0	4	Zero
Furnace Steel	1	3	2	0		1	0	7	+Ve
Total	65	11	6	3		71	54	210	
% of Gr. Categories	31	5	3	1		34	26	100	

* Based on respondents' perception of growth which might have some element of bias.