Identification of Impediments in Export Promotion Zones of Pakistan

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Abstract

Pakistan enjoys pivotal position among energy-rich Central Asian States and Gulf countries. Export Promotion Zones (EPZs) are playing important role in the economic development of countries since the formation of these zones. In Pakistan, Export Processing Zones Authority (EPZA) was established in 1980. Comparative research studies and reports in literature depict that economic share of EPZs of Pakistan is not much impressive and its economic share in the country lags behind neighboring countries. EPZA hence is faced with external factors like devaluation of rupee, euro country crisis, foreign investors' retention and attraction in Pakistan but this study aims to analyze internal factors or impediments that have a direct impact on foreign investment. Data was collected through survey questionnaire from respondents (n=480). Data was analyzed using SPSS (11.5 Version). Regression results identify work environment, bhatta culture, high inflation, political instability, inadequate skill enhancement, inadequate training and infrastructural facilities as major impediments for EPZ development in Pakistan. Thus, this study concludes that positive work environment, political stability and security, adequate infrastructural facilities, appropriate location of industrial units, upgradation of workers skill, provision of training, overcoming the bhatta culture and stable inflation will help boosting the development and performance of export promotion zones of Pakistan.

Keywords: Bhatta, economic, development, Export Promotion Zones, impediments for EPZs, work environment

1. Introduction

1.1 Background and Problem Statement

Export Promotion Zones (EPZs) have become popular economic tool for trade and expanded feature of much older industrial park and free trade area concepts. Pakistan is geographically allied to the markets of Middle East, neighbouring South Asian countries, Central Asia, Europe and America. During the last two decades, EPZs from various countries reveal the fact that exports of manufactured goods are attributed to establishment of these export zones. For examples, majority of goods in world trade are originated from countries like Taiwan, China and Malaysia. In 1960s and 1970s, success of Taiwan and South Korean EPZs attracted other countries like China, India, Malaysia, Philippines, Indonesia and Sri Lanka (Rondinelli, 1987). Wong and Chu (1984) state that Shannon Industrial Estate was the first export promotion zone which was established in Ireland in 1959. They also identified that in Asia, first zone was established in 1965 in Kandala, India, followed by Taiwan and South Korea

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in 1970. As a result, these two countries established the zones to promote their export-oriented strategy. Hence owing to drastic shift of inward to outward exports, countries like Malaysia, Sri Lanka, Thailand, India, Pakistan, and Indonesia established their EPZs. According to an estimate, more than 80 free trade zones and export promotion zones had been established by 1980 and more than 40 have been under construction. Now near 3000 zones in 116 countries are in working condition (Islam & Mukhtar, 2011).

The reasons why governments and countries are shifting their focus on EPZ rather than opening free and private trade zone lie in several folds. For example, researchers identify EPZ as an economic enclave to attract FDIs from the international community towards the hosts. To overcome tariffs, foreign investment tends to be attracted to these relatively capital-intensive sectors in the form of equity investment (FDI), but the real attraction of many EPZ of the developed countries are availability of low cost labor force. Therefore, EPZs can be called as fusion of availability and non-availability of capital and labor force in the global markets. With the fusion of both host and international community, zones may have been taking advantage. The United Nations Industrial Development Organization (UNIDO) and the UN Conference on Trade and Development (UNCTAD) outlined an increase in capital stock, creation of employment opportunities, promotion of technology transfer, growth of exports and foreign exchange earnings, and general stimulation of national economic activity as the major benefits of EPZs.

Amirahmadi and Weiping (1995) in Asian survey highlights three important reasons for giving importance to EPZs in Asian countries as economic tool over other types of the zones like free trade zones, single factories and special economic zones. These reasons are :1) To attract FDIs into export industries by providing relatively liberal trade regime mostly for producing capital intensive import substitutes; 2) To create attractive investment environment to maintain their share in FDIs (limited FDIs) and create good relations with European and American countries; 3) lower cost of EPZs because mostly in Asian countries infrastructure situation is not adequate so it is a kind of privilege or attraction given by local government to investors. EPZs inherently possess a positive welfare effect for the host economy since wages paid to the local labor tend to be much higher than their local counterparts, thus, raising the living standards as well. These are described as industrial zones with special incentives set up to attract foreign investors in which imported materials undergo some degree of processing before being re-exported (ILO, 1998). Performance of EPZs in Asia is somewhat mixed. Some EPZs are performing well and some are facing hurdles.

Basically, Pakistan is an agrarian country with major exports in textile but currently it is under transition phase from agrarian country towards industrial country. Akhtar (2004) identifies this fact that Pakistan, being one of the staunch followers of import substitution industrialization (ISI), tried to reverse the trend by slanting towards export-oriented policy of industrialization and development. As a result Pakistan started liberalization of its trade regime in 1980. Government of Pakistan has been focusing on the measures to boost the exports of Pakistan by understanding the importance of foreign investment in economic development, as a result the Export Processing Zones have been established little late compared to the neighboring countries (Akhtar, 2004).

In Pakistan, EPZs are established with major aim to attract FDIs that constitutes an enclave with regard to customs' tariffs and the commercial code in the host country and creation of employment opportunities. Major exports of EPZ in Pakistan are Primary goods (see Appendix). According to an estimate about 30,000 to 35,000 employees are working in the Zone and with the establishment of new units new employment opportunities will soon be announced (Chairman EPZ Pakistan, 2012).

Despite facing many difficulties and economic recession in 2007, exports from EPZ were US$ 348 Million and near 500$ in 2007-08 and 2009-10 (EPZ, 2010). The Central Board of Revenue, in order of power conferred by section 219 of the Customs Act, 1969 (IV of 1969), has worked out rules to regulate and control import and export of goods into and from the Export Processing zones. In total, Pakistan has nine EPZs but only KEPZ is in full functional form. As a result, KEPZ is the largest and fully working export zone among all EPZs of Pakistan and contributing major share through exports in the economic development of Pakistan. It was established in 1989 by the allocation of an amount of 372.42 million from Annual Development fund of Pakistan. Development of KEPZ was started in two phases (EPZ yearbook, 2010). Phase I is almost completed and is in full functional form. Other EPZs are also contributing but their share is little compared to KEPZ due to recent establishment and other hurdles. Major Export promotion zone in Pakistan is Karachi EPZ followed by the others (EPZ, 2012). The details of major EPZs are discussed in appendix (see Appendix).

Government of Pakistan had been taking many measures to boost up export performance of Pakistan e.g. exchange rate devaluations, export incentives and the establishment of EPZs and other economic zones in the country have always been at work since the early 1980s. The Industrial Policy (1997) also provided assurances about the development of industrial, trade and export processing zones in various cities of the country like Multan, Gujranwala, Sialkot, Faisalabad, Peshawar and Quetta. The aim is to develop a vibrant trade sector to expand exports and attract larger FDI inflows. In continuation of this policy, the government is actively seeking to improve the physical infrastructure of the national economy. Some examples of this gesture are the construction of a motorway linking the industrial region of Punjab with the capital city of Islamabad (with eight industrial zones planned along it); plans for the construction of further motorways; and attracting foreign investors into power generation and improvements in the telecommunications networks (Industrial policy, 1997). Presently, Pakistan lags behind many countries in terms of number of export (Akhtar, 2004). Hence, the problem statement of this study is that export promotion zones are at growth stage but internationally when we compared its performance with other EPZs in the region then it is many steps back than expectations at the time of establishment. For example, Bangladesh Export promotion Authority (BEPZA) indicate export of 4856.07 Million US $ during 2012-13, Investment of 328.53 million US $ and employment of about 33,987 (BEPZA year book, 2013).

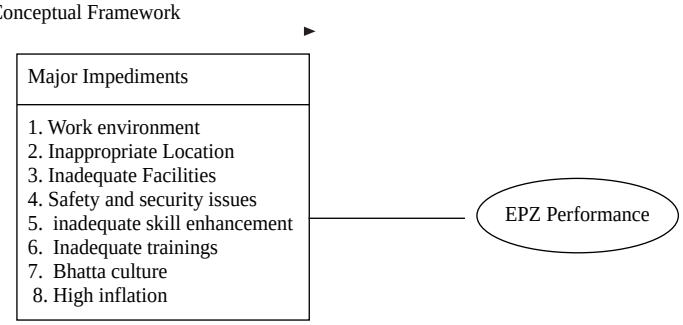
Comparatively EPZA Pakistan indicates total exports of 485.26 Million US $, 516 million US $ FDI total employment of 3,500 during 2011-12 (EPZ year book, 2012). Of course EPZA is facing external factors like devaluation of Rupee, euro country crisis, foreign investors retention and attraction in Pakistan, political and social facts but this study aims to analyze internal factors or impediments that have direct impact on foreign investment. Hence, main objective of our study is to find out the major impediments for the better performance of

these zones. Consequently, this study aims to highlight some of the factors which are a source of hurdle for the development and growth of EPZs of Pakistan. The two major reasons for conducting this research study are dearth of past literature on the obstruction, the Export Promotion zones of Pakistan are facing; secondly, there is lack of information regarding major obstructions or impediments of EPZs of Pakistan.

2. Conceptual Framework and Hypotheses Development

The main question of this study is: what are the major impediments to EPZs in Pakistan? To get an answer of this question this study (based on observation and discussion with authorities of EPZ) identifies eight impediments. Hence the conceptual framework is as follows:

Figure 1. Conceptual Framework



Above-mentioned framework conceptualizes the relationship between EPZ performance with work environment, inappropriate location, inadequate facilities, safety and security issues, skill enhancement, inadequate training, bhatta and high inflation. Based on the conceptual framework following hypotheses have been formulated:

Work environment is an important aspect for development of EPZs. Islam and Siengthai (2009) stated in their study that in term of working conditions, export-oriented enterprises are supposed to maintain their international standards. However, in the EPZ manufacturing enterprises, less attention has been given to maintain the international standards. A significant portion of workers are women who work in the garments and textile enterprises with sub-standard working conditions and live in poor working facilities. Beside this no specified security rules are defined for them. Same is the case with male workers. They are not unionized and hence lack of bargaining power, even though unequal wage are prevailing among the men and women workers at different categories of enterprises.

H_1: There is a positive relationship between work environment and performance of EPZs

Appropriate location of EPZ is pivotal for the safe and healthy work environment. There are some environmental problems not associated with particular industrial tenants but rather with the existence of the EPZ estate itself. These problems can include habitat and biodiversity loss, depletion of water resources, and landscape disturbances. The growth of industrial estates is also frequently accompanied by unplanned population migrations that can cause

public health problems, additional environmental stress, and social dislocation. Research studies suggest that EPZs can lead to heightened negative environmental impacts associated with the deliberate concentration of factories and facilities in one designated area (Gregory & Kunreuther 1990; Xumei 2002; ILO, 2003; Jauch, 2002; Cling et al., 2005). With the high concentration of facilities, environmental impacts can be intense and accumulative. Depending on the types of facilities, environmental problems may include air and water pollution, accumulation of solid/hazardous wastes, noise/radiation, soil contamination, and chemical and fuel spills among others (Sikdar et al., 2002). So while incorporation of eco-efficiency and industrial ecology principles is widely considered a pragmatic approach to EPZ development, improved pollution prevention efficiency per unit of output does not necessarily lead to overall lower pollution levels, particularly in the case of large increases of total annual production typical of EPZs in developing countries.

H_2: There is a negative relationship between inappropriate location of industrial unit and performance of EPZs

Infrastructure is one of the critical factors in determining the size of investment in any of the EPZs. Adequate and good quality infrastructure would strengthen the position of an economy towards attracting export-oriented multinational companies (MNCs). Islam and Siengthai (2009) identify that Quality of Work Life (QWL) has become one of the important issues in manufacturing enterprises like EPZ and those outside of EPZ. Akhtar (2004), in his study concluded that firms were not found to be satisfied with the level and quality of infrastructure available at KEPZ. The areas where most of the firms showed dissatisfaction were the facilities like fire-brigades, water supply and electricity. The quality of infrastructure was rated to be moderate by 40 percent of the firms and low by 35 percent of them. Only 10 percent of the firms rated it as high (Akhtar, 2004).Hence based on this finding and observation this study formulates the following hypothesis:

H_3: There is a negative relationship between inadequate availability of facilities to investors with performance of EPZs.

EPZs are considered to be sensitive to national economic environment and perform better when sound macroeconomic and realistic exchange rate policies are performed (Madani, 1999). Various factors are found to be relevant to firms at EPZs in context of the investment climate at such zones. These include; attractive political climate and host country's alluring attitude towards FDI (Ajami & Ricks, 1981), political stability and security (Bürgenmeier, 1991). Akhtar (2004) in his study found that Pakistan was considered to be a high risk country with respect to investment as reported by 50 percent of firms in the survey conducted by him. Studies identify that Political stability is pivotal for the economic stability and development of the country. Unfortunately since establishment of EPZ, country continuously faced the political instability. As a result EPZ could not get attention as was required. Beside political instability, current vibe of terrorism also had an impact to attract the investors in Pakistan zone. Karachi's involvement in the ongoing Afghan war destabilized it. It became the headquarters of rival interests in the Afghan war and the rivals also found local supporters, some of whom became proxies for the different rival international and regional players involved in the war. Heroin trafficking partly financed the war effort and much of it exited through Karachi port and was also used locally (For details of the Afghan War, see Ahmed Rasheed *the talibaan*, OUP, Karachi). Due to this vibe many potential investors switched

over to other zones. Based on this fact, study hypothesizes the following hypothesis:

H_4: There is a positive relationship between political stability and safety to foreign investors with performance of EPZs.

A poorly skilled base is one of the main factors contributing to the low technological intensity of manufactured items in Pakistan. In a study, World Bank (2004) shows that 70% of firms have identified that the supply of skilled labor as an important impediment for improved business operations in Pakistan. As a result, investors are attracting in low profile industries of Pakistan considering this impediment of inadequate up gradation of labor skills in Pakistan. Hence this study formulates the following hypothesis:

H_5: There is a positive relationship between skill upgradation and performance of EPZs

Both practitioners and researchers recognize the importance of skill transfer. In their review of the science of training in the last decade, Salas and Cannon-Bowers (2001) acknowledge the advances and call for more research that would 'continue to determine which factors affect transfer so that we can maximize it' (p. 489). Practitioners also call for a systematic management of skill transfer (Broad, 2003). Training is one of the most important strategies for organizations to help employees gain proper knowledge and skills needed to meet the environmental challenges (Goldstein & Goldstede, 1990; Rosow & Zager, 1988). Porter (1998) aptly argued that "No company, and no country, can afford to ignore the need to compete. Every company, and every country, must try to understand and master competition." However, to compete and to gain advantage from the competition, it is essential to develop the human capital base through HRD mechanisms for performance management. Tung-Chun (2001) also stated that educated and well-trained employees are a prerequisite for an organization's competitive advantage.

H_6: There is a negative relationship between inadequate training and performance of EPZs

Bhatta is a kind of "amount usually pressure groups in society demand illegally to work in specific area". This evil had been spread from two decades in Sindh zone of Pakistan. Literature and case studies identifies similar problems in Karachi as other mega cities in South KEPZ is high operational zone and sharing major portion of GDP. Unfortunately, this is the most affecting zone by bhatta culture. Chairman, EPZ (Nov 26, 2011) also identified this culture and claimed to finish it but this study explored the existence of bhatta culture. This study has been tried to find the facts and figures, but there is no literature. Therefore, based on the identification of interviewees this study formulates the following hypothesis:

H_7: There is a negative relationship between bhatta culture and performance of EPZs

The exchange rate has an effect on EPZ performance. Conventional currency theory holds that a currency with a higher inflation rate (and consequently a higher interest rate) will depreciate against a currency with lower inflation and a lower interest rate In general, a weaker domestic currency stimulates exports and makes imports more expensive. Conversely, a strong domestic currency hampers exports and makes imports cheaper. Higher inflation can

also affect exports by having a direct impact on input costs such as materials and labor that may indirectly affect the performance of export promotion zones. It is empirical concluded that the Pakistan's share of exports in world market did not indicate any significant change during fixed and managed floating exchange rate regimes (Kumar & Dhawan, 1991). Kumar and Dhawan (1991) estimated the impact of exchange rate volatility on Pakistan exports to the developed world from 1974 to 1985. They found that volatility of exchange rate adversely effect on export demand. In many countries it is experienced that higher exchange rate volatility reduced the trade by creating uncertainty about future profit from exports. These uncertainties may require hedging in short run and even influence the firm's investment decision in the long run. However, most empirical studies investigating the effects of exchange rate volatility on trade flows have yielded mixed results. Akhtar (2004) in his study stated the fact that Studies(e.g., Cushman,1983, 1986, 1988; Akhtar & Hilton ,1984; Kenen & Rodrick,1986; Thursby & Thursby,1987; DeGrauwe,1988; Pere & Steinherr,1986; Koray & Lastrapes,1989, Arize ,1995) have been supported the hypothesis that the volatility of exchange rate reduces the volume of trade are. On the other hand studies (e.g., Hooper & Kohlhagen ,1978; Gotur, 1985; Bailey, Tavlas, & Ulan, 1987, & Asseery & Peel,1991) found no evidence about the impact of exchange rate volatility on trade. Hence, this study formulates the following hypothesis:

H_8: There is a negative relationship between high inflation and Performance of EPZs

3. Research Methodology

Qualitative and quantitative tools are used in the study. Creswell (2003) identifies emergence of new form of qualitative data collection. He grouped all these new form as observation, interviews, documents and audio-visual material. For validation, this study conducted interviews with three key high-ranked personnel of EPZA beside questionnaire survey. The profile of the interviewee was not expected to disclose as prior understanding between the interviewee and interviewers. However all three persons were approached personally during period of Dec, 2011- Feb, 2012. Interview process was followed as discussed by Creswell (2003). An open ended, unstructured face to face interview was conducted from lower to high rank personnel to understand the depth of the problem. Interview protocol were used as Creswell (2003) identified. Interview protocols are predesigned form to record information collected during interview about responses of the interviewees. Creswell (2007) states that essential part of interview is to record the information promptly and in right way. Lofland and Lofland (1995) state this concept as "logging data".

At second stage, quantitative data were collected. For this purpose, questionnaire were prepared stating the major impediments extracted through interviews and some from literature. Qualitative approach was used for triangulation and validation of study. Later, Regression analysis and descriptive statistics were used in quantitative research approach for analysis purpose.

3.1 Demographic Profile of Respondents

Postal and electronic media (E-mail)along with personal survey were used to distribute questionnaire to about 800 respondents working in the industrial unit of EPZ. Respondents from top five industrial units (identified by EPZA) were selected as sample. Simple random

sampling was used in order to get responses of the respondents . Responses were measured on 5-point Likert scale. Response rate was about sixty percent.

Gender wise data indicate that about 46% of the respondents were female workers and 54% were male. About 30% of the respondents qualification was primary or below. However majority of the respondents' qualification is between 8-12 years of schooling. The income level of majority of the respondents was above 5000 rupees and above 10,000 rupees. See detail of demographic in Table 2 below:

Table 1
Demographic profile of the Respondents (n=480)

	Percentage
Gender	
Male	54%
Female	46%
Qualifications	
Below 5 years of the study	30%
Between 5-8 years of study	20%
Between 8-12 years of study	45%
Between 12-16 years or above study	5%
Position	
Helpers	20%
Operators	40%
Supervisor	30%
Managers	10%
Income (monthly)	
3000-4000 RKR.	20%
Above 5000	40%
Above 10,000	40%
Age group	
15-20	6.0%
20-24	43%
25-29	39%
Above 30	12%

*Dependent -Independent variables and their measurement

In this study dependent variable is performance of EPZ Pakistan and impediments are the independent variables. The basic approach that is used in about all EPZ research studies is comparative approach in which researchers compared exports and FDIs of the respective countries and their share in economic development. Based on various studies this study measure performance of EPZ by share of EPZ Pakistan in economic development.

Independent variables are the major impediments in a way of economic share of EPZs. Based on the observation and discussion with key authorities eight Impediments are identified. Following are the impediments and their measurement in order to find any relation with performance of EPZs: First impediment identified as “Work Environment”. It was measured by asking that “Work environment of EPZ is suitable for foreign investors and workers”.

Second impediment used in this study is “Inappropriate Location of EPZ”. It was measured by asking question that “Inadequate locations of EPZ affect performance of EPZs” and “Location of industrial unit is appropriate”. Third impediment identified based on observation is “inadequate Facilities”. It is measured by asking “Inadequate facilities provided by EPZ affect FDIs” and “Facilities are appropriate to work in the industrial units”. Fourth impediment identified is political stability and safety issues. It was measured by asking” “Investors and workers’ Security and safety issues affect performance of EPZs”. Fifth Impediment identified is Lack of Skill Enhancement opportunities. It was measured by “You are provided opportunities to enhance the skills” and “Inadequate skill enhancement opportunities affect the performance of EPZs”. Sixth impediment is Inadequate Trainings. It is measured by asking that “ Appropriate Training opportunities are available at your industrial Unit” and “Inadequate training opportunities has an impact on performance of EPZs”. Another impediment identified is Bhatta (a kind of Bribery) Culture. It is measured by “Bhatta is a major hurdle to attract the foreign investors or industrial units in which you are working”. Rate of inflation is identified as another major impediment. It is measured by asking “Rise in price and devaluation of currency (High Inflation rate) is affecting EPZs and industrial units working under its umbrella”.

3.2 Data Collection Procedure and Problems

For data collection procedure formal permission was granted from EPZA authorities with approval letter. Later, primary and secondary data was collected. For primary data purpose, interviews were conducted with key authorities in first phase while during the second phase questionnaire were distributed. For interviews, appointments were taken from officials to discuss the issues and impediments. For Questionnaire survey, forms were distributed among the workers of five top listed companies of EPZ ofyear 2011. Data were collected during period of Dec, 2011 to Feb, 2012. During data collection this study faced various problems like visiting and reading each item personally because of literacy problem or respondents working hours, no systematic availability of labor data, waiting problems so the study has a limitation of short period data. However, this study can be extended for longer time period and time series data may be collected.

4. Results and Discussions

Data were analyzed using SPSS 11.5. Descriptive statistics, Regression and correlation were used. To test internal reliability of the scale Cronbach’s alpha test was used. It shows that reliability is quite satisfactory as identified by Nunally (1978) that is 0.86. It shows that reliability is quite satisfactory as identified by Nunally (1978) & Hair et al (2006). Validity is also checked through asking experts of the field and authorities by reviewing the variables. After their approval questionnaire is used for data collection.Correlation Table 3 shows that mean ranges between 2.71 to 3.76 and standard deviation ranges between 1.00 to 1.41. Tables also indicate that there is a significant relationship of EPZ Performance with inadequate labor skills, inadequate trainings, bhatta and Rate of inflation at $p \leq 0.01$. Work environment is significantly related with inadequate facilities, political instability at $p \leq 0.01$ while bhatta cultures and rate of inflation are significantly related at $p \leq 0.05$. There is a significant relation of inadequate labor skill enhancement with political instability, inadequate trainings, bhatta culture and rate of inflation at $p \leq 0.01$. In addition, inadequate trainings are significantly related with inadequate training, bhatta and rate of inflation at $p \leq 0.01$.

Table 2
Mean, Standard Deviation and Correlation of The Impediments of EPZs Pakistan

	Mean	SD	1	2	3	4	5	6	7	8	9
1	2.87	1.23	1								
2	2.83	1.22	.075	1							
3	2.71	1.41	-.065	-.026	1						
4	2.71	1.40	-.042	.726**	.094*	1					
5	3.72	1.11	.069	.216**	-.097*	-.040	1				
6	3.70	1.10	.187**	.02	-.009	-.051	.494**	1			
7	3.60	1.00	.136**	.12**	-.042	-.040	.788**	.625**	1		
8	3.71	1.00	.232**	.11*	-.020	-.079	.576**	.587**	.733**	1	
9	3.76	1.09	.272**	.11*	.018	-.072	.492**	.745**	.686**	.706**	1

[1] EPZ performance, [2] Work Environment, [3] Inappropriate Location, [4] Inadequate Facilities, [5] Political Instability, [6] Inadequate skill enhancement, [7] Inadequate training, [8] Bhatta, [9] Rate of inflation
** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Regression results in table 3 show that R is 36.8 percent and adjusted R square is 11.9 % of total variation. In addition results show that work environment, inappropriate location, inadequate facilities, political instability and bhatta culture are significant at $p \leq 0.10$ whereas, Inadequate skills enhancement, inadequate training and rate of inflation are significant at $p \leq 0.05$.

Table 3
Regression Results of Impediments In way of attracting FDIs and Performance of EPZ

Hypotheses		Variables	Unstandardised Coefficients		Standardised Coefficients	t
			B	**Std. Error**	**Beta**	
		Constant	2.318***	.269	.134	8.610
1		Work Environment	.119+	.063	-.077	1.886
2		Inappropriate Location	-.071+	.041	-.113	-1.751
23	3	Inadequate facilities	-.115+	.070	-.185	-1.644
4		Political instability and safety issues	-.177+	.073	.432	-2.433
5		Inadequate Skills enhancement	.416*	.105	-.175	3.950
23	6	Inadequate Trainings	-.176*	.085	-.186	-2.068
7		Bhatta Culture	-.190+	.097	.126	-1.959
8		Rate of inflation	.122*	.068	.169	1.807
	R	0.368		Adjusted R^2	0.119	
R2	0.136			F change	8.203	

a Performance of EPZ is Dependent Variable : $P \leq 0.10$, * $P \leq 0.05$,** $P \leq 0.01$,*** $P \leq 0.001$

Results in Table 3 identify that first hypothesis of this study “there is significant positive relationship between work environment and performance of EPZ” is significant at $P \leq 0.10$. Thus, this study support H1 that there is a significant relationship exists between work environment and EPZ performance. Better work environment will lead to better EPZ performance. Regression results indicate that second hypothesis of this study “There is negative relationship between inappropriate location of industrial units and epz performance” is significant at $P \leq 0.10$. These results are in line with studies of Gregory and Kunreuther

(1990) and ILO (2003). Third hypothesis that "there is a negative significant relationship between inadequate availability of facilities to investors with performance of EPZs is significant at $P \leq 0.10$". Fourth hypothesis that " there is negative relation between insecurity to foreign investors and work and EPZ performance" is proved to be significant at $P \leq 0.10$. This hypothesis is supported and is in line with current situation and terrorism vibe in Pakistan . This study also support hypothesis that there is positive relationship between energy crisis and performance of EPZs. This hypothesis is significant at * $P \leq 0.05$. In addition hypothesis that there is a negative relationship between inadequate training and performance of EPZs is significant at $P \leq 0.05$. This hypothesis is line with the earlier empirical studies (e.g., Goldstein and Goldstede, 1990; Rosow and Zager, 1988). Hypothesis that there is negative relationship between bhatta culture and EPZ performance is significant at $P \leq 0.10$. The hypothesis that there is relationship between high inflation and Epz performance is proved to be significant at $P \leq 0.05$.

Summing up , in order to get answer of the major question of this study that what are the major impediments of this study and there relationship with the EPZ performance. This study identifies the major impediments or obstacles in way of proving EPZs as major contributor in the economic development of Pakistan. These impediments are work environment, inappropriate industrial units locations, inadequate facilities to the foreign investors and workers, safety and security issues , energy crisis, inadequate training opportunities, bhatta culture and inflation.

5. Conclusion

Export Promotion Zone of Pakistan has immense growth potential by attracting the large numbers of investors. The major impediment identified in growth of EPZ and attracting foreign investor is poor law and order condition of Pakistan. About all interviewees indicated it. They stated that the safety and political instability problem is affecting investors at two levels. First, such security concerns have created a poor perception of Pakistan in international markets and the investors in these markets have become strongly skeptical about Pakistan's ability to supply consistently. This has resulted in loss of several investors where they have refused to work with Pakistani companies. Secondly, the domestic crime situation and ineffectual role impedes the activity of the investors. They feel that insecurity about life, property and assets. Based on an earlier World Bank Survey, the percentage of firms considering law and order to be a major problem increased from 22% in 2002 to 35% in 2007 in Pakistan.

During last few years EPZ in different locations are facing this issue. Saindak project is located in province of Balochistan, political crisis & Law order situation in this province since 1995 has not been allowing the zone to operate at its 100%. This zone had been established with major aim to export the minerals like copper and gold but political instability, influence of tribes and negativity in thinking of the local resident in that area are impediments for investors. Investors feel fear to go in this area. Currently, such law and order situation is affecting the KEPZ in a similar manner. Investors are much skeptical, so they are switching to the other zones in Asian region. Hence whole work environment is suffering. Beside work environment this study also concludes that inappropriate location have negative relationship with EPZ performance. Results also indicate significance of hypothesis on the up gradation of the human skills in the EPZs. Interviewee validated that though majority of labor force is local but investors face difficulty to upgrade their skills. South Korea, Taiwan, Singapore

and other free and export zones have broad base of skilled human labor equipped with new technology .These countries are more likely to become internationally competitive. A poorly skilled base is one of the main factors contributing to the low technological intensity of manufactured items in Pakistan. Results also identify that training of the workers is pivotal for export promotion development. This study also concludes "Bhatta culture" as an impediment for EPZ performance. Bhatta is defined as a kind of bribery usually persons identify themselves as representatives of any organization e.g., police, political party, high profile public personality etc. They ask for some money on monthly basis or in lump- sum for smooth operation of business. Otherwise they threat to harm the business or business owners. Government of Pakistan is trying to overcome this evil act but has not been succeed completely to control it, as a result this evil act has been embedded as a culture especially in Karachi Zone in the province of Sindh. This study also finds negative relation of high inflation with performance of EPZ. Thus , this study concludes that positive work environment, political stability and security, adequate infrastructural facilities, appropriate location of industrial units, upgradation of workers skill, provision of training, overcoming the bhatta culture , stable inflation will help boosting the development and performance of export promotion zones of Pakistan.

Conclusively, all EPZs need full attention to operate at their 100% capacity level and then it will definitely boost the economic development of Pakistan in the whole region. This study emphasizes on the Government interference and attention in order to stabilize the economic and political atmosphere. In addition Government must analyze the usability of EPZs in Pakistan and redesign the EPZ structure in order to get maximum benefits like other neighboring countries. Hence, many aspects of EPZ Pakistan need to discuss from all perspectives. In future, studies may be extended to human resource, economic and other perspectives.

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Appendix

Establishment , Exports and Major Products of Major EPZs of Pakistan

S.No	Names of EPZ Pakistan	Year of Establish-ment	Area	Exports	Major Products
1	Karachi Export Promotion zone	1989	372.42	143.22	Garments, Electronics, Chemicals, Worn-Cloth
2	Gujranwala Export Processing Zone	2005	113 acres located in Gujranwala-Lahore on ownership based	N/A*	ceramic, cutlery, electrical products, washing machines, air coolers, & textile products
3	Sialkot	2005	Vary from 4 Kanal , 2 Kanal and 10 maralas		Home appliances
4	Risalpur Export Promotion Zone	2002	92 Acres on Lease of 30 years	0.155	
5	Saindak Export Processing Zone	2003	1284 Acres As Joint venture b/W Punjab Small Industries Corporation and EPZ Authority	N/A*	Minerals like blister Copper and Gold
6	Duddar Export Processing Zone	2004	15000 acres under lease to Messrs MCC Duddar Minerals Development Company (Pvt) Ltd	6.491Milli on US Dollars	Lead and Zinc
7	Gwadar Export Processing Zone	-	1,000 acres at Gwadar Deep Sea Port in the province of Balochistan	N/A*	Fishery, OiL
8	Khalifa Coastal Oil Refinery Export Processing Zone	2006	leased to International Investment & Petroleum Company (IPIC) of UAE	N/A*	Petroleum Products.
9	Reko Diq EPZ	-	15 sq. Km leased to Tethyan Copper Company Ltd -Australia	N/A*	Copper and Gold
10	Tuwariqui Steel Mills Ltd	2005	220.21 acres joint venture with Saudi Arabia Company	N/A*	Steel Billets, Direct Reduced Iron (DRI)

Source:EPZ year book, 2012