

## Business Constraints and Growth Potential of Smes: Case Study of Electrical Industry in Pakistan

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**Abstract :** The current study attempts to analyze the impact of business constraints on the growth potential and performance of Small and Medium Enterprises (SMEs) in the electrical industry of Pakistan. Primary data have been utilized for the study collected from the electrical industry cluster in Sargodha, Pakistan. OLS regression is used to assess the impact of business constraints on the performance of SMEs by controlling the effect of Technology Level, Innovations, and Firm Size. To associate business constraints with the growth potential of SMEs, the study utilized Tetrachoric Correlation and Logistic Regression. Findings reveal that all the business constraints negatively affect the performance of SMEs in the electrical industry except Political Instability. Results of Tetrachoric Correlation show that all the business constraints are negatively correlated with the growth potential of SMEs. Logistic Regression results show that Energy Constraint, Inflation and Price Instability, and Bad Business Practices, all three business constraints cause to reduce the probability of income growth in sample SMEs.

**Keywords :** SMEs, business constraints, performance, growth potential

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