

**Challenges and Opportunities for Small and Medium Enterprises (SMEs) in Pakistan**

**Submitted By:**

Table of Contents

[Chapter 1: Introduction 5](#_Toc174511560)

[1.1 Background 5](#_Toc174511561)

[1.2 Gap in Knowledge 6](#_Toc174511562)

[1.2 Research Aim 6](#_Toc174511563)

[1.2.1 Research Objectives 6](#_Toc174511564)

[1.2.2 Research Questions 6](#_Toc174511565)

[1.3 Significance and Contribution of the Research 6](#_Toc174511566)

[Chapter 2: Literature Review 8](#_Toc174511567)

[2.1 Introduction 8](#_Toc174511568)

[2.2 Theoretical Underpinnings and Conceptual Framework 8](#_Toc174511569)

[2.3 Evaluation of Previous Research on SMEs in Different Contexts 9](#_Toc174511570)

[2.3.1 Financial Constraints and Access to Finance 9](#_Toc174511571)

[2.3.2 Regulatory and Infrastructural Challenges 10](#_Toc174511572)

[2.3.3 Technological Adoption and Innovation 11](#_Toc174511573)

[2.3.4 Market Access and Competitiveness 11](#_Toc174511574)

[2.3.5 Human Resource Management and Organizational Learning 11](#_Toc174511575)

[2.4 Key Themes and Debates in SME Research 12](#_Toc174511576)

[2.4.1 Financial Management and Sustainability 12](#_Toc174511577)

[2.4.2 Regulatory Environment and Policy Implications 13](#_Toc174511578)

[2.4.3 Technological Integration and Innovation 13](#_Toc174511579)

[2.4.4 Market Dynamics and Competitive Strategies 14](#_Toc174511580)

[2.5 Conceptual Framework and Application to Context 14](#_Toc174511581)

[2.6 Summary of the Literature Review 15](#_Toc174511582)

[Chapter 3: Research Methodology 16](#_Toc174511583)

[3.1 Introduction 16](#_Toc174511584)

[3.2 Research Philosophy 16](#_Toc174511585)

[3.2.1 Interpretivism 16](#_Toc174511586)

[3. 3 Research Approach 17](#_Toc174511587)

[3.3.1 Qualitative Approach 17](#_Toc174511588)

[3.3.2 Sampling and Participants 17](#_Toc174511589)

[3. 4 Research Strategy/Design 18](#_Toc174511590)

[3.4.1 Case Study 18](#_Toc174511591)

[3. 5 Sampling Strategy 18](#_Toc174511592)

[3. 5. 1 Non-Probability Sampling: 18](#_Toc174511593)

[3.6 Data Collection Methods 19](#_Toc174511594)

[3.6.1 Documentary Evidence 19](#_Toc174511595)

[3.7 Data Analysis Methods 19](#_Toc174511596)

[3.7.1 Thematic Analysis 19](#_Toc174511597)

[3. 8 Ethical Considerations 20](#_Toc174511598)

[Chapter 4: Results and Findings 21](#_Toc174511599)

[4.1 Introduction 21](#_Toc174511600)

[4.2 Thematic Analysis 21](#_Toc174511601)

[4.3 Themes and Sub-Themes 22](#_Toc174511602)

[4.3.1 Theme 1: Financial Constraints 22](#_Toc174511603)

[Sub-theme 1.1: Access to Finance 22](#_Toc174511604)

[Sub-theme 1.2: Financial Delinquency 22](#_Toc174511605)

[Sub-theme 1.3: Impact on Performance 23](#_Toc174511606)

[4.3.2 Theme 2: Technological Adoption Challenges 23](#_Toc174511607)

[Sub-theme 2.1: Infrastructure and Resources 23](#_Toc174511608)

[Sub-theme 2.2: Skills and Expertise 24](#_Toc174511609)

[Sub-theme 2.3: Resistance to Change 24](#_Toc174511610)

[4.3.3 Theme 3: Growth Strategies 24](#_Toc174511611)

[Sub-theme 3.1: Diversification 25](#_Toc174511612)

[Sub-theme 3.2: Strategic Partnerships 25](#_Toc174511613)

[Sub-theme 3.3: Innovation and R&D 25](#_Toc174511614)

[4.4 Summary of Key Findings 26](#_Toc174511615)

[4.5 Achieving Research Objectives 27](#_Toc174511616)

[4.6 Conclusion 28](#_Toc174511617)

[Chapter 5: Discussion 29](#_Toc174511618)

[5.1 Introduction 29](#_Toc174511619)

[5.2 New Study Conceptual Framework 29](#_Toc174511620)

[5.3 Summary of Key Findings 30](#_Toc174511621)

[5.4 Detailed Explanation of Findings 30](#_Toc174511622)

[5.4.1 Challenges Faced by SMEs 30](#_Toc174511623)

[5. 4. 2 Opportunities for Growth 31](#_Toc174511624)

[5.5 Comparison with Previous Studies 31](#_Toc174511625)

[5.5.1 Literature Integration 31](#_Toc174511626)

[5.5.2 Confirmations 32](#_Toc174511627)

[5.5.3 Contradictions 32](#_Toc174511628)

[5. 6 Implications for the Field 33](#_Toc174511629)

[5. 7 Conclusion 33](#_Toc174511630)

[References 34](#_Toc174511631)

# Chapter 1: Introduction

## Background

SMEs play a significant role of the income earner and hold significant contributions in creating employment opportunities, reducing poverty level and contributing to the GDP of the economy of Pakistan (Zeb and Ihsan, 2020). SMEs that contribute over 90% of all new establishments in the nation are crucial in development, implementation, and dissemination of technology in service and product deliveries throughout the economy (Rasyid, Qomariyah, & Priscilla M. Santi Setyaningsih et al. , 2024). Nonetheless, several crucial issues challenge SMEs in Pakistan and thus derived their growth and sustainability. Another major problem is the problem of capital formation or rather the inability to access capital. SMEs experience difficulty in accessing funding due to different conditions deployed on the collateral and perceived high risks amongst the funding companies (Zulqarnain Arshad et al., 2020). This has an implication on the funding they can unlock to support new technologies, expansion and increase competitiveness Shaikh, Zafar, Arshad 2024.

Hindrances related to regulations and support infrastructure also remain massive. The rule makings and application processes are cumbersome, complemented by inefficient infrastructure, which hinders SMEs’ efficiency (Asad and Kashif, 2021). SMEs face concerns such as high costs of compliance, much bureaucracy, and poor infrastructure that restrain the dwarfs’ capacity to expand and compete strategically (Khan et al. , 2020). Technology adoption is the other core challenge that SMEs encounter. At the same time, the existing innovations, for example, the Internet of Things (IoT) can be viewed as enablers of productivity and sustainability among small and medium enterprises, however, few of them have enough resources and know-how to utilize such technologies. The scarcity of actual contemporary technical advancements and the phenomenon recognized as the digital divide worsen this scenario (Shah et al. , 2024).

Leadership and organizational learning form a key part of the management of these challenges. It means that efficient leadership along with encourage learning culture and organization adaptability would let SMEs minimize existing operational issues and maximize available opportunities for development (Asghar et al. , 2023). This study settles on the following important research questions: Based on the above focus, this research seeks to ascertain the general understanding of the challenges that Pakistan SMEs face and offer plausible solutions to counter such hindrances to boost competitiveness in the export sector for sustainability.

## 1.2 Gap in Knowledge

Previous studies provide valuable insights into the challenges faced by Small and Medium Enterprises (SMEs) and their future prospects, the overall picture, particularly for Pakistan, remains somewhat incomplete (Abid et al., 2023). Most of the previous work employed a single factor, such as financial issues or technology adoption, while ignoring the interdependencies of a particular context that incorporated multiple layers of the SME environment in Pakistan. Furthermore, the comparisons made with Pakistani SMEs with those in other similar economies are scarce, so they could be useful for providing useful guidelines and benchmarks for Pakistan.

## Research Aim

The main objectives of this research will be to determine the major issues and prospects regarding the SME business environment in Pakistan and to establish recommendations for improving SMEs’ competitiveness and stability.

### Research Objectives

* Categorize the main obstacles faced by SMEs in Pakistan, such as financial limits, regulatory impediments, and infrastructure deficiencies.
* Identify opportunities for SMEs in Pakistan to overcome hurdles and accelerate growth, including technical advancements and government support programs.

### Research Questions

* What are the main challenges faced by SMEs in Pakistan, including financial limits, regulatory impediments, and infrastructure deficiencies?
* How can Pakistani SMEs overcome these hurdles and expand by adopting new technologies and using government support programs?

## Significance and Contribution of the Research

Instead of presenting fragmented and disparate parts of the SME ecosystem, this study will provide a complete overview to enable intervention from specific, relevant angles. Second, the research findings will enhance existing theories about the development of SMEs by drawing comparisons with other economies. The advantages of adopting a comparative approach to organization management will not only give the researchers and stakeholders an understanding of the peculiarities and risks of organization management in Pakistan but also provide insights into successful strategies and their implementation in other countries that may be relevant to the context of Pakistan.

The study will be useful for managers, industry practitioners, policymakers, and academics because it will provide insights into the impact of the key factors on the growth of knowledge intensity in industries. For managers and practitioners in the industry, the research will provide insights on the best approach to dealing with emerging issues and optimizing opportunities. The recommendations that precede policy formation and implementation will improve the SME operating environment, especially for policymakers. Students and scholars will find design, data, and analysis useful as the literature review lays the groundwork to explore further.

The analysis will specifically reveal the strategies used to address organizational-level challenges, including inadequate finances and regulatory hurdles. It will also elaborate on the opportunity of adopting technology and organizational learning and development to improve the performance of SMEs. The results will help shape the emerging policies to address concerns about strengthening the business regulatory framework, providing financing to SMEs, and improving infrastructure. Establishing and classifying the different types of recommendations needed to develop a focused SME support system will be easier. The study will contribute to our understanding of the SME development process by providing an analysis that captures the multi-faceted processes within the relevant domain. This prior knowledge will lay the groundwork for further studies and debates in the academic realm.

# Chapter 2: Literature Review

## 2.1 Introduction

This conceptual chapter reviews the literature on small and medium enterprises (SMEs), specifically exploring the SME business environment and its prospects and problems, with a focus on the Pakistani setting. As previously stated, it is critical at this stage to present summaries of prior studies' findings, findings that have informed the development of the current study's research questions and hypotheses, as well as to recognize research gaps. In doing so, this paper identified some of the emerging issues discussed in prior literature, including financial limitations, legal restraints, IT implementation, and increased market competition that greatly challenge SMEs. The type of review is also thematic; critical areas are as follows: financial limitations and restrictions, regulations, technological advances, competition, and people. Each section not only includes global viewpoints, but it also expands the situation, problems, and possibilities within Pakistan's specific context, along with references to and comparisons with other international countries.

## 2.2 Theoretical Underpinnings and Conceptual Framework

The theoretical base of small and medium enterprises (SMEs) is varied, which means that numerous theoretical models clarify all the challenges that SMEs encounter during their operation and development (Ahmad et al., 2023). Among the commonly used theories, three stand out, namely, the Resource-Based View (RBV), the Institutional Theory, and the Dynamic Capabilities Framework, each hailing from a different paradigm and providing a different angle regarding the internal and external environment of SMEs (Akula and Yaseen, 2022). The RBV theory states that a firm's competitive edge stems from valuable resources and capabilities, stressing organizational resources as the starting point for success. This theory holds special significance for SMEs because they often seek to utilize their resources to establish a competitive advantage in some particular segments of the market and then compete with very large companies.

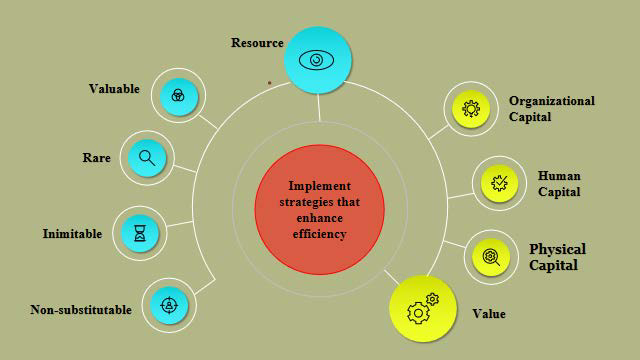


Figure 1. Resource-Based View (RBV) Theory. Source: (Akula and Yaseen, 2022)

Institutional Theory investigates how external imprints, such as industry legislation, traditions, and norms, affect organizational structure and performance. This theory is quite significant within the context of the study, as it helps to explain how external forces or small business institutional environments influence the strategies and functioning of SMEs in different socio-economic conditions (Bibi and Ahsan, 2022). Therefore, for this particular research study, it is best to combine the resource-based view with the dynamic capabilities theory. This combination provides a systematic vantage point from which to analyze the potential of Pakistan's SMEs and understand how they might elaborate and flexibly employ resources in order to formulate new and innovative capabilities that will enable them to counter threats and seize opportunities.

## 2.3 Evaluation of Previous Research on SMEs in Different Contexts

### 2.3.1 Financial Constraints and Access to Finance

A significant amount of writing concurs with the finding that financial issues are one of the strongest barriers to SMEs worldwide. These constraints may originate from credit rationing, high interest rates, small required collateral, and low financial literacy levels. Existing literature has established that financing reduces or enhances the probability of SMEs' growth and success because it affects their capacity to venture into innovation, expanding their operations or markets. Nonetheless, if the identified financial issues persist, SMEs based in Pakistan would undoubtedly find themselves in a dire situation that Pakistani SMEs find it challenging to access finance from primarily conventional financial institutions as they are considered high-risk with insufficient security required. Khan et al. (2020) note that while there may be several government policies in place designed to enhance access to finance, the impacts of those interventions could be impounded by institutional issues arising from bureaucracy and corruption.

### 2.3.2 Regulatory and Infrastructural Challenges

Regulatory and infrastructural challenges pose a significant negative impact on the growth of SMEs. The regulatory environment encompasses the legal requirements that firms have to meet, and these may encapsulate other bureaucratic necessities that tend to hamper business operations. Infrastructural constraints, therefore, include the fundamental physical and communication structures required for a particular business's functional exercise, such as transport facilities, communication systems, and power supply, among others (Noor et al., 2023). Across the globe, regulatory challenges remain key hurdles to the growth of SMEs, as most regulatory frameworks may be cumbersome. It was also discovered that having high regulations and procedures, as well as bureaucracy, often leads to high compliance expenses and poor organizational performance. There is poor infrastructural development in the developing countries, which makes it hard for businesses to run since they are made to add up more expenditure.

At the same time, Pakistan stands out as a country where regulatory issues seem to be overriding due to its geographic location. Shaikh et al. stated that the regulatory environment in Pakistan is highly complex and complex in nature, and due to this, there are a lot of challenges for SMEs. These are soiled by factors like corruption, lack of accountability, and poorly functioning public organizations, among others (Hyder, Ahsan, and Mustafa, 2024). Other requirements include a lack of better infrastructure, for instance, erratic power supply affecting output, transport facilities, and communication networks that hamper the smooth running of SMEs.

### 2.3.3 Technological Adoption and Innovation

Stakeholders have urged SMEs to embrace advanced technology and innovation as essential tools for competition and expansion. Incorporating technology into a business helps to increase its efficiency, lower costs, and improve quality. Yet, the level of use of technology in one environment is still distinct from the use in another environment due to some factors like capital, infrastructure, and technical know-how. The study revealed that SMEs in developed nations tend to adopt more advanced technologies because they have easier access to resources, which innovation support systems further encourage. Note that high costs, a lack of skilled employees, and appropriate support facilities sometimes constrain SMEs in developing countries from accessing technology. However, there is a low level of technology implementation among SMEs in Pakistan. Shah et al. (2024), Nguyen further observes that, though there is increasing recognition of technology's role, the capability to deploy new technologies to utility is scarce or even nonexistent in several SMEs. The low technological uptake is due to high implementation costs, limited technical skills among the players, and poor support from related ministries as well as industry bodies.

### 2.3.4 Market Access and Competitiveness

Market access and competitiveness are two key areas that play a pivotal role in the growth and survival of SMEs. To achieve scale economies, market access promotes the availability of more customers, sales, production, and distribution. Unfortunately, SMEs face numerous challenges that hinder their market entry, such as limited understanding of competitive trends, insufficient resources in the marketing domain, and intense competition from larger firms. Literature has revealed that SMEs in developing economies, for example, experience more difficulties in getting markets than their counterparts in developed economies. Race-related issues, such as not having the right market structure, not having enough access to distribution methods, and bad government policies, can make these already tough situations even worse. There is proof that Pakistani small and medium-sized businesses have a lot of issues when they try to compete in markets inside and outside of Pakistan. According to Islam et al. (2020), SMEs also have trouble with trade, and their goods don't always meet international standards.

### 2.3.5 Human Resource Management and Organizational Learning

That is why both human resource management (HRM) and group learning are important for small businesses that want to find ways to grow. This study is a goal of this study is to show that workers can be more effective and the company as a whole can do better if the right people are hired, trained, and their performance is tracked. If managers want to be more successful in a volatile business environment (Inayat et al., 2024), they need to do things that help the company learn and make things run more smoothly. A lot of problems happen for SME when it comes to handling its employees all over the world. For instance, it needs to hire and keep qualified people, offer training and growth opportunities, and keep an eye on how well workers are doing.

Small and medium-sized businesses in developing countries may not have the money, people, or technology to fully support the more in-depth HRM activities that are popular in developed countries. This means that these problems could be even worse there. HRM has a lot of issues because of this, especially in Pakistan. Ahmed et al. (2024) say that small and medium-sized businesses have a lot of problems, especially those in Pakistan. Some of the things they need to do are hire good people, figure out how to help them learn and grow, and keep track of how well they're doing.

## 2.4 Key Themes and Debates in SME Research

### 2.4.1 Financial Management and Sustainability

Money management is an area of small and medium-sized businesses (SMEs) that is looked into a great deal. People think it's very important for a business to stay open and grow. Many types of experts agree that small businesses have a hard time keeping track of their cash. In this case, it might be tough to handle money, get loans, or choose investments (Nadir Munir Hassan et al., 2023). Discussions on the relevance and implementation of sustainability practices within SMEs exemplify the need to combine financial principles with environmental and social factors.

In the article by Shaikh et al. (2024), the authors focus on discussing the aspect of sustainable practices of SMEs, which proposes the idea to act for business longevity and to take responsibility towards the environment. Nevertheless, there has been some question about the applicability and effectiveness of sustainability programs within SMEs, especially those operating with limited resources in global contexts. Although there is disagreement on how to interpret these works, all unify at the recognition of financial sustainability as a key interest for SMEs, whereby the critical execution of sound financial strategies becomes crucial to managing such an environment.

### 2.4.2 Regulatory Environment and Policy Implications

The regulatory climate is an important determinant for SME operating conditions, as agencies and governments have diverse regulatory structures that may have a positive or negative impact on their function. Explorations of reformist evidence, such as various nimble profiles and important ways of how it influences SMEs by bureaucratic systems, compliance costs, and insecurity of the regulatory systems. Khan and his colleagues (2020) delineate the Pakistani context, emphasizing the need for policies aimed at alleviating the regulatory system's burden and reducing its impact on SMEs.

Findings from several previous studies highlighted policy implications, focusing on the need to spearhead proper reforms in the policies that can foster SME growth in Nigeria for improved competitiveness (Khan Burhan Khan, Noor Ismawati Jaafar, and Shamshul Bahri Zakaria, 2024). A comparative analysis of SME policies in different economies shows that there are radical differences in regulation of SMEs across the economies, partly due to attempts by governments to adopt more business-friendly policies in encouraging innovation and growth of SMEs. Nevertheless, there are more questions than answers regarding how the policy intent will effectively be translated into tangible benefits that SMES can easily grasp, which makes the issue of targeted interventions and the engagement of stakeholders such a topical one.

### 2.4.3 Technological Integration and Innovation

Most of the research in the area of technology has acknowledged the role of technology in the competitiveness of SMEs in various ways, as it helps in improving productivity, the quality of goods produced, and generating better market positions. Various scholars present differing perspectives on the impact of technological adoption on SME performance. While some argue that the positive change through technological advances will be seen when organisations adopt technology, others paint a picture of the negative impact of technology on SMEs, stating that firms that are not capable of improving their technological competencies are bound to be left behind.

Shah and collaborators (2024) also consider the impact between them and the performance of SMEs and claim that companies need to update their industries to provide greater competitiveness in the present-day world. There is open literature concerning innovations in SMEs available, and it has varying views where some are advocating for purposeful innovations while others explain the challenges in dissemination of innovation in small businesses (Khan, 2023). Looking into the specifics of the studies, it was found out that the relationship between technology adoption, technological innovation, and the performance of SMEs is not as simple as it seems. Designing a practical framework as to how SMEs overall regarding technology and innovation in its entirety makes the guideline even more challenging, which is why an ideal strategy that can enable the integration of technology and innovation into SMEs is required.

### 2.4.4 Market Dynamics and Competitive Strategies

Significantly, one can understand the fact that market forces are some of the key aspects that shape the competitiveness of SMEs in a specific market place; some of the forces that SMEs have to deal with include customers’ needs dynamics and trends in the market place, among others (Khan et al., 2022). The academic literature discusses ways of improving the competitive position of SMEs by focusing on tools such as market segmentation, product differentiation, and the formation of strategic partnerships. Islam et al. (2020) suggest the general structure of market forces threatening Pakistani SMEs and, behind each of them, stress the necessity for a fast and successful reaction to market shifts.

Literature review from various sources shows that there are different and equally valid approaches and paradigms for understanding the competitive strategies of SMEs, which is quite different from the traditional approach of looking at the strategic capabilities of resources internal to the firm and those of the external environment (Khan, Sultan, and Khan, 2021). Similarly, the comparison of the findings across the various contexts where the study was conducted emphasizes the importance of context-sensitive initiatives that consider the characteristics of the local markets, the structure of the regulations, and the trends within the industries.

## 2.5 Conceptual Framework and Application to Context

The literature review's developed conceptual framework allows for a systematic analysis of the factors that drive the dynamism of SMEs, particularly when studying Pakistan's economic environment (Amir, Ali, and Ahmad, 2020). Thus, the rationale for arguing that establish Therefore, we argue that the establishment of a systems' perspective in an SME context necessitates a comprehensive framework that integrates insights from financial management, regulatory environment, technology integration, market forces, and human development. This framework aims to demonstrate the interconnectedness of these factors and demonstrate how an SME Transferring the theoretical framework to a more specific Pakistani SME environment entails translating identified constructs into local factors (Mohammad and Abbas, 2024). For example, when borrowing some theories at the gross level, such as the resource-based view and institutional theory, one must keep in mind the institutional settings, regulations, and markets distinctly available in the country of interest, in this case Pakistan.

Furthermore, the research framework should include socio-cultural factors, political factors, and macro-environmental conditions that contextually influence SME operation and performance in the Pakistani environment. It synthesizes the aforementioned themes and conclusions from the literature review stage to make the conceptual framework comprehensive and more relevant to the research context. Thus, the framework, based on multiple theoretical and empirical assumptions, reflects both threats and opportunities for Pakistani SMEs’ development. In addition, it can act as a roadmap for potential research activities and policy initiatives to boost the SME’s capacity to deal with future risks in Pakistan.

## 2.6 Summary of the Literature Review

The literature review identified SMEs’ main issues as well as opportunities for the sector to focus on, especially regarding the Pakistani context. A few concerns were repeatedly mentioned by the participant firms, including financial limitations, regulatory barriers, technology accumulation, market competitiveness, and employee management. Therefore, while the existing body of knowledge has made a commendable effort in advancing our understanding of the aforementioned areas, there are still some important research limitations, which include the generalizability of existing theories and frameworks to Pakistani SMEs and the efficacy of the policy in dealing with the aforementioned challenges. To address these gaps, this research aims to build a bipolarized view of the challenges that Pakistani SMEs experience in their operations and evaluate the solutions that are supported by the respective evidence. Therefore, through empirical research and comparative analysis of findings within this study, the author intends to offer feasible recommendations that would assist policymakers, stakeholders, and SMEs themselves.

# Chapter 3: Research Methodology

## 3.1 Introduction

This paper presents details concerning the methodological approach and procedure employed in this research, particularly emphasizing secondary data analysis and theme analysis. This applies in detail the rationale and justification of the selected research philosophy, approach, strategy, sampling technique and data collection and analysis methods, to achieve the research objectives and research questions. This chapter gives a rationale for choosing the specific methodological approach, tools, and indicating how their use contributes to the research framework. The purpose of this chapter is to demonstrate clear definitions of the described methodological steps and their reasoning so as to maximize the overall research validity and quality, which will also help the reader comprehend better the analysis of the secondary data.

## 3.2 Research Philosophy

### 3.2.1 Interpretivism

It is equally important to state the paradigm that has been used in the research; this research embraces an interpretivist paradigm due to the nature of the research being qualitative in nature. As a fundamental ontological stance, interpretivism focuses on the construction of participants’ meanings and broaches their experiences in their contexts, thus being congruent with the research aim that entails gaining deeper insights from existing records (Ekechi et al., 2024). This philosophical approach is important in order to understand the seemingly trivial or obvious that is often hidden behind human actions and social processes. Passing onto the epistemological level, the rationale of the research to collect and analyze secondary data pays more attention to the interpretive meanings and interpretations that individuals or groups attribute to their experiences or behaviors.

## 3. 3 Research Approach

### 3.3.1 Qualitative Approach

This research relies on a descriptive research design to evaluate examples of contract cheating and relies on secondary data gathered from journals. The qualitative analysis is useful for trends, themes, and messages that can be derived from the texts, documents, and media. Thus, it fits with the interpretivist epistemology under which ‘a focus on depth’ is given preference and where the researcher delves deeply into the details of the collected data (Jauhari and Periansya, 2021). Quantitative techniques are vital for delivering credible and real-life solutions in contrast to the strict models required in qualitative studies, and they offer a much more profound insight into the data collected for the research. This is suitable for this study because it allows the researcher to look at several variables and also does a rich analysis on the data gathered. Hence, the qualitative is ideal to deal with a research question because it analyses and searches for patterns in the secondary data (Zahoor et al. , 2022). Given that qualitative analysis moves way past simple counts, it can reveal meanings and interpretations that would have been concealed. This tends to give readers a wider view or rather a closer look at the kind of content to be expected.

### 3.3.2 Sampling and Participants

The study will rely solely on secondary data collected from scholarly journals as the major source of the research materials. This information will be collected from scholarly journals hence having quality data in the research study. The sample will be the articles concerned with the contract cheating happening in various settings, and therefore, the topic will be covered broadly. The criteria for selection of these articles will involve their relevance to the research questions, their date of publication, and the methodological quality of the included studies. Therefore, through the exclusion of primary data in the development of this study, the research safeguards against the inclusion of irrelevant data that can distort the findings of the study relating to the challenges and opportunities surrounding contract cheating. This choice of methodology will enhance the ability to identify significant research domains since the qualitative approach ensures the discovery of deep-rooted facts by the researcher.

## 3. 4 Research Strategy/Design

### 3.4.1 Case Study

The specific method employed in the research is case study research which is a research strategy that examines particular cases relevant to the research question and objective. The selection of the case study design is beneficial for this research as this approach enables an extensive and complex investigation of the secondary data using this data source in its context. This makes it easier to study social constructs within their environment thus leading to a greater understanding of the analyzed topic (Khalifa Alhitmi et al., 2023). The case study approach is appropriate for the study as it enables the researcher to concentrate on situations that are best to understand in relation to the set research questions. That the above findings point at general cases will enable the research to unearth more qualities in the data, given that general cases are typically couched in broad terms compared to pinpointing concrete instances (Takacs, Brunner and Frankenberger, 2022). The case study design also entails the use of the interpretivist and qualitative analysis paradigms that happens to be the research approach that is to ensure that findings are tenable to the subject, context of experience.

## 3. 5 Sampling Strategy

### 3. 5. 1 Non-Probability Sampling:

Survey sampling used in this study is of two types; purposive sampling can be defined as a process of selecting data from subjects in a population that has some qualities of interest to the researcher or are in some way involved with the phenomenon under consideration. The sampling technique that shall be used in this study is purposive sampling to enable a more of a qualitative approach (Mishrif and Khan, 2023). Hailing from the parental population is purposive sampling that entails choosing fewer cases or data sources deliberately because of their closeness to the research questions and objectives. This approach is because the qualitative data that more describes and in contextual analysis provide and enhanced manner for understanding how and why things happen. Specifically in secondary data research purposive sampling allows identification and bringing together of such important documents such as documents, reports, article and any document closely related to the subject of the research (Xin et al., 2022). This brings down the probability of acquiring vast information that is not useful in the same instance it ensures that the data collected is more informative so as to help one offer more specifics and analysis of the data retrieved. In this way, the research is in a better position to meet its objectives without a lot of efforts and side trips since the focus is pinpointed on precise sources that are likely to offer strong information.

## 3.6 Data Collection Methods

### 3.6.1 Documentary Evidence

Based on the type of investigation and conclusions made in this study, the data collection technique used is documentary analysis. Data collection in this research method entails encompassing information from documents, reports, journal articles or other secondary sources (Tunio et al., 2021). Documentary analysis is one of the classical techniques of data collection and analysis in qualitative research, especially for investigating contextual and constructional investigations. Documents are most productive sources their importance lies in the fact that they offer a vast source of contextually pertinent data that can be recurrently process thematically (Shah et al., 2023). This method is rather appropriate when carrying out interpretivist research since the approach assists the researcher to gain deep insight into interpretation of the documents. From the texts, the study can identify the phenomena, problems, and contingency as well as necessity, which would contribute towards understanding the research focus.

## 3.7 Data Analysis Methods

### 3.7.1 Thematic Analysis

In the process of following through the research, the research utilized primary data analysis technique referred to as thematic analysis. Thematic analysis is a systematic approach in analysing data by grouping it in themes or patterns that best describe the data collected. This approach is widely used in qualitative research setting as it is relatively flexible, exhaustive and mechanistic with regards to data acquisition and analysis (Sinkovics, Sinkovics and Archie-Acheampong, 2021). The selected method is appropriate for analysing qualitative data, and is suited to the study’s aims of finding secondary data sources in order to explore latent motifs and patterns. This method can adequately help the researcher offer a detailed description of all the facts and findings in a structured manner providing the best window through which the researcher is able to gain a deep understanding of the chosen area of study. Consequently, by referring to thematic content and dimensions, there is a possibility to identify overall research findings about the investigated phenomena.

## 3. 8 Ethical Considerations

Other important considerations in this research touch on ethics, especially in relation to the validity and reliability of the secondary data and in ensuring that the conclusions made generalize where it is possible. The study follows ethics by closely analyzing secondary data sources to establish credibility of the information given, and to portray the information acquired as clearly and fairly as possible. Some caution is observed to minutely collect secondary data that is relevant, accurate and consistent. This is based on the principle that every source is subject to rigorous appraisal with respects to both reliability and relevancy. This entails; evaluating the authenticity of the authors, the relevance of the collecting techniques applied as well as the environment in which the data was collected.

# Chapter 4: Results and Findings

## 4.1 Introduction

This chapter brings out the themes and findings developed from the analysis of secondary data sources as elaborated in this study. The objective of the paper is to understand the contemporary position of the SME sector in Pakistan, effects of financial pressure, the strategy of growth in African economies, types of technological adoption barriers, and the relationship between the characteristics of the firm and the availability of SME finance. The dimensions and the related sub-categories developed are extended to describe the nature of the factors affecting SMEs in developing nations.

## 4.2 Thematic Analysis

The research adopted thematic analysis to guide the coding, identification, and analysis, as well as the interpretation of themes from the analysis of secondary data regarding the challenges and opportunities of SMEs in developing economies. This approach to data analysis was qualitative in the sense that it demanded a very careful approach in coding the data into episodes, which were then divided into manageable segments and which were further categorised into themes to answer the research objectives.

Therefore, although thematic analysis provides a very useful and versatile approach to qualitative research, due to its subjectivity, the results may be influenced by the researcher’s bias. This also poses some limitations since the sources of secondary data were collected for other uses than the current research. Nevertheless, thematic analysis was useful in identifying emerging themes such as limited financing, technology implementation issues, and expansion plans. The quantitative method used to analyse the results made it possible to maintain the subjectivity of interpretation at a level and ensure a systematic approach to the work: comparing different sources, the analysis made an effort to emphasise both the problems SMEs face and the steps they take to address those problems. Thus, it was possible not only to gain a better understanding of the problems and development of the SME sector but also to identify areas that could become the focus of improving various indicators, which allowed for achieving the research objectives in full.

## 4.3 Themes and Sub-Themes

Analysing the collected secondary data, we conducted thematic analysis on the following categories; the following themes emerged concerning the performance and growth of SMEs in Pakistan and other developing economies. This section discusses these themes and subthemes and gives a critical review of the factors that may affect SMEs.

### 4.3.1 Theme 1: Financial Constraints

Out of all the challenges highlighted in the literature review, financial constraints became evident as the most crucial determinant of the SMEs’ performance and development, especially in Pakistan and other developing countries. Therefore, sub-themes are access to finances, financial breakdown, and its effect on performance.

### Sub-theme 1.1: Access to Finance

Small & Medium Enterprises of Pakistan have major challenges in terms of finance; the main reasons being the rigorous conditions for loan and lack of security. Bibi and Ahsan (2022) has pointed that many financial institutions are very stringent and many conditions are set up to the extent that it becomes very hard for SMEs to secure loans. This situation is made worse for the reason that many SMEs have inadequate security to provide when seeking for funds more often resulting to going without capital. Furthermore, the fiscal establishments consider SMEs as credit risky hence no adequate sell side financing (Khan et al. , 2024). This perception was informed by failure history of the SMEs as well as a higher failure rate compared to large businesses hence, banks will not advance credit to them. The credit gap that is obtained is huge and greatly limits SMEs ability to invest and grow due to lack of funds for crucial operations and expansion.

### Sub-theme 1.2: Financial Delinquency

Inability to service debts or financial delinquency, also worsens the predicament that SMEs encounter in accessing loans. Khan et al. (2024) have established that delinquency strongly relates to firm characteristics and market aspects influencing SMEs’ creditworthiness and financing. Those SMEs engaged in risky markets or those whose cash flows are unpredictable are more exposed to delinquency; therefore, they are credit risky. This issue forms a cycle which sees the SMEs defaulting on their loans fail to access funds to tackle the issues of operation and repayment of the loan in question. Therefore, financial delinquency impacts the individual firms and so perpetuates credit risk perceptions of SMEs, thus creating credit stringency for the sector.

### Sub-theme 1.3: Impact on Performance

Inadequate funding hampers SMEs’ operating performance and chances for innovation and thereby weights their competitive standing. Bibi and Ahsan (2022) indicated that the issues of inadequate funding controlling the expansion of SMEs in terms of their acquisition of advanced technologies, acquiring talented people, and expanding market coverage. This limited capacity which endangers their expansion and prospects of being able to fairly compete with bigger and more endowed companies. Meanwhile, lack of access to finance reduces the chances of innovation because SMEs are unable to drum up capital to support their R&D or explore products in their line of production. Such failure to innovate does not only hamper prospects of growth for the SMEs but also decreases the extent to which they can cope with changes in the market environment that leads to more decline in competitiveness.

### 4.3.2 Theme 2: Technological Adoption Challenges

Technological development is necessary for any enterprise’s and SMEs’ development and their competitiveness, nevertheless, a number of factors impede technological adoption in developing countries. The analysis identified three sub-themes: structures which include physical capital and human asset, capabilities pertaining to skills and knowledge and finally the organizational inertia or in other words the organization’s ability to resist change.

### Sub-theme 2.1: Infrastructure and Resources

Awareness of new technology and appropriate resources plus lack of enough resource base are factors that affect a SME when it wants to adopt to the new technology. Hyder, Ahsan, and Mustafa (2024) Realizing this that many SMEs of Pakistan still use dated technology and have very less access to modern tools and systems. This is mainly because, there are inadequate financial resources, to put into tremendous technological advancement and lack of support from the government in grant of such technological implementation. SMEs are unable to apply new technologies in their operations because of the lack of adequate structures in place hence cannot upgrade the performance and effectiveness of processes. This technological divide makes SMEs a disadvantaged lot since they cannot match up with technological giant organizations.

### Sub-theme 2.2: Skills and Expertise

Lack of adequate skills, and dearth of professionally skilled workforce, especially regarding the usage of advanced technologies are some of the problems that SMEs face in developing economies. According to Hyder, Ahsan, and Mustafa (2024), the absence of skilled workforce narrows down the ability of SMEs to improve implementation and adoption of new technologies and full innovation possibilities. The other reason why the uptake of technology among SME is slow is that they do not have the technical and managerial know-how that warrants proper implementation of the technologies. This lack of skills extends to the adoption behavior as well as hinders the SMEs from optimally exploiting technology. Due to poor training and lack of expertise, many SMEs cannot fully exploit technology, hence exhibit low technology returns and entrepreneurial lost opportunities for enhancement.

### Sub-theme 2.3: Resistance to Change

The following negative organizational factors should also be noted as barriers to change; organizational resistance to change is another factor that presents another challenge in SMEs because, in most cases, these organizations are not willing to adopt new technological changes. Hyder, Ahsan, and Mustafa (2024) opine that this resistance usually arises due to failure to appreciate the advantages of technology and the prospect of there being a good return to scale on investment in technologies. Also, the threat posed by potential switching costs and disruption of status quo may deter SMEs from changing their systems and thus act as a barrier. This resistance can be especially devastating in high growth environments where IT divinity is central for survival. Thus, SMEs unwilling to adapt to new technologies and those which do not make an effort to take opportunities that can result in the creation of efficiency, might lose competitors, clients, and market positions. To eliminate this resistance, it is very important to bring a change in the organizational culture and make everybody understand the long-term gains of technological advancement.

### 4.3.3 Theme 3: Growth Strategies

The management of growth strategies is crucial in SMEs business with regards to their development and survival. Among them, the following strategies were revealed to play the roles that could assist the subsequent analysis involving SMEs of Pakistan: Such as; diversification, strategic alliance and innovation and research and development.

### Sub-theme 3.1: Diversification

Business expansion is by far the most popular methodology of growth for SMEs with expansion to new product lines or new markets being the most popular. In fact, Ekechi et al. , (2024) have established that the concept of diversification reduces business vulnerabilities associated with market volatility and hence increases business sustainability. In return, through diversification, the SMEs are able to find other sources of revenue diversification, other than the dominant or core product or service they may be offering, hence they able to spread risk hence increase their stability. Pertaining to the diversification strategy, it might mean Pakistan SMEs moved into the export markets, created new product portfolios to suit the local and international markets and/or enter related business segments. This not only ensures the diversification of the SMEs’ revenues but also provides new sources of its development and growth, as well as innovations necessary for meeting new trends and needs of its clientèle.

### Sub-theme 3.2: Strategic Partnerships

The next significant business development strategy for SMEs is strategic partnership and alliance. From Ekechi et al. (2024) suggestions, it can be derived that partnering with other businesses, government departments and other non- governmental organizations probably gives the SMEs chances to source out extra resources, markets as well as expertise. This is especially true when it comes to knowledge transfer, improvement of operational capacities and opening up new business prospects. For example, the small businesses in Pakistan could possibly ally themselves with the large firms and take advantage of the connection and already existing channels where they sell their stuff. Business relationships with universities and research centers could also make it easier to obtain the newest technologies and solutions. Thus, targeted partnership enables SMEs to strengthen their positions on the market and achieve sustainable development.

### Sub-theme 3.3: Innovation and R&D

Innovation and R&D as a form of investment is very important for SMEs to sustain their existence and growth in the market. According to Ekechi et al. (2024), firms that adopt tangent opportunities with an important focus on R&D are more likely to bring innovation and a chance to enter the market with superior good and/or services. Innovation has profound influences on SMEs, since it allows them avoid competitors’ strategies imitation, meet clients’ requirements, and provide benefits to stakeholders. In the case of SMEs located in developing economies, the cultivation of innovation culture extends to creativity and improvement processes coupled with Research & Development spendings. This can be done with the help of the specific training for the key staff, with non-financial motivators promoting innovations, and with reference to the customers’ needs and market tendencies. The integration of innovation as one of the strategic orientations can be beneficial and has the potential for improving SMEs’ capacities in terms of anti-shock and development sustainability.

## 4.4 Summary of Key Findings

The study conducted thematic analysis and the analysis has given following important understanding of SME’s difficulties and possibility in develop economic nations. These conclusions can be of vital importance for identifying the conditions that either promote or hinder SME development and results. The outcome of the study reveals how critically monetary issues affect the operations of SMEs. The problem of financing also persists due to the high requirements for lending and the absence of guarantees, which has been described by Bibi and Ahsan (2022). This situation is made worse by financial institutions’ view of SMEs as high-risk credit risks (Khan et al. , 2024). Also, financial delinquency, meaning nonpayment of other obligations also worsens the challenge SMEs encounter when approaching banks for loans. It not only has a negative impact on their current capacity to generate revenues and create profits but also the future development of their organizations. As a result, the problem of limited funding significantly affect SMEs’ capacity to invest in crucial areas of technology, personnel, and marketing.

Technological adoption is described as one of the key fields in which SMEs experience difficulties. These problems consist of inadequate physical equipment and facilities and deficiencies in technology that represents one of the biggest liabilities (Hyder et al. , 2024). Moreover, skills and expertise, particularly on the quality of employee and in the areas of labor force scarce supply and inadequate know-how on how to go about with the implementation and utilization of new technologies is another widespread problem. This is usually worsened by organizational resistance to change whereby many SMEs go slow in adopting technological change that is considered a risk factor and costly. Such barriers acting in synergy dampen the innovation and competition spirit in the SMEs so as to be in line with the markets demands and technologies.

Strategic development plans are critical to avoid barriers that SMEs encounter and to embrace the available opportunities. Diversification into new markets and product lines assists at reducing the exposure to risks and increasing the business’s ability (Ekechi et al. , 2024). Alliance relationships entail acquisition of new resources, markets, and know-how and are cooperation relationships. Innovation and R and D is very important for the organization in order to sustain and gain competitive advantage. So, those companies that focus on the above mentioned growth initiatives can only enhance their chances of successfully managing market risks, as well as IT advances, and, thus, avail of the best growth prospects and become more competitive and sustainable in the long run.

## 4.5 Achieving Research Objectives

The findings from the above-said analysis serve as essential insights with regards to the research questions and objectives that have been developed for this study, and play a sterling role in enhancing the knowledge gap with regard to the factors that impact SMEs in the developing economies especially the case of Pakistan. Thus, this chapter having illuminated several critical aspects of SME performance and growth by identifying and analyzing the key themes and sub-themes of the empirical research, contributes an advance in knowledge within the current study.

First of all, one of the most crucial issues is the problem of limited money resources that is revealing the following critical realities connected with the financing of SMEs: high levels of obstacles to SME access to finance due to stringent lending criteria, lack of acceptable security, and perceptions of higher risk among the UK’s financial institutions. Collectively these findings are anchored on the research objective that seeks to establish the financial constraints that SMEs face, and the effects these constraints have on their performance and prospects for growth.

Secondly, by identifying challenges such as lack of proper technology infrastructures, lack of skillful employees, and resistance to change the above information gives a clear picture on the burdens that confront the SMEs in incorporating new technologies. This goes a long way to responding to the research objective, which is to determine the technological challenges that limit innovation and competitiveness of SMEs in developing economies. Finally, the examination of growth approaches or strategies including diversification, partnership, and investment in R & D reveal efficient strategies any SME can adopt in dealing with challenges as well as exploiting opportunities. The results obtained from the study contribute to achieving the research aim of outlining measures that can be employed to enhance sustainable development coupled with SMEs’ resilience.

## 4.6 Conclusion

This chapter has outlined sample and method, rights and permissions as well as the results and findings of the secondary data analysis. The study highlighted strong variances concerning funding accessibility, technology implementation issues, and business development approaches. The paper demonstrates that much still needs to be understood about the environment in which SMEs operate in that they are comprised of developing economies and the following are the implications of the findings: If the problems of restricted access to finances, the need for improving the use of technologies, and the role of performing appropriate growth strategies among SMEs are solved, it will be possible to increase the level of sustainable development of the enterprises.

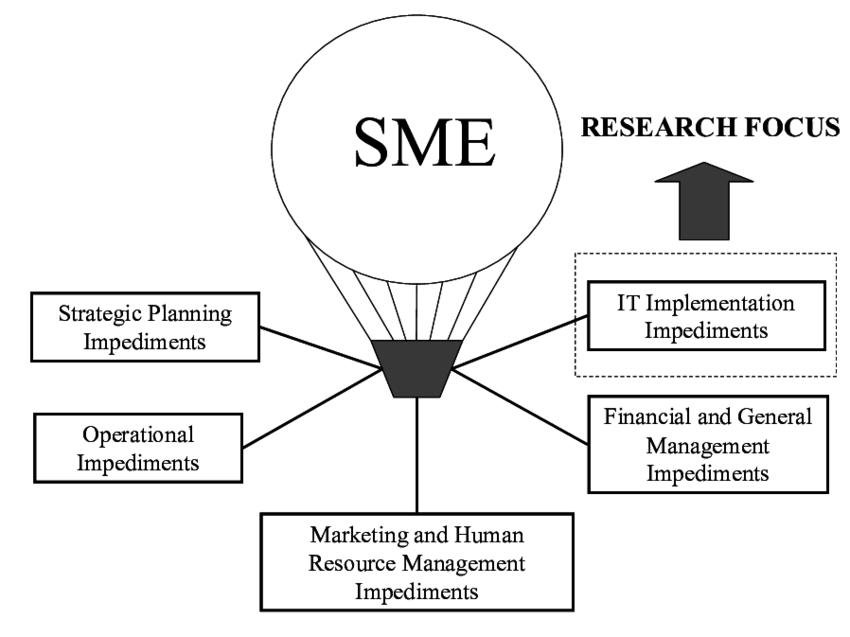
# Chapter 5: Discussion

## 5.1 Introduction

This chapter analyzes the meaning and consequence of the conceptual explanation of the phenomenon under study with reference to the Pakistani SMEs’ prospects and obstacles. This is in view of the fact that the discussion as must have been observed is anchored on the research questions As it is argued herein, the discussion is developed to first present an overall summary on the findings in respect of each research question and then proceed to expatiate on each of the findings. In the chapter they also, compare the findings with the previous studies and elaborate on the theoretical and practical implications of findings.

## 5.2 New Study Conceptual Framework

The conceptual framework that has emerged in this study tracks how factors that are threatening to the survival and growth of SMEs, including restricted funds, unfavorable policies, and inadequate infrastructure, balance with factors that are favorable for their business, including technology, funding, and programs that governments advance (Ekechi et al., 2024). This model helps to illustrate the various factors which are involved in the interaction of these challenges and opportunities and how they affect the competitiveness and stability of SMEs in Pakistan.



## 5.3 Summary of Key Findings

According to the study it was found that the major problems in SMEs are lack of adequate capital, regulatory requirements and infrastructure (Zahoor et al. , 2022). These factors greatly hamper the prospects and the capacity of SMEs in terms of expansion and competitiveness in the domestic and global markets. However, this study revealed that the use of new technologies and the exploitation of government support programs offer SMEs chances of obviating these barriers for genuine and sustainable development. These opportunities include the increase in organisation performance of SMEs, the expansion of their market access and the resultant increased competitiveness.

## 5.4 Detailed Explanation of Findings

### 5.4.1 Challenges Faced by SMEs

The challenges enumerated in the current study which include: financial limitations, legislative barriers, and inadequacy of infrastructure correlates with the previous findings in respect to the SMEs in developing nations (Jauhari and Periansya, 2021). They indicated that inadequate credit availability and high costs of obtaining credit became an acute problem. Access to capital remains one of the biggest challenges faced by SMEs in Pakistan many failing to access the appropriate forms of financing to increase capacity, acquire new technologies, or in some cases just to continue production at the same pace. Due to this, SMEs are usually financially drained and they can hardly compete with the big firms both domestically and globally.

Regulatory barriers also present huge challenges in that they: Through the analyses it was determined that because of government regulations the access of SMEs is significantly hampered due to complex and frequently inconsistent structures (Bibi and Ahsan, 2022). These are extensive formalities and procedures involved for businesses to register, high costs required for compliance, and also oscillations in the policies frequent enough to cause uncertainty among the business people. Such regulatory barriers not only lead to additional costs in operations for the SMEs but also provide a signal that does not encourage SMEs to link up with the formal economy – with its associated benefits of access to finance and markets.

### 5. 4. 2 Opportunities for Growth

However, the following opportunities where deemed to have been seen by the study as areas of leverage amidst the challenges faced by SMEs; New technologies adoption defined itself as one of the factors that can impact on the vertical growth of SMEs (Khalifa Alhitmi et al., 2023). Electronic money products, online shops, management applications, and other information technologies are beneficial to SMEs by improving efficiency while cutting overhead and providing opportunities for selling products. For example, the application of e-commerce helps the SMEs to extend their business beyond their business geographical area leading to the increased sales. Also, digital payment methods can enhance cash flow effectiveness for SMEs not depending on the conventional banking services.

Yet, support programmes from the government are also other major opportunities for SMEs. The literature review established that the SMEs can overcome financial and contractual constraints and regulatory requirements through the provision of the following: Subsidiary loans, tax exemptions, and business-development services (Hyder, Ahsan, and Mustafa, 2024). For instance, government- backed loans afford SMEs with this capital they need, at a cheaper interest rates hence, use it to acquire more sophisticated technologies and increase capacity. We also realize that the costs of compliance can be acutely deflating to the cash flows of SMEs through the imposition of taxes, but tax reliefs can cushion the impacts of such costs hence assisting SMEs to match up to regulatory and developmental expectations. Also, BD services, including training and/or coaching interventions, can increase SMEs managerial and technical competencies of the owner, thereby facilitating in dealing with various business related issues.

## 5.5 Comparison with Previous Studies

### 5.5.1 Literature Integration

In synch with the results of this research are the existing researches on SMEs in developing countries. Prior literature has reported that the problems affecting SME include; availability of finance, regulatory issues, and inadequate infrastructure. Still, the present research presents data support in relation to Pakistani context only; therefore, it presents less mixed findings regarding how these challenges emerge in this particular setting (Takacs, Brunner and Frankenberger, 2022). For instance, while most past research works have pointed to the common problems of SMEs to secure finance, this work elaborates the problems that exist in Pakistani financial structures including high cost of funds and high degree of risks being required in form of collateral among others.

### 5.5.2 Confirmations

The results of the study also support previous research of the works strategies for SME development such as the use of new technologies and government support programs. As it is evidenced by other studies carried out in various other developing countries, it has been evidenced that the technology adoption boost SME productivity and market access (Tunio et al., 2021). These studies are supported in the present work because adopting digital technologies in Pakistani SMEs enable them to fight operational issues and work in the market more effectively. Furthermore, the effect of government support programs on SME growth has been discussed in the literature with a view to lending evidence (Noor et al., 2023). This research builds upon these realizations in order to depict as to how various measures like concessional credit and fiscal incentives – are supporting Pakistani SMEs in managing viscera and regulations. From these studies it can be concluded that more and enduring intervention is necessary for SME sector growth in Pakistan.

### 5.5.3 Contradictions

Surprisingly, the results of the in-depth analysis of infrastructure shortcomings in the studied context are in contrast with some prior research, which has underplayed the importance of this challenge in the environment of SMEs (Shah et al., 2023). Most of the previous research have postulated the notion that infrastructure may not be relevant to SMEs because of their size and reach, this study established that absence of infrastructure is a major issue affecting SME operation in Pakistan. Such a trend may be explained by differences in the business climate of the countries, and the fact that Pakistani SMEs are more dependent on infrastructure than their counterparts in other countries where there are other solutions such as distributed electricity generation. This contradiction calls for more research to be done with a view of identifying the precise infrastructure requirements of these SMEs in various environments (Hyder, Ahsan, and Mustafa, 2024). It also recommends that governments should consider investing on the improvement of infrastructure as a way of supporting the SMEs.

## 5. 6 Implications for the Field

This research work has the following theoretical and practical implications. Methodologically, it adds to the literature on identifying issues and prospects of SME growth in the context of developing countries particularly Pakistan (Inayat et al., 2024). From the results of this work, a more nuanced conceptual model for future research on the development of SMEs emerged and that can be seen as having further applications for conceptual research within the field. In practice, the study indicates that the interventions regarding SMEs in Pakistan should be targeting the issues of financial pressures, bureaucratic limitations, and lack of infrastructure (Akula and Yaseen, 2022). There are a number of ways that policymaker can help facilitate the development of SMEs such as increase SME access to finance, reduction of bureaucracy in the business environment, and improvement in infrastructure. Furthermore, the right attempts enhancing IT implementation and marketing the necessary support from the government can improve SME’s performance and make it steady.

## 5. 7 Conclusion

This chapter has presented an analysis of the observations made in this study together with a comparison with the findings of prior research and general implications of the study findings. Hence, the challenges and opportunities derived from this study can be of great benefit to the researchers and the policymakers. In this respect, the findings of this study are important to help extend knowledge of how to foster and promote the SME development in the context of developing countries such as Pakistan.

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