An Exploratory Evidence of the Types of Challenges and Opportunities Perceived by the Small and Medium Enterprises (SMEs) in the Apparel Export Sector of Pakistan

Mahwish J. Khan
Assistant Professor, Department of Management Sciences, IQRA University - Islamabad Campus

Abstract
Textiles and apparel is the largest industrial sector of Pakistan and plays a significant role in its economy, particularly in export earnings. It has been observed that the small and medium enterprises (SMEs) within the apparel sector also contribute to exports. However, this contribution is marginal when compared to the role played by SMEs of other South Asian apparel exporters. This qualitative study is conducted to explore the challenges and opportunities for the apparel exporting SMEs in Pakistan. After literature review, 6 SMEs – 2 from each apparel clusters of Lahore, Faisalabad and Karachi – were selected using purposive sampling. In-depth semi-structured interviews were conducted with senior managers at these firms. Findings suggest that the burden of terrorism on the SME is far greater than that of the energy crisis. The energy crisis and compliances drive up the costs of production and reduce international competitiveness of the suppliers. However, terrorism creates an unlevel playing field that has a much larger impact on the overall apparel sector. This study finds that opportunities lie in policy reforms and the GSP Plus Status granted to Pakistan by the European Union. The paper ends by recommending how institutions, bilateral trade and particularly the China Pakistan Economic Corridor can sustain the SME sector of Pakistan.
Keywords: SME, Apparel Exports, Challenges, Opportunities, CPEC, GSP Plus

Small and Medium Enterprises (SMEs) play a crucial role in the economic growth of developing countries and are considered the backbone of their economies. By employing labor, the SME sector reduces unemployment, increases per capita income, and thus has a significant impact on the GDP of a country (Akhtar, Raees, & Salaria, 2011; Caner, 2010; Scarborough & Zimmerer, 1996). In fact, sustainable economic growth can only be possible through inclusion of this sector in macroeconomic policies. SMEs possess competitive flexibility as they quickly adapt to changing trends and can generate highly skilled employment opportunities (Elasrag, 2013). The global financial crises of 2009 also brought this sector to the limelight due to the role it played in domestic financial revival, socio-economic development and its capacity to absorb more labor (V. Ahmed, Wahab, & Mahmood, 2011; Katua, 2014).

SMEs account for almost 90% percent of the world's enterprises and are experiencing rapid growth through higher productivity, efficient utilization of resources and innovation. For these reasons the sector has caught the attention of policy makers, researchers and practitioners (Huq

& Khan, 2013; Martin & Economy, 2013; OECD, 2004). Unfortunately, the SME sector in Pakistan was relatively ignored until the mid 1990s. Thus it is underdeveloped and lags behind other Asian countries (Mustaghis-ur-Rahman & Jalees, 2015; SMEDA, 2011). SMEs participating in exports need considerable attention because exporting is an expensive process that requires significant investment in the initial stages. With the passage of time, however, exporting provides strategic growth opportunities and profits for SMEs that engage in it (Fletcher, 2004).

Pakistan's exports are primarily concentrated in the textiles and apparel sector and the nation was ranked among the top ten apparel exporters in the world (WTO, 2013). This is the largest industrial sector and contributes significantly to Pakistan's economy. It accounts for 57% of export earnings, contributes 9.5% to GDP, employs 37% of industrial labor, and constitutes approximately 27% of total industrial output (Ministry of Textile Industry, 2014; TDAP, 2014). The apparel sector is mainly clustered in three cities of Pakistan i.e. Karachi, Lahore and Faisalabad. Despite Pakistan's comparative advantage of being the 4th largest cotton producer in the world, its overall share in textile and apparel world exports is declining thus reflecting weak international competitiveness.

The liberalization of trade due to elimination of the Multi Fibre Agreement (MFA) in 2005 has triggered competition in the developing world. This has increased challenges for the SME apparel export sector in Pakistan because export firms now compete, both locally and internationally, for access to foreign markets and economic gains. This raises a fundamental question: *what types of challenges and opportunities are faced by the SME apparel export sector of Pakistan?* Two main research questions are derived from this fundamental question. First, what types of challenges do the SME apparel export firms perceive? And second, what opportunities do these enterprises perceive to have for exporting?

A moderate amount of literature on the SME sector exists with most studies focused on SMEs in developed countries (Matlay, Neupert, Baughn, & Thanh Lam Dao, 2006; Wilkinson & Brouthers, 2006). Furthermore, the body of literature on the SME export sector is quite limited and most studies focus on the drivers for internationalization and export performance of SMEs. Within the context of Pakistan, research on SME export sector is negligible such that (to the best of the researcher's knowledge) studies on the sub-sector of apparel exports do not exist. Analysis of apparel exports shows that Pakistan's exports are concentrated in the EU, USA and Middle East (SMEDA, 2012; TDAP, 2014). Therefore, the focus of this paper is on those SME firms that are exporting apparel, particularly to the US and EU. The basic purpose of this research is to identify what challenges and opportunities they face, and in doing so contribute to the existent body of literature. The literature is reviewed in the next section. Next the methodology is explained, followed by the findings and discussion. In the end, conclusions and recommendations are provided.

Literature Review

There is no universal definition of an SME and various definitions exist of what classifies an enterprise as an SME. The definitions use different parameters of assets, employees and revenues and hence represent the interests of various institutions (Dasanayaka, 2008). In Pakistan the Small and Medium Enterprises Authority (SMEDA) is the apex institution for SMEs. SMEDA's SME Policy of 2007 defines an SME as an organization "with an employment size of up to 250, paid-up capital up to Rs. 25 million and annual sales of up to Rs. 250 million." Based on this definition, there are 3.2 million SME enterprises in Pakistan out of which 96% are sole proprietorships and only 2% are partnerships (CMI, 2005-06; Khawaja, 2006). On the other hand, the SME Bank of Pakistan uses the definition of the State Bank of Pakistan (SBP) and differentiates between small and medium enterprises. The bank defines a small enterprise (SE) as "a business entity which does not employ (including contract employees) more than 50 persons and annual sales turnover is up to Rs.150 million" and a medium enterprise (ME) as "a business entity which employs (including contract employees) more than 50 employees and less than 100 employees in case of trading establishments. In case of manufacturing & service establishments a ME employs more than 50 employees (including contract employees) and less than 250 employees. For all MEs annual sales turnover is over Rs.150 million and up to Rs.800 million."

In 2016, the Union of Small and Medium Enterprises proposed that SMEDA revisit its definition of SMEs and differentiate between the small and medium enterprises so that appropriate policies may be drafted (Daily Times, 2016). Overall, the SME sector of Pakistan contributes 70% to non-agricultural employment, 30% to GDP and approximately 25% to export earnings (Kalhoro, Bhutto, Maari, Bibi, & Butt, 2011; SBP, 2011). However, SME manufacturing enterprises only contribute 1.7% to the GDP (Ministry of Finance, 2014-15; Terziovski, 2010).

SMEs in Pakistan have an alarming failure rate of 90-95% in their initial stages. These failures are caused by the lack of managerial capabilities, financial resources, political stability, intellectual capital, infrastructure, and the energy crises (Beck, Demirgüç-Kunt, & Pería, 2011; Kamweru, 2011; Khalique, Isa, Shaari, & Abdul, 2011). The State Bank of Pakistan has taken several initiatives to promote SME financing. SMEs have been provided Secured Transaction Reform Framework (STRF), guarantee scheme (CGS), SBP re-finance facilities, export finance scheme and long term financing facilities (LTFF) (SBP, 2015).

Despite these initiatives, SME financing banks are facing challenges of political interference, high transaction costs, unfriendly policies, and an overall lack of knowledge (Muhammad, 2010). This demonstrates that in the absence of strong institutions for SMEs, such initiatives will not have the desired results. The SME sector also lacks technology infrastructure for electronic commerce that can enhance the efficiency of their business operations.

Literature highlights human capital a major challenge for SMEs. Managerial and intellectual capabilities enable higher efficiencies and competencies of the SME sector (Khalique et al., 2011). Since 96% of the SME is comprised of sole proprietorships, such family owned businesses have improper accountability systems and human resource systems that leads to credibility issues (Mahmood, 2008). Since there are no institutions for implementing human resource policies such as defining job descriptions (JD) and developing Performance Management Systems, overall retention of employees in the sector is also low (Mahmood, 2008; Memon, Rohra, & Lal, 2010). Hence, SMEs struggle to develop linkages for international trade and this lowers their exports, access to latest technology and foreign investment (FDI).

SME Apparel Export Sector in Pakistan:

Pakistan has the potential to become a key exporter of apparel because it has a structural advantage of being the 4th largest producer of cotton and 3rd larger producer of yarn in the world (Soomro & Aziz, 2014). Theoretically, this implies that the apparel sector must have a competitive advantage of cost efficiency. However, apparel export share of Pakistan is insignificant when compared to South Asian countries such as India and Bangladesh. There was a marginal growth in apparel exports due to the GSP Plus in 2015-16 i.e. an increase from 2% to 4% (WTO, 2015). Exports of apparel from Pakistan doubled from US $ 103 million in 1980 to $ 1014 US million in 1990 but after that it increased marginally from 0.56% in 1990 to 1.10% in 2011 (Mangat, 2014). This decline is primarily due to barriers that exporters face due to energy, marketing and environmental issues (Khattak, Arslan, & Umair, 2011; PTEA, 2016; TDAP, 2017).

Challenges for the SME Export Sector

Literature highlights both internal and external challenges when SMEs decide to operate beyond national borders. Interestingly, while most studies posit that external challenges are greater for SMEs, recent studies suggest internal challenges are more substantial.

The main internal challenges are related to financial and human capital. Smaller enterprises lack managerial skills and with limited financial resources face difficulty in hiring managers with expertise in exports (Okpara & Koumbiadis, 2011; Stamatović & Zakić, 2010).

Another fundamental challenge is lack of marketing skills and knowledge of foreign markets (Z. U. Ahmed, Julian, Baalbaki, & Hadidian, 2004; Craig & Douglas, 2005; Pinho & Martins, 2010; Wilkinson & Brouthers, 2006). Thus SMEs cannot serve foreign consumer markets that favor product differentiation. Tesfom and Lutz (2006) found that SMEs have meager knowledge of exporting in general. This affects their abilities to identify, contact and communicate with customers overseas. Limited financial resources makes it impossible for SMEs to conduct market research, engage in branding or develop efficient channels of distribution. Since most developing countries have a scarcity of strong public institutions, SMEs also lack government support (Z. U. Ahmed et al., 2004; Haluk Köksal & Kettaneh, 2011).

The external challenges that SMEs face are systematic and pertain to tariffs and non-tariff barriers, regulator controls, competition and exchange rate fluctuations(Tesfom & Lutz, 2006). In fact, SMEs perceive initiation of exporting activities and degree of competition in foreign markets to be greater challenges than operational activities in export (Okpara & Koumbiadis, 2011; Pinho & Martins, 2010). Extensive reviews of literature on internationalization of smaller firms by Pinho and Martins (2010) and Tesfom and Lutz (2006) were carried out in developed countries. Challenges and opportunities perceived by SMEs in developing countries may differ from those of developed countries because of how they contribute to their economies (see following Table1).

Table1. *Contribution of SMEs of South Asia*

	Sri Lanka	India	Bangladesh	Pakistan
Contribution to the economy	Employment: 35% GDP: 52% Exports: 20% Manufacturing: 30%	Employment: 40% GDP: 17% Exports: 40% Manufacturing: 45%	Employment: 40% GDP: 22.5% Exports:11.3% Manufacturing: 70%	Employment: 70% GDP: 30% Exports: 25% Manufacturing: 1.7%
Contribution of apparel SMEs to exports and main markets	Exports: 40% EU and US	Exports: 13% EU, US and Middle East	Exports: 90% EU ad US	Exports: data not available EU, US and Middle East
Source of Financing	Banks: 41% Credit gap: US $ 0.1 billion	Banks: 25% Credit gap: US $3.4 billion	Banks: 10% Credit gap: US $ 1.8 billion	Banks: 5% Credit gap: US $ 2.9 billion

Credit gap = difference between the credit provided and the potential need
Sources: (Anas, 2016; Burrana, 2016; IBEF, 2015; Lawrence, 2016; Raihan, Khondker, Quoreshi, & Rahim, 2016; Yoshino & Wignaraja, 2015)

For example, SME sector of Pakistan is the highest contributor to employment (70%), and second highest in GDP (30%) and exports

(25%). However, it plays a negligible role in manufacturing compared to other South Asian countries. The apparel SMEs of Bangladesh and Sri Lanka contributes significantly to exports primarily because they participate in the global value chains of large US and EU brands. In Pakistan 95% of SMEs do not turn to banks for financing and the credit gap is second highest in the region amounting to approximately $3 billion.

Challenges of the SME export sector vary from one country to another. Sri Lanka’s SMEs are mainly constrained by their improper governance that fosters illegal activities, misuse of power and opportunism. They incur higher transaction costs due to lack of access to information and resources, and highest borrowing costs in the region (Priyanath & Premaratne, 2015). For the SMEs of India, financial availability is the biggest challenge. There is no transparent procedure in the availability of funds, and there is limited access to proper infrastructure (Das, 2007). Other than financial challenges, SMEs in Bangladesh face unavailability of raw materials and natural disasters such as floods (M. U. Ahmed, 2004).

Similarly, opportunities for SMEs in each country differ. In Sri Lanka, SMEs are provided initiatives by the government that focuses on innovation, efficiency and access to foreign trade. These enterprises have become a source of national balance among the different war torn regions of the country and attract FDI (Nishantha & Padmasiri, 2010). The Sri Lankan Export Development Board assists apparel firms in developing trade strategies, and identifying new target markets (Lawrence, 2016). Growth in India’s SMEs export sector has been made possible through friendly national policies, investment in Research and Development, establishment of industrial cluster, and outsourcing from foreign companies (Kour, 2008). In Bangladesh SMEs have experienced phenomenal growth rates due to supportive micro-financing policies and were granted a ‘priority status’ in 2004 (Rahman, 2010). As a least-developed country (LCD), Bangladesh has duty-free and quota-free access to foreign markets such as the EU. Trade reforms such as financial support (low interest loans, duty-free import of machinery and intermediate raw materials, subsidies and exemption from taxes) and marketing programs for exports have also benefited the SME sector of Bangladesh (Raihan et al., 2016).

Research Methodology

The study is qualitative and adopts a non-experimental multiple case study design that allows comparison and contrasting of results, replication of findings across all cases, and utilizes a number of data collection methods such as personal interviews, document analysis and observation (Baxter & Jack, 2008; Bryman & Bell, 2015; Denzin & Lincoln, 2008; Yin, 2003). The unit of analysis is the firm.

Sample, Data Collection and Analysis

The study employs semi-structured in-depth interviews. Using purposive sampling, interviews were conducted with senior managers in 6 firms i.e. 2 from each apparel cluster of Faisalabad, Lahore and Karachi that employed 100 to 250 people. The informants were mostly aged in 30's and 40's and all were men. Data was also collected from sources including newspapers, trade data reports, and government documents. Observations were also recorded in a journal during field visits and were later inserted as comments in the data analysis. A software program (TAMS Analyzer) was used to manage and organize data obtained through these multiple sources. Data collection and analysis occurred concurrently. Data analysis was interpretive and followed the case analysis procedure of Yin (2010). The findings are discussed next.

Findings and Discussion

The findings of this research are based on the two main questions asked from informants. Further sub-questions were asked in order to gain in-depth answers, as is the essence of qualitative research. The six SMEs (called suppliers) have been given pseudonyms A, B, C, D, E and F in order to protect their identities. Suppliers A and B manufacture readymade garments, C and F manufacture hosiery products, D makes institutional apparel and E makes knitwear products.

Challenges Faced by the SMEs

This part of the research is based on the first main question asked that what are the challenges you face in exporting your products? Four sub-questions followed: 1) Do you think other SMEs exporting apparel face the same challenges? 2) What challenges do you think your organization faces that the large-scale exporters do not face? 3) What constraints do you face in particular? And 4) what is your biggest challenge in exporting your products? SME apparel suppliers face several challenges that have a direct impact on their competitiveness and three themes emerged from the data: complications of the energy crisis, terrorism dilemma, and government incompetence. The two main challenges SMEs face are an energy crisis and the burden of terrorism. This study finds that suppliers perceive terrorism "a far greater challenge than the energy crisis" because while the shortage of electricity and gas can be covered through use of generators and utilization of alternate sources of fuel, there is nothing they can do to address the bad image of the country due to terrorism. The findings pertaining to the first research question are summarized in the following Table 2.

Table 2. *Challenges Faced by the SME Apparel Export Sector of Pakistan*

Challenge Theme	Concerns of Informants
Complications of energy crisis	Affordability of alternative fuels and generators; electricity and gas shutdowns; delays in delivery and financial penalties by buyers; order cancellations; empty promises of government; compliance issues; difficulty in establishing systems.
Terrorism Dilemma	Bad image; foreigners discouraged from travelling to Pakistan; embassies and commercial offices are not capable
a) Impact on business operations	Extra security measures in transportation; infrastructure changes; strikes and closed port; security certifications such as C-TPAT; security audits, hiring security staff, greater scrutiny of employees
b) Impact on buyer-supplier relationships	Termination of contracts after 9/11; less direct relationships; offering price concessions due to bad image
Government Incompetence	Government policies; lack of financial and technical support from government; political interference; inefficient TDAP; complex tax systems; slow rebates; complicated legalities; dependence on consultants

Energy Crisis

SMEs perceive that larger firms have responded well to the energy crisis by establishing their own power plants, accessing alternative sources of energy, and some have established factories in Bangladesh and Turkey. However, smaller firms do not have the means to pursue similar solutions. SMEs lack the capital to establish power plants and moving to alternative sources of fuel increases their production costs. This affects their export competitiveness. Existing literature considers energy crisis to be one of the main causes of failure of the apparel SME sector (Beck et al., 2011; Kamweru, 2011; Khalique et al., 2011). Accordingly, his study finds that the energy crisis in Pakistan has led to an approximately 70% shutdown of the SME apparel sector.

> *I am one of the lucky ones because once I had started other firms started closing. I started in 2003 and from 2006 till now 70% of the industry has closed down due to the energy crises (Supplier C)*

The lack of reliable sources of electricity in the summer and gas in the winter causes delays in product delivery but international buyers do not understand these problems of suppliers. Buyers consider energy crisis an internal issue and expect suppliers to tackle it on their own. Most suppliers face cancellation of orders and financial penalties on such delays. Even those suppliers that use generators or solid fuel to complete orders on time cannot survive because these solutions increase their overhead costs, lower their profits, and render them uncompetitive. As one supplier explained:

> *There is the energy crisis that has had a huge impact on the SME sector that cannot afford generators. The large-scale manufacturers, it [energy crisis] has not impacted them to that extent but has driven up their costs. If electricity costs Rs.10/unit, when you use diesel for generators the cost becomes Rs.15/unit. So, at the end of the day your product costs go up (Supplier D)*

Switching to alternative sources of fuel also hinders compliance to various environmental requirements of buyers. Existing literature states that international buyers require their developing country suppliers to comply with their codes of conduct (Lund-Thomsen, Nadvi, Chan, Khara, & Xue, 2012; Nadvi, 2008). Similar compliances were found within Pakistan. Buyers also require SMEs to comply with their social and environmental requirements however these firms lack the financial, managerial and technical resources to comply. Smaller firms are unable to invest in state-of-art energy efficient technology because they neither have the knowledge nor the funds to implement it. Instead of investing in energy efficient production systems, SMEs outsource such orders to local compliant firms. Most suppliers state that the high uncertainty in orders makes it unfeasible for them to upgrade their systems.

> *Sometimes we can outsource special orders to other firms that have that technology, even if those firms are our competitors. You see even investment is sometimes an issue so we have to see a lot of things, investing so much is a big thing, so if the order is small we prefer to outsource in the market and since we know quality people are taking care of this order and they also have the certifications so things will be correctly taken care of. (Supplier A)*

Overall suppliers have a very pessimistic outlook on the energy crisis and lack support from the government or from apparel associations on energy solution. The government makes empty promises but lacks the capacity to solve this problem. Suppliers feel that rather than competing they are fighting for survival.

Burden of Terrorism

Terrorism has two separate but interrelated consequences for SME suppliers. It impacts their business operations, and also their relationships with their international buyers. These two emergent sub-themes are discussed next:

Impact on Business Operations

Terrorism burdens suppliers by increasing their transaction costs as well as reducing their international competitiveness due to the bad image of the country. FDI is fleeting from the country and even the local businessmen are not willing to invest in Pakistan. Karachi is the biggest market in garments and the unstable law and order situation has led to incidents such as the fire in Ali Enterprises in 2012. Even though Bangladesh also had similar incidents such the fire in Tazreen (2012) and the collapse of Rana Plaza (2013); the latter regarded as the deadliest incident in the garment industry in history (Fitch & Ferdous, 2014; Smithers, 2015). Yet, the consequences of these incidents were not so severe on the exports of the apparel sector of Bangladesh. One of the main reasons is that the image of the country is not linked to terrorism or terrorist activities. Foreign clients can easily travel to Bangladesh and visit local businesses. On the other hand, customers are reluctant to come to Pakistan. International clients are discouraged from traveling to Pakistan by their embassies, family and friends. The government of Pakistan has done very little to improve the image of the country and SME suppliers think that Pakistani embassies and commercial offices do not have the capability to represent their country.

Other than image concerns, suppliers have to take extra security measures in their day-to-day operations. These security measures encompass transportation and distribution of raw materials and finished product, compliance to security certifications, and changes to the infrastructure of the factory. Suppliers have Free on Board (FOB) shipping arrangements and have to ensure safe transportation of the orders till the port of Karachi. Strikes in Karachi cause the port to be closed and delays delivery. A few suppliers complained that random security checks by customs officials sometimes leads to improper re-loading of their container or spoilage of merchandize due to rain.

Direct suppliers or first-tier suppliers have to acquire security certifications, such as the C-TPAT. C-TPAT, a certification has been developed by US Customers and Borders Protection (CBP) covers physical and procedural supply chain security requirements with respect to terrorism. Only 3 suppliers did not have the C-TPAT certification i.e. suppliers A, E, and F. Suppliers E and F were not required to acquire C-TPAT because they were indirect suppliers and the certification did not pertain to them. Supplier A mostly served EU markets and had so far not received any such request from its customers. Suppliers make infrastructural and procedural changes to obtain this certification.

> *The security requirements CTPAT and SCS i.e. Supply Chain Security by Bureau Veritas came after 9/11 and cover areas such as the security of your supply chains, the security of your containers, having security guards in your factories, CCTV cameras in your facilities, scrutiny of employees, security of*

> *premises such as wall boundary etc. Different auditing firms have different names for these certificates but the requirements are the same and have been drafted by the customs authorities of US and EU. (Supplier B)*

Therefore, the business impact of terrorism on suppliers is in terms of higher risk in delivery that requires them to make changes to: 1) production planning, 2) infrastructure such as CCTV cameras, metal detectors, boundary walls and 3) processes such as hiring security staff and more scrutiny of employees.

Impact on Buyer-Supplier Relationships

Terrorism has a significant impact on buyer-supplier relationships. The impacts vary from changes within the relationship to the ultimate severance of the relationship as post 9/11 some buyers made a strategic move not to outsource to Pakistan. This supports existing literature in international marketing that country image and country-of-origin impact consumers' perceptions towards products (Pappu, Quester, & Cooksey, 2007). Buyers that continue to source from Pakistan have limited direct relationships with suppliers and mainly coordinate through buying houses and auditing firms. Suppliers perceive that the negative image of Pakistan has tremendous impact on their relationships and they have to offer lower prices to obtain contracts. Buyers are also not keen on training, and sharing knowledge and technology with Pakistani suppliers, yet are willing to do so for their suppliers in Bangladesh and China.

> *We carry so many negatives with us, unfortunately with the name of our country [i.e. negative image of ours] we have to give an extra price edge to the customer in order for him to buy from us. (Supplier E)*

Therefore, terrorism is impacting supplier-buyer relationships by limiting direct contacts such as visits to Pakistan and creating negative perceptions related to country-of-origin. Suppliers perceived that despite price concessions and good performance the negative perceptions hurt their competitiveness.

Government Incompetence

Suppliers cited government incompetence while discussing challenges of the energy crisis and burden of terrorism. Pakistani SMEs face an 'unlevel playing field' when competing in apparel trade because they struggle with government policies and laws and most suppliers regard them as 'cumbersome'. As one supplier stated:

> *The government has pathetic policies. Their policy is to encourage trading and kill manufacturing… in any field in the world, the cottage industries i.e. SME are given incentives. Here, compliance has become so difficult that today if any person*

wants to just register for complying with the relevant laws, it is really really cumbersome. It is very difficult to follow the law and so this encourages the development of a black economy….and our government is not addressing it. Government functionaries are rather a hindrance in the path of business then any help. (Supplier E)

The government does not realize the high overhead costs faced by the apparel industry, government institutions have unqualified local staff who are unable to assist suppliers with their problems, and a lot of political interference creates an overall unsuitable environment for the SME industry. For example, on environmental management, one of the suppliers commented about the Environmental Protection Agency (EPA) of Pakistan:

As far as EPA is concerned they have published a very good law but implementation is very poor and weak. Probably the reason is that they do not have any proper guidance or education system for training their own people and facilitating them, because if they train their teams well then their local offices would be able to assist the local industry of Faisalabad, Lahore or Karachi. The local teams of EPA must have the competency and the capacity to educate the local industry in building and implementing the environment management system but unfortunately they have simple clerical staff in their district offices. Their director level officers are well-educated environmentalists but the problem is that they rarely come and interact with the local industry. So local EPA is only effective in marketing itself, for taking bribes, for giving presentations to the Chief Minister but in real sense it is not doing anything. (Supplier B)

SME apparel exporters receive very little guidance and support from the Trade Development Authority of Pakistan (TDAP). In fact, most perceive that being a government agency, TDAP has no accountability and therefore is neither efficient nor effective in facilitating them in international trade. Furthermore, the apparel associations do not have the capabilities to guide suppliers on legal, managerial, technological and compliance issues. Bad governance and lack of strategic planning by the government challenges the SME industry. Even firms that lie within the apparel clusters of Faisalabad, Lahore and Karachi felt that these clusters provide no added value to their firms. SME suppliers perceive that Pakistan's government is only efficient at making empty promises and implementation of policies is weak. They feel that governments of India, Bangladesh, China and Indonesia are more supportive of their SME sector in terms of policies, laws, taxes, rebates, and infrastructure development. One supplier commented:

> *In Pakistan, the policies of the government and the structure are not very friendly. The government is very supportive over there [Bangladesh]. They get rebates within time but we don't get our money from the government in 6 - 8 months. A lot of departments are always bothering you and the tax system is very complex. (Supplier D)*

The lack of institutions and access to relevant information and knowledge also generates problems for the SME sector in Pakistan. These findings are similar to those in existent literature i.e. lack of knowledge of potential markets creates problems in developing and executing marketing strategies for exports for SME firms (Leonidou, 2004; Pinho & Martins, 2010). The removal of the Multi Fiber Agreement (MFA) in 2005, popularly known as the 'quota regime', has created a very global and extremely competitive market for apparel trade and Pakistani suppliers face tough regional competition.

> *The prices and order volumes of our competitors is confidential, we do not know because the prices negotiated are based on the over head costs of each firm. So those with higher costs negotiate a higher price and those with lower costs can agree to lower prices. So in this way there is a lot of competition, as we do not know what price the other supplier is getting. But we do have an idea, which supplier is dealing with which client, but we are never 100% sure. (Supplier A)*

One the one hand, Pakistan's SME sector is weak in sustainability and this aspect of production is emphasized greatly in international trade nowadays (Martin & Economy, 2013; Pappu et al., 2007). As discussed before, SME sector receive very little help from EPA or the government in establishing sustainable systems and most of the public institutions are working for their own vested interests. On the other hand, the global competition has moved up and there is a lot of emphasis on marketing, technology, innovation and value addition (Cattaneo, Gereffi, Miroudot, & Taglioni, 2013; Sandhu, 2011). The SME sector lags behind on all these aspects plus the prevalent energy crisis and bad image of the country is reducing the competitiveness of Pakistan's apparel SMEs. The medium sized firms are struggling the most, and face tough competition especially from the small-scale sector due to their lower overhead costs.

This study finds that the SME sector is competing on the basis of price and not value-addition. The costs of production are rising for suppliers in Pakistan but the prices of the standard products these firms manufacture are decreasing in the global market. This puts a lot of pressure on these SMEs, especially when they are competing regionally with more cost effective suppliers in Bangladesh and China. Another important reason for the low competitiveness of Pakistani SME is the absence of marketing activities in their business. Large-scale firms have the resources and the budgets to market themselves through exhibitions and direct marketing to large brands and buyers. SME neither have the marketing expertise nor the financial resources to participate in global exhibitions. This represents a very bleak future for the SME sector of Pakistan.

Opportunities perceived by the SMEs

The second part of the research is based on the second main research question asked, that what are the opportunities you face in exporting your products? Four sub-questions followed: 1) Do you think other SMEs exporting apparel can avail the same opportunities? 2) What opportunities do you think your organization has that the large-scale exporters do not? 3) Do you have any particular opportunities in exporting? And 4) what is your most favorable advantage towards exporting your products? SME apparel suppliers perceived a few key opportunities that favored their export competitiveness and three themes emerged from the data. These themes are: structural advantages, policy reforms, and tariff exemptions by foreign markets. These findings are summarized in Table 3 and discussed next.

Table 3. *Opportunities Perceived by SME Apparel Export Sector of Pakistan*

Opportunity Theme	Informants Key Points
Structural Advantage	Ideal for exports in apparel, cotton manufacturer, labor availability; move towards high-value added products; changing mindsets of young owners
Policy Reforms	Policies present but only on paper, need for proper implementation; compliance to local and international regulations; need for performance-based policies and loans
Tarrif Exemptions	GSP Plus Status; compliance to EU conventions; no export duties

Despite all the challenges faced by the SME sector suppliers perceive Pakistan has two structural advantages over competitor countries such as Bangladesh, Sri Lanka, and Turkey. The first advantage is that Pakistan is a cotton producing country. In fact, Pakistan is the 4th largest producer of cotton in the world (USDA, 2017). The second advantage is availability of labor in the country. Pakistan is the 7th most populous country in the world and approximately 60% of its population is the youth (Central Intelligence Agency, 2017). Apparel-manufacturing sector will remain in Pakistan even though it might not be highly competitive. This situation can improve if SME suppliers can move away from basic products to high value-added and quality intensive products. The study points towards that improvement because

SME owners' mindsets are changing within the apparel export sector. The new generation of owners is young, ambitious, well educated, and possesses a capitalistic mindset such that both employees and managers 'enjoy' working with this younger lot.

> *…The owners no longer want to do it for the buyers only; they want to do it for their own factories…this change is coming through the younger generation that is taking over the command of this business... Most of these young kids have good education and even the management enjoys working with this younger lot because they understand a lot of issues related to management and their next generation will be even better. (Supplier B)*

However, competitiveness in trade also requires efficient institutions, good governance, policy reforms, and a collective effort from the public and private sector to improve the image of the country in international markets.

Policy Reforms

SME suppliers perceive that the existing textile and trade policies are drafted keeping in mind the large-scale sector and are not friendly for the SME industry. However, they consider that even the SME sector can benefit from these policies provided they are implemented properly. This highlights the role of SMEDA in policy reforms for the SME apparel export sector. SMEDA is considered the premiere institution for drafting and implementing policies for all SMEs in Pakistan yet is often criticized for its fragmented policies and lack of their implementation. Our analysis shows that SMEDA does not have institutional jurisdiction and plays the role of a policy advisor rather than an enforcer. Resources required for policy implementation have never been allocated to this institution by the government (Sanchez-Triana et al., 2014).

> *In Pakistan, policies are there but there is no implementation. In every district there are district officers…but they don't work. (Supplier E)*

This lack of policy implementation was emphasized by all of the SME suppliers. A recent example of this is the Strategic Trade Policy Framework STPF (2015-18). In order to enhance the export competitiveness of suppliers this latest mid-term trade policy emphasizes all the necessities of global competitiveness for Pakistani suppliers such as product development, foreign market access, institutional development and trade facilitation (Burrana, 2016). The policy introduced five cash support schemes for the SME exporters contributing towards drawbacks on taxes and levies, machine and technology upgrading, branding and product development. However, these schemes are focused on apparel SMEs exporting leather apparel rather than cotton-based apparel. The new trade policy was approved by the government in March 2016, but to date this policy is partially implemented primarily because the Finance Ministry has not released the allocated funds for implementing it (Ghumman, 2017). Our analysis indicates that policy implementation and not policy formulation is the chronic weakness of our public governance.

The government of Pakistan in the federal budget of 2016-17 granted sales tax zero-rating facility to five export sectors including leather and textile. However, such levies do not boost export performance of suppliers. Instead, they get misused and end up putting financial burden on the government. This study finds that suppliers prefer financial and monetary policies of the government to be performance based. Suppliers suggested that long-term financing plans of the government have a greater impact on their export performance.

> *In the current situation the government needs to make policies to revive this industry. For example they can make the LTF (long term finances) of the firms. They can waive off their markups and against that waiver you will be pledged for the next 10 years. So if you revive, you get the markup waiver and if you do not perform then the government can sell your firm. So if the government can give this confidence of 10 years to the producers they will all work for the revival of the industry. There have been few cases of embezzlement of funds but the majority of the producers would like to be given confidence by the government. (Supplier B)*

Performance-based policy reforms can rectify some of the problems associated with the current trade policies that are costly for regulators to implement. The latest trends in globalization (e.g. global value chains of well known brands) as well the institutions enabling international trade such as the World Trade Organization (WTO) are collectively putting pressure on the government to make regulations more transparent and performance-based. Such policies benefit both suppliers and regulators. Suppliers gain more credibility, and by establishing benchmarks for exporter performance, regulators can instill healthy local competition. Such policies, however, must first define SMEs concisely and establish different performance criteria for small enterprises and separate for the medium enterprises within the SME apparel export sector of Pakistan.

Tariff Exemptions (GSP Plus)

GSP Plus is an opportunity for the SME suppliers. The GSP Plus is enhanced trade preferences granted by the EU to imports from Pakistan that include the textile and apparel sector. The GSP Plus Status was granted to Pakistan in December 2013 and exempts duty on apparel products that fall under the capping limits of 6% of market share within the EU. However, this status is granted only to those exporters that comply with the 27 conventions of the EU including its environmental and social conventions. This status hence provides compliant SME suppliers competitive access to the EU market.

> *People used to say that Bangladesh has an edge due to duty free imports but ever since we have acquired GSP Plus status we are equal to Bangladesh in that area as we both do not have duties. (Supplier E)*

Suppliers perceive the GSP Plus Status an opportunity for two reasons. One, as stated by Supplier E, the Status places Pakistan at par with Bangladesh who has duty free access to the EU due to its classification as a least-developed nation. And second, the EU is already a major market for Pakistan's apparel exports. 62.2% of total imports of EU from Pakistan during 2014-15 comprised of clothing and apparel and were made under GSP Plus Status (Anas, 2016). Trade statistics show that Pakistan has benefitted only marginally from this opportunity as it holds very little share of the EU market compared to Turkey, Bangladesh, India and China and there is a lot of room for growth (TDAP, 2017).

Having discussed the major findings of the study, the next section turns to the conclusions as well as theoretical and practical implications of the findings.

Conclusion

Pakistan, being both a cotton producer and exporter of apparel, occupies an important structural position in the world. However, compared to the non-cotton producing countries of Bangladesh and Sri Lanka, the SME apparel export industry of Pakistan is less competitive.

Our study concludes that SME suppliers lack strategic intent for upgrading and are locked-in due to the energy crisis and security situation. Evidence shows that SME suppliers are competing primarily on the basis of price and the high overhead costs are closing down a big chunk of the sector. Furthermore, there is a lack of well-trained human resources within the apparel sector that is mainly required for complex product manufacturing suppliers. SME need to build managerial skills and labor competencies. While suppliers cited reasons such as high costs of utilities and labor, and the current negative image of the country in foreign markets impacts their competitiveness in international trade, in reality the lack of new product development, managerial skills and marketing initiatives that are primarily the cause of their low competitiveness cannot be attributable to these reasons. This represents a lack of 'strategic intent' than anything else.

Compliance to international environmental and social conventions is currently a paradox for the SME. While being compliant increases access to developed markets and increases efficiencies, these compliances come at a cost. Some costs such as implementation are one time, whereas others such as maintenance costs, audit costs and providing protective gear to employees are variable costs. Therefore, these compliances are required for competitiveness but the SME does not have the resources to acquire or maintain such compliances. Increasing the cost of utilities and minimum wage of labor in Pakistan is driving up the overhead costs of SME suppliers. This encourages suppliers to cut corners and reduce costs usually at the expense of environment and labor and suppliers get into trouble for violation of these standards.

Developing countries suffering from a negative image due to terrorism face prejudice and discrimination that does not make a business case. Strategic decisions of large brands to exclude such developing countries from their GVC has a major economic impact on these countries and further leaves a vacuum to be filled in by terrorist groups. Terrorism itself is an emerging phenomenon in most developing countries nowadays.

This study also sheds light onto the broader debate on increasing global inequality between the developing and developed countries and highlights the consequences of terrorism that has to-date not been incorporated in SME literature. Our study concludes that developing countries such as Pakistan suffer both directly and indirectly due to terrorism. The direct consequences of terrorism on SME suppliers is beyond the scope of this study, but the indirect consequence of terrorism on business has been discussed in terms of higher costs of competing internationally. A new form of security upgrading is found within the medium-sized apparel export sector in Pakistan. This upgrading composes of certifications such as the C-TPAT, changes to the physical infrastructure as well as to some processes of the SME firm.

Recommendations

SME suppliers must become more competitive and join international platforms where they network with other international SMEs, designers and executives and jointly address common concerns. Since national associations are not that powerful in representing common interests of SME suppliers, these supplier must become active in international apparel platforms for suppliers such as the International Apparel Federation (IAF), International Textile and Apparel Association (ITAA), and International Association of Clothing Designers and Executives (IACDE) that can help them network with designers, executives and scholars internationally.

The SME industry must look into collective solutions such as common ETP plants and waste management solutions. They can form strategic alliances with the large-scale sector and come up with a comprehensive plan for reducing their production costs and activities spread over a much larger geographic area, and also achieve compliances in the process. The government can motivate such alliances though performance based tax benefits.

SME suppliers need to start competing on the basis of high value-added manufacturing. They need to diversify their target markets as well because currently they compete in three primary markets of EU, US and Middle East. SME must also explore marketing avenues such as digital marketing that will promote their business with very little marketing expenditure. Another golden opportunity for SME is contract manufacturing from China, particularly since the Pak-China Economic Corridor (CPEC) is being established. CPEC offers equal growth opportunities to all the provinces and creates an emergent market for SMEs by giving them access to proper transportation systems, easy access to international markets and a resolution of the energy crisis. China Chamber of Commerce for Import and Export (CCCT) has recently signed an MOU with the Pakistan Readymade Garments Manufacturers and Exporters Associations to develop, strengthen and link textile and apparel companies of both the countries. Similarly, Japan has shown keen interest in facilitating Pakistan in improving the textile industry as Japanese development agencies are planning to increase imports from Pakistan. An agreement is yet in the negotiation stage but once did will encourage the SMEs to shift from low value added to high value added activities.

Pakistan's exports need to targeted to diverse markets such as Africa and Russia where there is potential for leather garments. Government needs to strengthen bilateral trade and an association such as SMEDA needs to attract investors and develop strategies for the SME with respect to CPEC, Russia and Japan.

References

Ahmed, M. U. (2004). The small and medium enterprises (SME) in Bangladesh: an overview of the current status: Dhaka.

Ahmed, V., Wahab, M. A., & Mahmood, H. (2011). Effectiveness of HRD for developing SMEs in South Asia. *Pakistan: SAARC Human Resource Development Centre*.

Ahmed, Z. U., Julian, C. C., Baalbaki, I., & Hadidian, T. V. (2004). Export barriers and firm internationalisation: a study of Lebanese entrepreneurs. *Journal of management & world business research, 1*(1), 11-22.

Akhtar, S., Raees, R., & Salaria, M. R. (2011). *The impact of firm, location and ownership specific factors on foreign market performance of Pakistani SMEs.* Paper presented at the International Conference on Technology and Business Management,(March.

Anas, M. (2016). *Pakistan's Gains from GSP Plus Status*. SMEDA.

Baxter, P., & Jack, S. (2008). Qualitative case study methodology: Study design and implementation for novice researchers. *The qualitative report, 13*(4), 544-559.

Beck, T., Demirgüç-Kunt, A., & Pería, M. S. M. (2011). Bank financing for SMEs: Evidence across countries and bank ownership types. *Journal of Financial Services Research, 39*(1-2), 35-54.
Bryman, A., & Bell, E. (2015). *Business research methods*: Oxford university press.
Burrana, S. (2016). *Fiscal Development for SMEs* (ISSN: 2221-0946). SMEDA.
Caner, S. (2010). *The Role of Small and Medium Size Enterprises in Economic Development.* Paper presented at the HSE Conference.
Cattaneo, O., Gereffi, G., Miroudot, S., & Taglioni, D. (2013). Joining, upgrading and being competitive in global value chains: a strategic framework. *World Bank Policy Research Working Paper*(6406).
Central Intelligence Agency. (2017). Pakistan. Retrieved May 1 https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html
CMI. (2005-06). Census of Manufacturing Industries (CMI) 2005-06. In F. B. o. Statistics (Ed.): Government of Pakistan.
Craig, C. S., & Douglas, S. P. (2005). *International marketing research*: JSTOR.
Daily Times (Producer). (2016). SMEDA to review SME definition. Retrieved from http://dailytimes.com.pk/business/18-Apr-16/smeda-to-review-sme-definition
Das, K. (2007). SMEs in India: issues and possibilities in times of globalisation. *Asian SMEs and Globalization, ERIA Research Project Report*(5), 69-97.
Dasanayaka, S. (2008). SMEs in globalized world: A brief note on basic profiles of Pakistan's small and medium scale enterprises and possible research directions. *Business Review, 3*(1), 69-77.
Denzin, N. K., & Lincoln, Y. S. (2008). *Strategies of qualitative inquiry* (Vol. 2): Sage.
Elasrag, H. (2013). The role of small and medium-sized enterprises in the industrial development of Egypt. *Available at SSRN 2276953*.
Fitch, N., & Ferdous, I. (2014). The Deadly Cost of Fashion. *The New York Times*.
Fletcher, D. (2004). International entrepreneurship and the small business. *Entrepreneurship & Regional Development, 16*(4), 289-305.
Ghumman, M. (2017). MoC initiates mid-term review of STPF 2015-18 Retrieved May 1, 2017, from http://fp.brecorder.com/2017/04/20170413167986/
Haluk Köksal, M., & Kettaneh, T. (2011). Export problems experienced by high-and low-performing manufacturing companies: A comparative study. *Asia Pacific Journal of Marketing and Logistics, 23*(1), 108-126.
Huq, U. R., & Khan, M. M. H. (2013). The Supply Side Gaps and Opportunities of Small & Medium Enterprises (SMEs) in Bangladesh. *European Journal of Business and Management, 5*(28).
IBEF. (2015), from http://www.ibef.org/economy.aspx
Kalhoro, F. A., Bhutto, N. A., Maari, S. A., Bibi, S., & Butt, F. (2011). *Small and Medium Enterprises as Engine of Economic Growth: A Cross-Country Analysis.* Paper presented at the 3rd SAICON Conference, Available at: http://saicon2011. ciitlahore. edu. pk/Economics/11-1303% 20farooq% 20ahmed. pdf,[March 2012].

Kamweru, M. R. (2011). *Challenges Faced By Small & Medium Enterprises in Accessing Finance in Kiambu Town, Kenya.* School of Business, University of Nairobi.

Katua, T. (2014). The Role of SMEs in Employment Creation and Economic Growth in Selected Countries. *International Journal of Education and Research, 2*(12), 461-472.

Khalique, M., Isa, A. H. B. M., Shaari, N., & Abdul, J. (2011). Challenges for Pakistani SMEs in a knowledge-based economy. *Indus Journal of Management & Social Sciences, 5*(2).

Khattak, J. K., Arslan, M., & Umair, M. (2011). SMEs' export problems in Pakistan. *E3 Journal of Business Management and Economics, 2*(5), 192-199.

Khawaja, S. (2006). Unleashing the potential of the SME sector, with a focus on productivity improvements. In P. D. Forum (Ed.): SMEDA.

Kour, M. (2008). SMEs and their significance in India. *International Journal in Multidisciplinary and Academic Research 2*(2).

Lawrence, Y. (2016). Funding is ofcourse the biggest issue that the SME sector faces, as borrowing costs can be quite high

Leonidou, L. C. (2004). An analysis of the barriers hindering small business export development. *Journal of small business management, 42*(3), 279-302.

Lund-Thomsen, P., Nadvi, K., Chan, A., Khara, N., & Xue, H. (2012). Labour in Global Value Chains: Work Conditions in Football Manufacturing in China, India and Pakistan. *Development and Change, 43*(6), 1211-1237. doi: 10.1111/j.1467-7660.2012.01798.x

Mahmood, S. (2008). *Corporate governance and business ethics for SMEs in developing countries: Challenges and way forward.* Paper presented at the International Society of Business, Economics, and Ethics World Congress.

Mangat, M. M. (2014). Textile and Clothing Exports of SAARC Countries: A Comparison from 1980 to 2011. *World, 62*(130,000), 317,000.

Martin, D., & Economy, I. (2013). Creating Sustainable Apparel Value Chains. *Impact Economy*, 1-41.

Matlay, H., Neupert, K. E., Baughn, C. C., & Thanh Lam Dao, T. (2006). SME exporting challenges in transitional and developed economies. *Journal of Small Business and Enterprise Development, 13*(4), 535-545.

Memon, S., Rohra, C., & Lal, P. (2010). Critical analysis of the performance management system (pms) in SMEs of Karachi. *Australian Journal of Basic and Applied Sciences, 4*(6), 1495-1503.

Ministry of Finance. (2014-15): Ministry of Finance, Government of Pakistan.

Ministry of Textile Industry. (2014), from http://www.textile.gov.pk/gop/index.php?q=aHR0cDovLzE5Mi4xNjguNzAuMTM2L21vdGkvZGVmYXVsdC5hc3B4

Muhammad, S. D. (2010). Microfinance challenges and opportunities in Pakistan. *European Journal of Social Sciences, 14*(1), 88.

Mustaghis-ur-Rahman, R. R., & Jalees, T. (2015). The Effectiveness of Support Policies for SMEs in Pakistan: A study of Karachi Based SMEs. *Pakistan Business Review*, 829.

Nadvi, K. (2008). Global standards, global governance and the organization of global value chains. *Journal of Economic Geography, 8*(3), 323-343.

Nishantha, B., & Padmasiri, H. N. (2010). Development of Small and Medium Enterprises in Post Conflict Sri lanka: Opportunities, Challenges and Policy Implications.

OECD. (2004). *Promoting Entrepreneurship and Innovative SMEs in a Global Economy: Towards a More Responsible and Inclusive Globalization.* Paper presented at the 2nd OECD Conference of Ministers Responsible for Small and Medium-sized Enterprises (SMEs), Istanbul, Turkey.

Okpara, J. O., & Koumbiadis, N. J. (2011). Strategic export orientation and internationalization barriers: evidence from SMEs in a developing economy. *Journal of International Business and Cultural Studies, 4*, 1.

Pappu, R., Quester, P. G., & Cooksey, R. W. (2007). Country image and consumer-based brand equity: relationships and implications for international marketing. *Journal of International Business Studies*.

Pinho, J. C., & Martins, L. (2010). Exporting barriers: Insights from Portuguese small-and medium-sized exporters and non-exporters. *Journal of international Entrepreneurship, 8*(3), 254-272.

Priyanath, H., & Premaratne, S. (2015). Government SME Development Programs in Sri Lanka: A Review in the Lens of Transaction Cost Econo. *Sabaragamuwa University Journal, 13*(2).

PTEA. (2016) Retrieved April 12, 2016

Rahman, K. A. (2010). Development of small and medium scale enterprise in Bangladesh: prospects and constraints. *Available at SSRN 1583707*.

Raihan, S., Khondker, B., Quoreshi, S., & Rahim, A. (2016). TRADE WINDS OF CHANGE WOMEN ENTREPRENEURS ON THE RISE IN SOUTH ASIA: Background country study-Bangladesh. In S. A. N. o. E. M. (SANEM). (Ed.). Bangkok Regional Hub: UNDP Asia Pacific Region.

Sanchez-Triana, E., Biller, D., Nabi, I., Ortolano, L., Dezfuli, G., Afzal, J., & Enriquez, S. (2014). *Revitalizing industrial growth in Pakistan: Trade, infrastructure, and environmental performance*: World Bank Publications.

Sandhu, K. (2011). *Challenges to Pakistan's Value Added Industry: Pakistan Readymade Garments.* Paper presented at the 3rd International Conference on Textile and Clothing, Lahore, Pakistan.

SBP. (2011). SME Banking Regulatory Framework: State Bank of Pakistan.

SBP. (2015). Annual Report (State of the Economy): State Bank of Pakistan.

Scarborough, N. M., & Zimmerer, T. (1996). *Effective small business management* (Vol. 2): Prentice Hall.

SMEDA. (2011). SME Development report for 2010-2011.

SMEDA. (2012). SME Genesis, Challenges and Prospects.

Smithers, R. (2015). Bangladesh Rana Plaza factory fund finally meets target. *The Guardian*.

Soomro, R. H., & Aziz, F. (2014). Analysis of Economic and Technological Strategic Factors Affecting the Performance of Small and Medium Enterprises of Apparel Sector in Pakistan.

Stamatović, M., & Zakić, N. (2010). Effects of the global economic crisis on small and medium enterprises in Serbia. *Serbian Journal of Management, 5*(1), 151-162.

TDAP. (2014). *Pakistan's Trade Statistics 2014-15*.

TDAP. (2017). *Exports From Pakistan - Final Statistics (July - October 2016-17).* Pakistan: Goverment of Pakistan.

Terziovski, M. (2010). Innovation practice and its performance implications in small and medium enterprises (SMEs) in the manufacturing sector: a resource-based view. *Strategic Management Journal, 31*(8), 892-902.

Tesfom, G., & Lutz, C. (2006). A classification of export marketing problems of small and medium sized manufacturing firms in developing countries. *International Journal of Emerging Markets, 1*(3), 262-281.

USDA. (2017). Cotton: World Markets and Trade Retrieved April

Wilkinson, T., & Brouthers, L. E. (2006). Trade promotion and SME export performance. *International Business Review, 15*(3), 233-252.

WTO. (2013). International Trade Statistics 2012: World Trade Organization.

WTO. (2015). WTO International Trade Statistics

Yin, R. K. (2003). Case study research design and methods third edition. *Applied social research methods series, 5*.

Yin, R. K. (2010). *Qualitative research from start to finish*: Guilford Press.

Yoshino, N., & Wignaraja, G. (2015). *SMEs Internationalization and Finance in Asia.* Paper presented at the Frontier and Developing Asia: Supporting Rapid and Inclusive Growth IMF-JICA Conference Tokyo.