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Abstract

This research investigates the Global Financial Crisis in South Asia and its impact on SMEs sector in Pakistan by using GE model. The main objectives of this research are to provide detailed overview of Globalization economic crisis and SMEs sector by using the General Equilibrium Model. Data were collected from 400 SMEs by using cross sectional data from four provinces by using simple random techniques. The Global trade analysis Purdue (GTAP) model is used to analyze the possible impact of Globalization on Pakistan's economy in single-country, single-sector applied General Equilibrium frame work. It was revealed that from last two year globalization and economic recession has negative impact on the SMEs sector in Pakistan. After employing the simplified static analysis framework based on simulations reveal that Globalization Economic recession have influenced negatively on the economy of Pakistan The general inflation rate is increased and living standard is decreased and purchasing power is also decreased it has negative impact of the growth of SMEs in Pakistan and ultimately the economy of Pakistan.

Introduction

Globalization open the window of Business opportunities for the Small and Medium Enterprises, but due to Global financial recession it hits many economies of the world third world as well as first or developed world including USA, Canada, England and many countries of the Europe and Pacific. The rapid expansion in manufacturing increased employment in the sector sharply during the Sixth Pakistan is the seventh largest population in the world and one of the dense populated countries in the world. Pakistan is recently facing lot of problems like unemployment, and slow growth in Agriculture we imported different agriculture related product from the world. Therefore, we have to look at sectors of the economy that have the potential to provide this employment, and simultaneously we have to ensure that the young are provided quality education and training for these more productive sectors of the economy. The greater growth potential lie in the modern high technology industries but it is also present in the labor-intensive industries of the traditional Small Enterprise sector and in the services that support it. "Young people in the future are more likely to end (therefore) should be working in organizations closer to the entrepreneurial mode" (Allan Gibbs). It is a worldwide phenomenon that Small Enterprises are an important part of a nation's economic and social structure. "Enterprise is the antithesis of command and control". On a global perspective Small Enterprises have acquired a significant stature in the economic development of a country. Globalization has put Small Enterprises directly in the limelight. Small Enterprises are increasingly a major force for national economic growth. The entrepreneurs who drive them are receiving serious attention from economists, planners, multilateral agencies and governments all over the world (Carter, Camille. 1999).

Small and Medium Enterprises (SMEs) also called small and medium-sized enterprises and small and medium-sized businesses or Small and Medium Businesses (SMBs) are those companies whose annual income comes under certain limits. The acronym SME is commonly used in the European Union countries and also in international organizations, such as the World Bank, the United Nations and the World Trade Organization (WTO). The term SMB is also prevailing in a few other countries of the world. EU Member countries conventionally had their own definitions of the term SME (Wikipedia, 2007).

Small and Medium Enterprises (SMEs) are known as the solution of economic progress, modernization and

the development of employment, employment potential, creation of income and scientific progression in most advanced economies. (Acs and Audretsch, 1990; Neck and Dockner, 1987; Kotey and Meredith, 1997, Bhutta and Asad, 2008). Also maintained by Hamid and Abaidullah (2006) that the participation of SME sector to the economy is significant and this is probably to be a feature of SME sector around the world.

Table 1: Participation Rates by Gender in SMEs Business 2001-2009

Gender	2001	2002	2003	2004	2005	2006	2007	2008	2009
Male	35	30	29	30	32	30	29	28	30
Female	20	35	31	33	35	33	33	35	36
Total	55	65	60	63	67	63	62	62	66

Survey-2009

Obviously, it can be seen that employment rates between the three ethnic groups are different: in 2001, 55 % of the total work force employed in SME business the share of women is 20% in sample area. In2002, 65 % of the total work force employed in SME business the share of women is 35% in sample area, the women of Rural Sindh are so innovative that they can design the different kind of flowers without using the machines.

In 2003, 6 % of the total work force involves in SME business and the share of women is 31%. In 2004, 63 % of the total work force involves in SME business and the share of women is 33%. In 2005, 67 % of the total work force involves in SME business and the share of women is 35%. In 2006, 63 % of the total work force involves in SME business and the share of women is 33%. In 2007, 62 % of the total work force involves in SME business and the share of women is 33%. In 2008, 62 % of the total work force involve in SME business and the share of women is 35%. In 2009, 66 % of the total work force involves in SME business and the share of women is 36%. The above figures indicate that share of women in SMEs business in growing compare with male participation in SMEs business in rural areas of Sindh.

Data Collection Methodology

Data were collected from 400 SMEs by using cross sectional data from four provinces by using simple random techniques. The Global trade analysis Purdue (GTAP) model is used to analyze the possible impact of Globalization on Pakistan's economy in single -country, single-sector applied General Equilibrium frame work. . It was revealed that from last two year globalization and economic recession has negative impact on the SMEs sector in Pakistan.

Literature Review

A number of researchers have attempted to estimate the behavioral effects on various family decisions (i.e: the women's decision to participate in the SMEs business) of changes in income, wage rates, and the price of finished products. A sampling of earlier studies includes Heckman 1974; Robin & Spigelman 1978; Stolzenberg & Waite 1984; Leibowitz, Waite, & Witsberger 1987; Berger & Black 1991; Blau & Robins 1988, 1989, 1991a, 1991b; Connelly 1992; Hofferth and Wissoker 1992; Leibowitz, Klerman, & Waite 1992; and Ribar 1992, 1995; Michapolos, Robins, & Garfinkel 1992; Kimmel 1993, Averett et.al 1997; Powell 1997; and Anderson & Levine 1999. The more recent research includes Han& Waldfogel 2001; Baum II 2002, Oishi 2002; Doiron & Kalb 2005; Viitanen 2005; Kimmel & Powell 2006; and Lockshin & Fong 2006. For our econometric analysis, we employ the model by Connelly (1992) in which the decision of a woman to participate in the SMEs business is modeled as the outcome of maximizing her utility over goods.

Table 2. Summary statistics

Variables n=300		Frequencies	Percent
Location	Sindh	100	33.33
	Punjab	100	33.33
	NWFP	40	13.33
	Balouchistan	60	20
Age-Minimum-18	19-30	150	50
Maximum-50	31-50	150	50
Race			
	Sindhi	200	66.66
	Balouch	50	16.66

		Male	Female
	Punjabi	30	10
	Urdu	20	6.66
Education			
		Male	**Female**
Primary	Sindh	17%	1%
	Punjab	20%	2%
	NWFP	33%	17%
	Balouchistan	37%	20%
Secondary			
	Sindh	12%	0.5%
	Punjab	11%	1%
	NWFP	22%	14%
	Balouchistan	28%	16%
University/Graduate			
	Sindh	6%	.33
	Punjab	5%	.4
	NWFP	10%	11%
	Balouchistan	16%	13%
Health Condition		**Satisfactory**	**Non-Satisfactory**
	Sindh	12%	88%
	Punjab	11	89%
	NWFP	40	60
	Balouchistan	55	45

Table 3: Housing status

Housing		**Own**	**Rental**
	Sindh	90%	10%
	Punjab	93%	7%
	NWFP	80%	20%
	Balouchistan	75%	25%

Survey-2009

Table 4: Working status

Working Status	**Government Job**	**SMEs Business**	**Unemployed**
Sindh	30%	20%	50%
Punjab	10%	30%	60%
NWFP	24%	10%	66%
Balouchistan	30%	20%	50%

Survey-2009-10

Table 5: Monthly income from SMEs business

Monthly Income		**SMEs Business**
	Sindh	Rs.20,000/per family
	Punjab	Rs.20,000/per family
	NWFP	Rs.30,000/per family
	Balouchistan	Rs.30,000/per family

Survey-2009

Description of the Model

Model: Impact of Globalization Economic Recession on SMEs sector in Pakistan

Computable General Equilibrium Model (CGE)
To compare the impact of Globalization on rural and urban population we started with the simple model, which however integers all the standard characteristics of the CGE model of small under developed country. The demand system is derived from the Cobb Douglas utility function with two factors of Globalization and poverty relationship. Regarding the household model we have an income function consisting of rural projects of FDI and their general impact on the rural households on consumption.

Results analysis of household model

We only performed one simulation to illustrate the approach's contribution. Different simulation has been tested to verify whether the conclusions reached in

terms of impact of Globalization and Economic Recession on SMEs in Pakistan.

Model 1: Globalization and economic recession impact on SMEs in Pakistan 2008-2010-(September)

Variables		Base Value	Model 1 AR	Rural SMEs	Model 2 RH	Urban SMEs	Model U-C	Change
W1	Formal Wages in SMEs	0.5	-0.76	-.05	-0.5	+0.1	0.5	0.5
W2	Informal wages in SMEs	0.1	NA	NA	NA	NA	NA	NA
Mps	SMEs growth	0.1	0.5	-0.2	0.3	+0.5	+ 0.6	-6
FDI	Foreign direct investment in SMEs	20900000	0.3	-0.4	-0.6	+0.54	0.58	0.5
GDP	Gross domestic Product share of SMEs	15265435.1	0.01	-0.2S	-0.5	+0.57	0.57	-33
Rh	Rural household consumption and SMEs development	1455676776	0.25	0.24	-0.25	+0.787	0.56	0.44
Uc	Urban house hold consumption SMEs sector	324355455	0.55	0.88	-.25	+0.75	0.88	0.55

The above analysis proved that from 2008-september the growth of SMEs sector decreased by nearly 20% and most of the units in Sindh province and NWFP are considered now sick units because they are functioning right now. Wages decreased from Rs.300 to Rs. 250 for the causal worker working in different units in Pakistan. Punjab SMEs sector has some growth in terms of export but other provinces the situation is entirely different. Globalization creates opportunities for the Small and Medium Enterprises (SMEs). The overall economic recession has negative impact on the business growth in Pakistan.

Recommendations

The overall in-depth sample showed a high degree of concern over economic problems but that concern did vary. The constraint which was most uniformly faced was political instability followed by (the related constraint) uncertainty in the business climate. Those in Sindh were significantly more concerned about their lack of information on their competition and about the lack of market for their products than their peers in Punjab or NWFP. Even more dramatically, all those interviewed in Sindh were severely threatened by uncertainty in the business climate and by climatic disasters while their colleagues elsewhere were much less likely to rank these as serious constraints. More than 80% of them thought that government corruption was serious problem for them as well. They did not perceive that there was increasing credit available in spite of SMEDA or SBFC or that the government had begun to be interested in their welfare and had begun to devise policies to support them. More than half the respondent entrepreneurs thought that government support had substantially decreased.

Conclusion

The current research highlighted the opportunities of Globalization and Economic Recession of the SMEs business growth in Pakistan. The Global financial crisis has negative impact on the Small and Medium enterprises business growth in Pakistan. Different simulation exercise has been done to get reliable results from computable General Equilibrium model. CGE is the best tool for the policy analysis. It was revealed that from last two year globalization and economic recession has negative impact on the SMEs sector in Pakistan. After employing the simplified static analysis framework based on simulations reveal that Globalization Economic recession have influenced negatively on the economy of Pakistan. Globally it is acknowledged that small and medium enterprises (SMEs) take a crucial part in economic improvement, as it is the major source of employment generation and the growth in production, in both developed as well as developing countries (Tambunan, 2008).

As suggested by Kotelnikov (2007) that there is only way out to decrease poverty in a maintainable manner is the promotion of economic development, through wealth and employment generation. In developing countries, SMEs are the most important source of revenue generation, a breeding ground for businessperson and a provider of employment. As maintained by Levy *et al* (1999) that the SMEs performance is enormously significant for the economic progress of most less-developed countries.

We only performed one simulation to illustrate the approach's contribution. Different simulation has been tested to verify whether the conclusions reached in

terms of impact of Globalization and Economic Recession on SMEs in Pakistan

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