

Impact of Financial constraint on Growth and Development of Small and Medium Enterprises in Quetta Balochistan

Management Sciences

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Abstract

Purpose of study is to identify financial constraints creating hurdles in the growth and development of the SMEs in Quetta. Small and Medium Enterprises play a vital role to promote the innovation, competitiveness and productivity in various sectors of a county's domestic economy. Across the world, SMEs have been played an efficient role to achieve the socio-economic objectives such as poverty reduction, unemployment reduction, equal distribution of national wealth, elevating innovation, and uplifting institutional competitiveness. The main purpose of this study is to experimentally examine the limits to which SMEs growth is hampered by financial constraints in Quetta, Balochistan, Pakistan. Primary data was collected by survey questionnaires to distribute 50 SMEs from various economic regions and registered in the Chamber of Commerce Offices in Quetta. Five (5) serious financial constraints to Small and Medium Enterprises were determined through the literature and included in the questionnaire. The data have been analyzed through descriptive analysis and correlation techniques. The results which have been drawn represent that Small and Medium Enterprises in Pakistan are critically constrained by financing, especially by external equity. Financial ecosystem for Small and Medium Enterprises in Pakistan is not friendly and one-size fits all rules and regulations may not sufficient for financing requirements of Small and Medium Enterprises in Pakistan. It has been observed that due to higher interest rate, lack of legal structure, lack of collateral, lack of concessionary loan and government institutional weaknesses and banks hard rules and regulation aggravate the financial constraints of Small Medium Enterprises. The government should develop flexible policies and soft rules and regulation to the financing requirements of SMEs in their different stages of the business cycle.

Keywords: SMEs, Financial Constraints, Growth and Development, Pakistan, Quetta