

THE PARADIGM OF MICRO ENTERPRISES AS ECONOMIC AND SOCIAL ENTERPRISES IN PAKISTAN (CASE STUDY: PESHAWAR URBAN MARKET)

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Abstract

Micro enterprise in Pakistani cities is a survival economy for those who do not have a chance to enter the labor market as well as for those who desire to shape their destiny as an entrepreneur. In the last century, access to economic life through microenterprises was possible even without or at a very low level of training. In today's world of specialization where micro enterprise not only play significant role in the form of entry to business world but also prove to serve as input provider to small, middle and large scale enterprises, and in addition to this micro enterprises have also become capable of innovation. In this context micro enterprises have started providing training and skill to the new entrants in the form of apprenticeship because hiring of skilled labor increases per unit cost of production. Hence training, apprentice and production of skilled labor at micro enterprises have not only strengthened the role of micro enterprises as a factor for economic development, but have also become an effective tool for social institutions. Hence this research is carried out with the objective to determine the role of micro enterprises in economic development and to assess the apprenticeship at micro enterprises as social institutionalization. Data was collected from micro enterprises about the indicator of economic success and target group for social institutionalization were apprentice working at micro enterprises in Peshawar. The analyzed data showed significant contributions of micro enterprises both in economic development and social institutionalization.

Keywords: *Micro Enterprises, Social Enterprises, Apprenticeship, Training, Labor Market*

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Introduction

The concept of social enterprise goes back to 1972 with the publication of “The Sociology of Social Movements” by Banks, J. and “The Practice of Management” (1979) by Peter Drucker, P. In 1997 Leadbeater concluded that the concept of social enterprises existed in the society for years without being getting in the research. Dees (2001) argued that though the concept of social enterprise got space in economic literature very recently but the phenomenon is not new. However the term got popularity in 1990 when the economic research embarked upon the concept for research in his work (Bornstein, 2004).

Social enterprises have become a sustainable and innovative way to answer evolving social problems. Despite the fact that social enterprise concept is getting popular in developed and developing economies, there is a shortage of studies on the determinants as well as success and failure factors. Shahriar Akhter (2019) concluded after an in-depth analysis of 31 social enterprises in Bangladesh that eight key drivers of social business models, which include customer focus, quality, social needs, inherent demands, incidental earnings, innovation through partnerships, initiative inspiration and collaborative ecosystems. The results also indicate four critical success factors that include social goals, collaboration, simplicity and starting from home. In general, this study analyzes the scope of developing and supporting social business models for empowerment, quality of life and economic growth in emerging economies.

Objectives

The main objectives of the study are:

- To elucidate the extent of the concept of social enterprise in Micro Entrepreneurs in creating community benefit
- To assess the role of Micro Enterprise in providing training, skill and on job apprenticeship
- To determine the role of Micro Enterprises in economic development

Methodology

Peshawar urban market is selected as research site because the demographics of Peshawar urban areas are in accordance with other cities of Pakistan. In addition the urban areas of Peshawar have a vast cluster of homogenous and heterogeneous micro enterprises.

As micro enterprises are the main target of the study hence the data is collected from micro enterprises defined as:

- Enterprises having 10 or less than 10 employees (SMEDA and Yasmeen, 2006) and are properly registered with Tax Department having NTN number.

- The sample size was 400 having 100 entrepreneurs and 300 apprentices.
- The data was collected from randomly selected 100 micro enterprises (i.e. 50 from services sector and 50 from production sector).
- The target group of 300 apprentices working on these 100 enterprises (3 apprentices per micro enterprise) was interviewed.
- The data was collected through self-structured questionnaire having both open ended and close ended questions.

To determine the reliability and validity of the questionnaire a pilot survey is carried out on random sample from both the groups. Factor analysis is applied for the observed 10 variables. the factor analysis model was:

$$Z_{ai} = \sum L_{ap} F_{pi} + \epsilon_{ai}$$

where L set of factors for entrepreneurs and F consists of the set of factors for apprentice.

After applying factor analysis eight explanatory variables were selected for the research. The data was collected about the awareness of the concept of social enterprise, providing training, skill and on job apprenticeship, success and failure of micro enterprises, the key determinants of the success and social indicators.

Econometric Model

The literature reviewed on social development, economic development, micro enterprises and social enterprises, it has been observed that role of micro enterprises as social enterprises can be quantified and determined by determining the correlation between social development as regressand or dependent variable and social awareness, provision of apprenticeship, training and skill, education of family, living standard of family, income of apprentice, income of enterprise assets and liabilities of the enterprise as regressors or explanatory variables.

Hence to quantify the role of micro enterprises as social enterprise following econometric model is developed:

$$SED = f(SAW, PAP, EDF, LSF, IAP, IEP, IAE, ILE) \text{ -----i}$$

$$SED = \beta_0 + \beta_1 SAW + \beta_2 PAP + \beta_3 EDF + \beta_4 LSF + \beta_5 IAP + \beta_6 IEP + \beta_7 IAE + \beta_8 ILE \text{ -----ii}$$

Where

SED = social and economic development

SAW = social awareness

PAP = provision of apprenticeship

IE = income of the enterprise

EDF = education of family

LSF = living standard of family
 IAP = income of apprentice
 IEP = income of enterprise
 IAE = increase in the assets of enterprise
 ILE = increase in liabilities of the enterprise.

Results and Findings

The data collected is presented and discussed below:

Factor	Entrepreneurs Sample size 100		Apprentice Sample size 300		Total Sample Both Entrepreneurs & Apprentice	
	Number	Percentage	Number	Percentage	Number	Percentage
Social Awareness	36	36%	126	42%	162	40.50
Provision of skill	100	100%	214	71%	314	78.50
Training	100	100%	214	71%	314	78.50
Apprentice ship	97	97%	287	96%	384	96.00
Increase in Income	100	100%	300	100%	400	100
Increase in assets of enterprise	72	72%	300	100%	372	93
Increase in liabilities	28	28%	NA	----	28	07.00
Satisfaction from Provision of credit	23	23%	NA	----	23	05.75
Satisfaction from Banking facilities	32	32%	NA	----	32	08.00
Problems by Red Tapism	83	83%	NA	----	83	20.75
Satisfaction from Taxation system	100 not satisfied	100%	NA	-----	100	25.00
Education	Yes 100	100%	Yes 300	100%	400	100
Living standard	Yes 100	100%	Yes 300	100%	400	100

The table above shows that 36% of entrepreneurs and 42 % of the apprentice were aware of social enterprise concept. Some of the entrepreneurs quoted Islamic teachings about society and social responsibilities. Similarly the apprentice also narrated many incidents from the life of Holy Prophet (PBUH) about his love and affection towards marginal segments of society.

When asked about the apprenticeship, skill and training 97% of the entrepreneurs confirmed that they hire unskilled workers and provide them on job apprenticeship, 96% of the workers confirmed their reply. 100% entrepreneurs claimed that they provide skill and training to their employees. When same question was asked from the employees 71% confirmed about the provision of skill and training on job. The workers said they are working for the last many years but as they daily perform the same job so they do not think that they have been provided any chance to enhance their skill in other works.

About the status of income over the last five years though the entrepreneurs and the apprentice had many complaints towards the local and national governments and economic downfall over the last five years but then too they accepted the rise in their income.

When questioned about the increase in assets of the enterprise 71% of the entrepreneurs and 100% of the apprentice told that the assets of the enterprise has increased almost more than 80% from the time of initiation of business where as 28% of the entrepreneurs told that instead of assets their liabilities have increased

Only 23 % of the entrepreneurs were satisfied from provision of credit, 32% were satisfied from banking system and 100% of the entrepreneurs were not satisfied from tax system of the country. 83 % of the entrepreneurs told that they face many problems due to Red Tapism.

Surprisingly all 300 apprentice did not answer these four questions and said that these questions are not relevant to them. This shows a healthy sign in the society in which people avoid interfering in others matters that do not concern them. 100% entrepreneurs and apprentice acknowledged the rise in their living standard as well as availing of formal education of their family including children and younger brothers and sisters.

Econometric Model

$$SED = \beta_0 + \beta_1 SAW + \beta_2 PAP + \beta_3 EDF + \beta_4 LSF + \beta_5 IAP + \beta_6 IEP + \beta_7 IAE + \beta_8 ILE$$

Explanatory Variables	Coefficients	t-ratio
Constant	1.920	3.310
SAW	0.290	1.437
PAP	1.351	2.980
EDF	1.722	3.561
LSF	2.890	5.721
IEP	1.231	2.421
IAE	1.690	3.532
ILE	-0.65	-2.123
R	0.912	
R ²	0.950	
R ² adjusted	0.942	
F	953.28	
DW	1.777	

The model shows that social and economic development is positively related with social awareness, provision of apprenticeship, training and skill, education of family, living standard of family, income of apprentice, income of enterprise, increase in the assets of enterprise and negatively correlated with increase in liabilities of the enterprise. The empirical result shows that social development is highly correlated with living standard, family education and Income of the enterprise followed by the provision of apprenticeship and social awareness about social enterprises.

The value of R² shows that ceteris paribus 95% variation in social and economic development is due to above mentioned explanatory variables. The calculated value of F is significantly higher than its critical value that shows the model is over all significant. We have also applied DW test to the data to determine the auto correlation. The DW value eliminates the presence of auto correlation as this value falls in no auto correlation zone. Moreover all the explanatory variables are significant on the basis of t-ratios at $\alpha = 0.01$.

Conclusion and Suggestions

The above mentioned data analysis and findings show that micro enterprises are easy, fast, innovator, reliable and cost effective approach towards social and economic development. The findings of this research shows that in fact micro enterprises are social enterprises because they provide apprenticeship and training mostly to unskilled workers. With acquisition of training and skill they become capable to earn more and hence consequently improve their living standard and adept family education goal. Since at policy making level for micro enterprise, to play its due role in social development is a new phenomenon in Pakistan in general and for

Peshawar in particular hence to achieve the goal of social and economic development we suggest that the government at both federal and provincial level essentially be fast, less bureaucratic and fundamentally must cut through Red Tape. In addition the government ought to be willowy in startup practices for micro enterprises.

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