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Research Paper

Assessing the Factors Affecting Growth of Small Firms in Pakistan

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MUSARAT ABBAS[1]

MUHAMMAD ZAHIR FARIDI[2]

SAEED UR RAHMAN[3]

ABSTRACT

Purpose: The main purpose of this study is to improve the performance and competitive advantage of the small firms in Pakistan by determining the impacts of firms' characteristics, firms resource allocation for innovations and Government-Business relationship on the growth of small firms in Pakistan.

Methodology: The empirical analysis is based on the cross-sectional data taken from World Bank enterprise survey. This data is based on the response of the owners and managers about the prevailing working conditions of small manufacturing firm of Pakistan. Multiple regression Analysis has been applied to get the required results.

Results: The interesting result of the cross-sectional analysis is that the resources for innovation and government-business relationship are found to be equally important factors for firm growth likes traditional factors. Registration of firm, time allocated for research and development and internal funds for working capital having positive impact on firm growth. Amount spent for research and development, visit of tax officials and days required to make delivery are negatively influencing the small firms.

Research limitations: All these results are based on the response of the individual as it is a cross sectional analysis. This is the only shortcoming of the study.

Practical implications: Labour force in Pakistan is increasing. China Pakistan Economic Corridor and fourth industrial revolution are upcoming challenges for small firms. This situation demands competitiveness of small firms in order to provide employment and to get benefit from CPEC, The findings of this study will provide a guideline for Government to formulate a policy as well as for the owners and managers of the firms to improve the internal working and culture of the business.

Originallity/value: This study contributes to knowledge on Small firm growth in developing and emerging economies by examining firm characteristics, firms' resources allocation for research and development and government-business relationship in Pakistan. Earlier studies on small firms were limited in their scope. They used only primary data and carried out in specific regions and industry. They explored the role of traditional factors towards small firms growth. This study uses a reliable data source and includes many new variables which were missing for small firms in Pakistan.

Keywords: Small Firms; Growth; Determinants; World Bank Enterprise Survey.

[1] *Corresponding author. Department of Economics, Ghazi University, Pakistan. E-mail: musarat_abbas2000@yahoo.com.
[2] School of Economics, Bahauddin Zakariya University, Pakistan. E-mail: zahirfaridi@bzu.edu.pk.
[3] Department of Economics, Ghazi University, Pakistan. E-mail: srehman@gudgk.edu.pk.

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1. Introduction

Small firms are considering the main source of sustainable economic growth and development through employment generation and poverty alleviation in developing countries (Yen et al., 2019; Essel et al., 2019 and Khawja & Iqbal, 2019). It leads towards rural development of a country, absorption of surplus unskilled labour force because of its strong backward and forward linkages with large scale industries (Baig et al. 2020 & Carter and Jones-Evan, 2006). Poverty and unemployment can be reduced with the development of commerce and trade (Khawaja & Iqbal., 2019). SMEs are playing very important role in social and economic development of Pakistan. According to Economic Survey of Pakistan (2018), it is one of the main sectors of employment provision which is almost equal to 80 per cent of the labour force other than agriculture. Its share in Gross Domestic Product is 40 percent and 30 percent in the exports of manufacturing items (Economic Survey of Pakistan, 2018). SMEs generate employment opportunities which contribute to the poverty alleviation in the economy of Pakistan (Waqas & Nawaz, 2018). Owing to this significant role of small business in economies, almost, each and every country tried to improve this sector. But Cressy (2006) expressed that the growth rate of small firms in developing countries remained very low. Small firms in developing countries are unable to attain due priority by the authorities hence remain unable to achieve targeted results. Industrial sector in Pakistan particularly small-scale industries is still striving and unable to grow. Its share remains about 5 percent in GDP of Pakistan in recent past. In Pakistan, the industrial sector broadly divided into two sectors: small scale industry and large scale industry. There is a not a single definition to define small firms in Pakistan. According to State Bank of Pakistan, the definition of small firms varies from country to country but normally it based on employment and assets criteria. Small and Medium Development Authority define "small business is a business in which number of employees lies between 10 to 35 or the value of its production assets remain around Rs.2 to 20 million. Bureau of statistics of Pakistan defined "a business with less than 10 employees is called small business". According to Word Bank Enterprise Survey data, small firm is a firm in which the number of employees is less than 15 and this definition is followed in this study for analysis.

In present, small scale industries in Pakistan are facing multiple challenges. First, in this age of fourth industrial revolution where automation is rapidly substituting the tasks previously performed by labour and there is a threat of job loss in near future. Secondly globalization changing its dimensions towards regional integrations as depicts by China Pakistan Economic Corridor, the challenges for small firms working in Pakistan are increasing (Baig et al.,2020). To properly inline our small scale industry for fourth industrial revolution with minimum job loss and to get benefits from this economic corridor, the role and importance of developed and competitive small firms is increasing day by day.

Pakistan is a developing country where more than 90 percent of the firms fall in the category of small and micro firms. Pakistan is a habitant of over 190 million people, the world 6th largest country in terms of population (Economic Suvey of Pakistan, 2018). It is expected that by 2050 population will be over 351 million. The alarming fact is that, out of these 351 million peoples, 263 million will be the part of labour force. To absorb this young labour force in future, a proper mechanism for employment generation would have to develop. Development of small firms can play a vital role in employment generation, because it required a very low level of finance, skill and experiences to start. But in Pakistan, small firms fail to grow. Only a limited proportion of small firms succeeded to grow in Pakistan (Khawja & Iqbal, 2019). Over the last six decades, on

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average only 6.30 percent growth has been reported in manufacturing industries. During the same time periods, many other economies grow faster. China has observed on average 9.1 percent growth in GDP over the period of 1970-2009 (Afraz et al., 2014). Pakistan from its start initiated many steps to improve industrial sector for growth and development but small scale industries were neglected. Main focused remained on large scale industries in order to increase exports and produce import substitutions in the country. Moreover, it is a fact that small scale industries contributed more in our industrial sector (Zaidi, 2015). The need of time is to improve small scale industrial as developed economies do. It will increase the level of employment, growth and competitiveness in Pakistan.

Research on Small firms in Pakistan has been increased in recent decades at theoretical and empirical level but these studies were very limited in their scope. They used only primary data and carried out in specific regions with specific industry (Khawaja and Iqbal, 2019; Ahmed and Hamid, 2011; Jasra et al., 2011 and Sherazi et al., 2013). In current study, we have tried to fill this literature gap by incorporated some nontraditional factors and extended our analysis over country level. This study not only specifies the traditional factors but incorporated the nature of Government- business relationship and firms' internal willingness for innovation in Pakistan. Further, we also empirically quantify the impacts of these factors on employment generation in small firms. We tried to focus many other important factors which may help or hinder in employment provision and growth of firms. The variables used in current study were missed in previous studies on small firms in Pakistan due to lack of sufficient data. Present study used World Bank enterprise survey data for empirical analysis. In the light of above said discussion, present study is different from other studies and it will be a valuable contribution in existing literature and knowledge on small firms' growth.

The main objective of this survey is to attain sustainable economic growth and development in less developed countries through the development of small-scale industries. In this study, we try to understand why our small firms are backward? What are the main factors and reasons behind it? How can we develop and make competitive our small firms? This study makes an attempt to answer these questions by assessing the traditional and non-traditional factors of small firms' growth. We use employment growth as proxy of firm growth and results are derived by applying multivariate regression analysis on the data. The findings of this study will provide guidelines to Government as well as for the owners and managers of the firms to improve the internal working and culture of the business and develop small firms in Pakistan.

2. Literature review

Business growth and business success are used synonymously in management literature. Business growth can be classified as financial and non-financial success. Financial success includes return on assets, sales growth, profit, employment growth and survival rate while non-financial success of business includes customer satisfaction, personal development, achievements, corporate reputation and happiness (Essel et al., 2019). For business growth and success, dynamic efforts are required in all sectors which are linked with that particular business. Growth and survival of the business are the main objective of small and large firms in developing countries (Yen et al., 2019). Small businesses in developing countries are normally inherited in nature and operating under traditional ways, they are less competitive and unable to survive in world market (Khawaja & Iqbal, 2019). Nichter and Goldmark (2009) argued that unregistered firms are unable to grow, faced problems in banking sector to open a bank account and to avail any financial

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facilities. Formal firms are more efficient as they enjoy the economies of scale (Sleuwaegen & Goedhuys, 2002). Informality of business is common in Pakistan. According to Enterprise Survey (2013), in Pakistan 33 percent of the firm reported unregistered when they start their businesses. The main reason is that the process to register a business in Pakistan is very hectic and time consuming. Statistics shows that in Pakistan, entrepreneurs have to complete eleven procedures, invest almost 10 per cent of income per capita and it take at least 21 days to complete the registration requirements to start a new firm. This regulatory environment promotes informality in Pakistan (Khawaja & Iqbal, 2019 and Kemal, 2006). To have a quality of product certificate is also an important determinant of small firm growth. Firm with quality certificate grows faster and its profit increases (Khawaja & Iqbal, 2019 and Haque, 2007). Standard certificate increases the efficiency and sales performance of the firm (Wu & Wu,2019 and Sleuwaegen & Goedhuys, 2002).

Innovation in modern world is considering the main determinants of the firm growth and competiveness (Yen et al., 2019). Also, it played a significant role in business ecosystems. It promotes cost efficiency, productions and profit of the firm and leads towards the achievements of the targets. Science and technology have greatly contributed in development of both local and global firms (Yen et al., 2019 and Atalay et al.,2013). However, there are factors that discourage the applicable capabilities of such innovations on business processes. To measure innovation in current study, two variables are used, firm allocated their amount for research and development, firms allocated their time for research and development or not in last three years. Innovations are now components of Global Competitiveness Index. Innovations also increase the export volume of the firm (Hassan & Hart, 2016). Anafarta et al. (2013) also concluded that the innovation and firm growth go side by side.

Finance is considering other very important factors of firm performance and growth. Normally, firms can finance through their informal and formal resources. But small firms are facing lack of access to formal credit. They depend upon their internal finance for working capital requirements. Wang (2016) made a study on 119 developing countries and conclude that finance is the main obstacles on the way of firm growth. Access to formal finance is limited in developing countries because the cost attached with formal finance is very high and there is a lack of consultant support. Many other empirical studies of (Khawaja & Iqbal, 2019; Becchati & Trovato 2002; Ahmed & Hamid, 2011; and Sarno, 2008) are also confirmed this phenomenon. According to World Bank enterprise survey data, only 3.4 percent of small firms have line of credit in Pakistan while on average 22.1 percent of firms in South Asia is availing credit facilities. The situation is even worst for fixed asset purchase. Only 2 percent of small firms using banking loans for fixed asset installation while on other hand the same average is 15 percent in South Asia.

Corruption is also a hindering on the way to firm growth in developing countries. Government-business relationship is very important in modern era to promote business. This relationship expresses adverse impact on developing nations because major concern remains to promote large scale industries. Moreover, as earlier stated small firms are informal and there is a lack of documentations. Any government official visit promotes corruption hence the performance of small firms decreases.

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2.1. Theoretical Background

2.1.1. Resource-based view theory

The resource-based view (RBV) theory is commonly used theory to assess different factors that have influence on small firms growth and development in literature (Essel et al. 2019; Ismail et al., 2014; and Saffu et al., 2012). According to Ismail et al. (2014), the resource based view model was first discovered by Wernerfelt (1984) and then developed by Barney (1991). According to this theory firms own tangible and un-tangible resources and capabilities generate competitive advantages. Tangible assets includes human capital, physical, financial and technological resources while in tangible assets includes knowledge, capabilities skills and reputation of the firm. This theory provide a sufficient backgrounds to understand small firms growth in developing countries where firms have limited access to these resources. According to RBV theory heterogeneity in firm resources and capabilities are the main determinants of the performance and competitive advantage of the firm in developing countries.

2.1.2. Other models of firm growth

Earlier, to capture growth process and determinants of growth in small firms' stochastic model, human capital model by Lucas (1978), Learning model by Jovanovic (1982), stages model by (Lewis and Churchill,1983) and Integrated model by (Wiklund et al.,2009) are forwarded. Integrated model, which is the most recent model of firm growth provide guidelines to understand the process and determinants of small firms' growth. This model is a comprehensive model includes the concepts of other growth models. This model has focused four groups of variables in their empirical study of 413 small businesses. These are entrepreneurial vision, environment of the firms, its strategic position, its resources and growth attitude. Particularly put focused on the importance of innovation, firms' characteristics and internal financial facilities for working capital which is previously ignored in literature.

2.2. Conceptual Framework

Current study develops its conceptual framework based on Resource based view theory and other theories of firm growth like stage model and integrated model. In the light of these models and literature we have developed a conceptual framework for current study expressed in the Figure 1.

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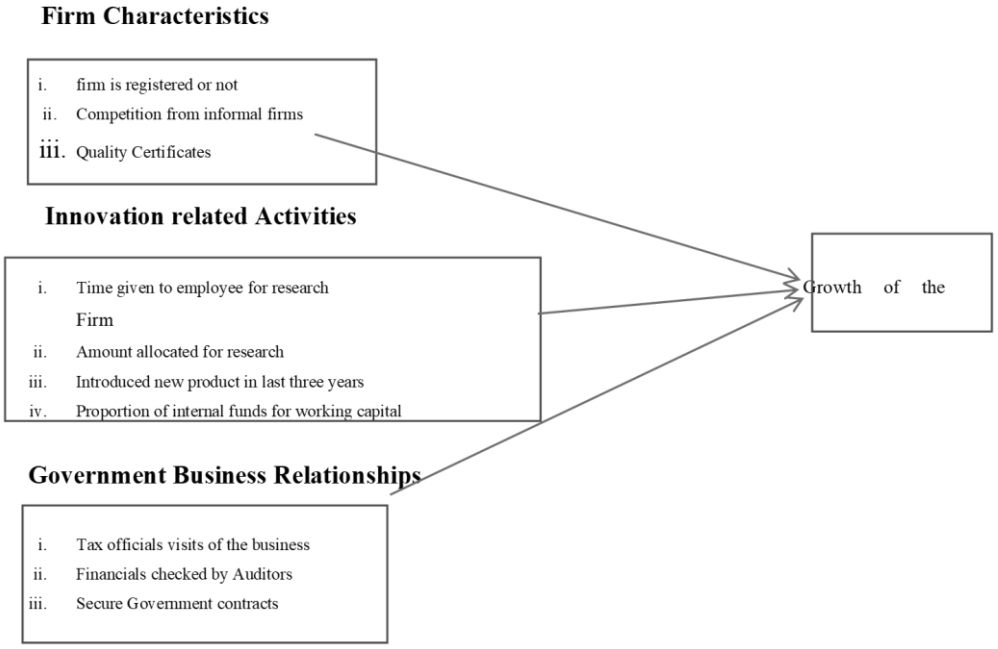
Figure 1 – Conceptual Framework



Souce: Own elaboration.

2.3. Variables and hypothesis

On the basis of theoretical model particularly RBV model, stage model and integrated models, literature and conceptual framework there are three main determinants of firm growth like firm own characteristics, firm own resources allocated for innovative activities and government-business relationship. These main determinants further divided into sub factors. The hypothesis and variables for current study can be expressed as:

Firm Characteristics

H1: Registration of firms increases growth.

H2: Quality certificate and firm growth have positive relation

H3: New product may or may not enhances firm growth

Innovation related activities

H1: Time given for research and development increases firm growth

H2: Capital spent on research and development increases firm growth

H3: Higher the amount of internal funds higher will be growth.

Government Business Relationship

H1: More visits of Tax officials, lower will be growth.

H2: Securing contracts with government, higher will be firm growth

H3: Auditor visits decrease firm growth

H4: Number of days for delivering orders increases, lower will be firm growth.

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Table 1: List of Variables

Variable	Explanation
Firm Growth	Growth rate of labour used as a proxy for firm growth. It is measured as change in labour in 2012 keeping 2009 as a base year. It is used as dependent variable.
ROF Registration of the Firm	Is Firm registered or not at the time of start?
FFC Firm Face Competition from Informal Firm	Firms are facing competitions against informal firms or not.
QC Quality Certificate	Firm has quality certificate or not.
INP Introduced New or Improved Product	Last three years, firm introduced a new product in the market.
TRD Time given to employee for R&D	During Last three years, how much time a firm spent on research & development?
ARD Amount for Development Activities	Firm specified amount for research in last three years.
IFFW Proportion of internal funds for Working Capital	Percentage of internal funds as a working capital
TOV Tax official visit the Business	Government Tax official visit the business or not? It is a dummy variable. Yes=1 and Otherwise=0
SGC Secure Government Contract	Firm applied to secure contract with Government. It is a dummy variable. Yes=1 and Otherwise=0
FCA Financials checked by Auditor	Financial statement checked by government auditor or not?
DD Days required to make Delivery	How many days it required to make delivery after foreign order placement.

Source: Own elaboration.

3. Methodology

3.1. Data source

The cross sectional data has been used in this study, obtained from World Bank Enterprise Survey (WBES) data of 2013. This is a new and latest firm level data. The main objective of this data to understand the business conditions of a country in which they are working. Qualitative and quantitative response has been taken from the firms' high officials. In this Enterprise Survey a total of 130,000 firms from 135 countries were surveyed. This Survey collect a comprehensive information from enterprises about their characteristics, human capital, corruption, innovations, capacity and many others factors in both developed and developing countries. To assess the business environment conditions, World Bank has been conducting firm-level surveys since 1990's. But from 2005, this data has been collected by enterprise survey analysis unit. They applied stratified random sampling to collect data. According to enterprise survey notes on website, they claim stratified random sampling technique is a better technique than simple random sampling. In a stratified random sampling, all population units are first grouped with in homogeneous groups, then through simple random sampling, samples are selected within each group (WBES, 2013). Stratified random samplings give good result about population. The World Bank used

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three types of strata i.e firm size, industrial sector and geographic region of a country. Firm size strata divided firms into small firm [5-19 employees], medium firms [20-100 employees] and large firms [more than 100 employees]. Industrial strata further divided firms into manufacturing sector, services sectors and others. Manufacturing sectors further includes the food industries, Textile & Garments, Chemicals, Non-Metallic minerals, Motor Vehicles and other manufacturing industries. Similarly, Regional stratification includes Punjab, Sindh, KPK, Balochistan, and Islamabad. Total 1,247 firms have been surveyed in Pakistan between the periods of May, 2013 to May, 2015. Out of these 1247 firms, 1086 firms belong to manufacturing sectors, 38 firms to retail sector and remaining 123 firms attached with other services sectors.

3.2. Model specification

To measure between dependent and independent variables, multiple linear regression analysis has been used in current study. Literatures on small firms give guidance about the selection of an appropriate econometric technique. Multiple regression Analysis and Logit model are extensively used by the researchers. Our dependent variable is a quantitative variable and there is no autocorrelation, multicollinearity and heteroscedasticity as many diagonististic tests are expresses in estimation. Multiple regression analysis also extensively used by research for the similar kind of analysis like (Khawaja & Iqbal, 2019; Essel,2019: Seker & Correa, 2010; Tarfasa et al. 2016) in their studies. Results are derived through 'Stata12'. Because Stata give good results in cross sectional analysis and when missing values prevail in the data. Another reason behind the selection multiple regression analysis is that in cross sectional analysis to see cause and effect relationship between variables, it is the best technique. Our empirical multiple regressions specified model can be written as follows.

$$\mathrm{Yi} = \alpha + \beta 1\mathrm{ROF} + \beta 2\mathrm{FFC} + \beta 3\mathrm{QC} + \beta 4\mathrm{NP} + \beta 5\mathrm{TRD} + \beta 6\mathrm{MRD} + \beta 7\mathrm{IF} + \beta 8\mathrm{SGC} + \beta 9\mathrm{FCA} + \beta 10\mathrm{DD} + \beta 11\mathrm{VTO} + \mu \quad \text{(Eq.1)}$$

Where, Y_i shows the growth of individual firm and on the right side of the equations independent variables are mentioned that may influence the expansion of a firm. Error term 'μ'includes all other variables which have impacts but not included in the model for analysis. Different methods used by researchers to measure small firm's growth. These are an increased in employment, sales, market share, earnings and total assets (Essel et al,2019; Mead and Liedholm, 1998; Storey, 1990). Among the all, increase in employment is the best criteria to measure small firm's growth (Essel et al, 2019). The reason behind is that, it is a policy variable, stable in nature and free from inflationary pressure. Moreover, the data on employment in WBES is enough to make analysis and derive results.

4. Data analysis, results and discussion

Our complete data set based on World Bank survey as earlier mentioned of 506 small firms. The following table represents the descriptive analysis of all variables which are being used for estimation. The table contains the information regarding the number of observation attached with each variable with their mean value and standard deviation. The majority of independent variables used for current analysis are qualitative variables. Next, in table 3, the covariance matrix is presented which depicts enough reasons to believe linear dependency of the variables. It means absence of multicollinearity in the

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data. The summary statistics and covariance matrix are given in table 2 and table 3 respectively.

Table 2 - Descriptive Analysis

Variable	Number of Observations	Mean Value	Standard Deviation
Growth Rate of Firm	495	0.074	0.26
Registered or not	452	0.69	0.46
Quality certificate	457	0.16	0.36
Competition from informal firms	473	0.52	0.50
Time given to employee for R&D	489	0.17	0.38
Amount for Development Activities	491	0.11	0.31
Introduce new or improve product	480	0.21	0.4
Share of Internal funds for working capital	435	88.58	20.56
Tax official visit the Business	447	0.55	0.49
Secure Government Contract	456	0.06	0.24
Financials checked by Auditor	453	0.2	0.40
Days required to make Delivery	456	0.23	-0.02

Source; Author's calculation from WBES

Table 3 - Covariance Matrix

Variable	ROF	QC	FFC	TRD	ARD	INP	IF	TOV	DD	SGC	FCA	CON
ROF	1							.				
QC	-0.12	1										
FFC	0.08	-0.10	1									
TRD	0.06	-0.04	0.03	1								
ARD	-0.07	0.07	-0.05	-0.44	1							
INP	0.06	-0.09	-0.03	0.17	-0.11	1						
IF	-0.03	-0.01	-0.01	-0.01	0.01	0.04	1					
TOV	0.04	-0.13	0.03	-0.00	-0.01	-0.17	-0.16	1				
DD	0.17	-0.29	-0.01	0.04	-0.05	-0.24	0.13	0.01	1			
SGC	0.05	-0.05	0.01	-0.08	-0.01	0.05	0.04	-0.04	0.00	1		
FCA	-0.04	-0.01	0.11	0.05	-0.00	0.07	-0.04	-0.14	-0.04	0.00	1	
CON	-0.33	0.09	-0.26	-0.14	0.014	-0.11	-0.80	-0.06	-0.28	-0.12	0.06	1

Source: Author's calculation based on Stata12

The table 04, expressed the results of multiple regression analysis with firm growth as a dependent variable. The results are valid as model is a good fit. The value of F-Statistics is greater than 3. R-Square expresses the explanatory power of the model which is very good in this cross-sectional data. The model is well specified as Ramsey RESET test is valid which is used to check model specification. There is no issue of heteroscedasticity in this model as the result of Breusch-Pagan/Cook-Weisberg confirmed.

The explanatory variables like registration of firm, time allocated for research and development and internal funds for working capital are significant having positive impact on firm growth means these factors are growth enhancing. Registration of firm is significant at 5 percent. Registration status of the firm increased its growth by 0.0906 units. More than 70 percent of small firms in WBES reported their status registered at the time of start of their businesses. Sleuwaegen and Goedhuys (2002) also prove the same

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results. Higher level of internal funds in working capital enhances firm growth. It is statistically significant and increases firm growth by 0.039 units. WBES data confirm that more than 96 percent of firms manage their internal finance for their business requirement. Time allocated for research & Development is a growth enhancing factors. It is significant at 10 percent and increases firm growth by 0.098 units. Amount allocation for research & Development is also a growth enhancing factors. It is significant at 10 percent, increases firm growth by 0.123 units.

Table 4 - Result of Multiple Linear Regression Analysis Output

Variable Name	Co-efficient Value	Standard Error	t-statistics	Probability Values
Registration of firm	.0905958	.0397678	2.28	0.024
Quality certificate	.0157753	.0570833	0.28	0.783
Competition from informal firms	.0421134	.036199	1.16	0.246
Time awarded to Employee for Research and Development	.0908608	.053203	1.71	0.089
Amount spent for Development Activities	-.1237573	.0631646	-1.96	0.051
New product	-.0417662	.0447895	-0.93	0.352
Proportion of internal funds in Working Capital	.0016791	.0008083	2.08	0.039
Visit of Tax official	-.1327827	.0378499	-3.51	0.001
Secure Government Contract	-.0490227	.0667853	-0.73	0.464
Financials checked by Auditor	-.0213878	.0441593	-0.48	0.629
Days required to make Delivery	-.0140777	.0063598	-2.21	0.028
Constant	-.0224691	.0814807	-0.28	0.783
F-Value	3.94			
Prob > F	0.0000			
R- Square	0.1557			
Adjusted R- Square	0.1162			
No. of Observation	247			
Ramsey RESET test	F (3, 232) = 1.66, Prob > F = 0.1761			
Breusch-Pagan / Cook-Weisberg test	Chi2(1) =1.49, Prob > chi2 = 0.2229			

Source; Author's calculation output based on WBES data through Stata12

Low level of amount specified for development activities have negative impact on firm growth because in Pakistan small firms face financial problems unable to specify amounts for research and development. Tax officials visit to small firms negatively impact firm growth. It is a very interesting finding. There are two possible reasons behind it; one is that small firms are informal in nature and may be officials demand some money as a bribe and other is the lack of government attention to control it. Days required to makes delivery and firm growth have a negative relation to one another. It is significant at 5 percent. The slope coefficient shows one unit change in days required to make delivery will decrease firm growth by 0.041 units. Quality certificate and competition from informal firms have positive impact on firm growth as suggested by Haque (2007). But these are statistically insignificant in Pakistan. The main reason behind is that in Pakistan small firms are trading in local markets where quality certificate is not demanded and informal business is common in Pakistan. While on the other hand, to secure government contracts and financial reports checked have negative impact on firm growth. The main reason is that in Pakistan government officials demand gift and bribery to issue certificate.

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Freel and Robson (2004) confirm that the introductions of new product and firm growth have a positive relationship, but in Pakistan it is statistically insignificant. Small firms are dealing in old products and reluctant to introduce new product in the market, they are also statistically insignificant.

5. Conclusion and recommendations

The current study empirically analysis the determinants of small firms in Pakistan and concluded that the registration of firm, time allocated for research & development and internal funds for working capital are employment and growth enhancing factors of small firms in Pakistan. Low level of amount allocated for development activities in Pakistan has negative impact on employment creation because firms are not innovated in Pakistan. Tax official's visits to small firms and firm growth negatively linked to one another. Quality certificate and competition from informal firms have positive impact on firm growth but they are statistically insignificant, while on other hand secure government contracts, financial checked by auditors and introduction of new product have negative impact on firm growth but they are also statistically insignificant. All these results are based on the response of the individual as it is a cross sectional analysis. This is the only shortcoming of the current study. For future research, a separate study on small firms growth in Pakistan based on Panel data is highly recommended.

For future perspective, to enhance competitiveness and growth of small firms research and development activities should increase in small firms in order to increase employment. It is very important to educate the owners to take risk and adopt new and deviated trends. Firms also allocate funds for research to retain in competitive market. Research and development is directly attached with provision of financial facilities, so financial facilities should also improve. Corruption is another reason to hold small firms from their true potential in Pakistan. Proper mechanism should be developed to control corruption in Pakistan.

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