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**ASSESSMENT OF SMALL AND MEDIUM ENTERPRISES GROWTH IN
PUNJAB STATE OF INDIA**

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ABSTRACT

A strong industrial base is required for the socially and economic development of any country. The paper explores the advantages and disadvantages of small and medium scale enterprises with a comprehensive review on various aspects of ICT adoption. The study addresses the ICT adoption in their Small and Medium scale enterprises. There is significant difference between the SMEs growth that employed ICT adoption and that did not employed ICT adoption. Small and Medium Enterprises are considered to be the backbone of Punjab Economy.

Keywords:

Small and Medium Scale Enterprises, ICT.

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1. INTRODUCTION

For the survival and growth of Small and Medium Scale industries, Information and Communication Technology adoption and corporate vision is very important. It is very essential for every business to maintain their efforts in developing and implementing the up to date technology. Information and Communication Technology provides a supportive role for human activities to improve organization competence and effectiveness. In the words of Drucker (1993, p. 43): “knowledge is the only meaningful resource today. In order for small and medium-sized enterprises to benefit from the value of information as enunciated by Drucker (1993) and Forgiogne (1991), they need high-quality and effective systems to deliver information. Most of the Small and Medium Scale Enterprises across the world are progressively more adopting various ICTs to improve their status to recognize, attain, classify, broadcast and relate information for conversant decision making. The Information Society indicator, which evaluates a new kind of the free and fast flow of information around the world, has been conquered by half of the countries from North America, Western Europe, Japan and Australasia (Minton, 2003).

Small and Medium Scale Enterprises plays a very important role in Indian Economy or we can say that SMEs are the backbone of Indian Economy as it employs around 45% of Indian workforce.

Although SMEs employ 45 % of Indian workforce but their total contribution to Indian GDP is only 17% because most of the Small and medium enterprises want to remain small, unregistered and unincorporated so that they can avoid from taxes and regulations another most important reason of low GDP is most of the Small and Medium enterprises have less incentives to invest in technology and up gradation of skills of workforce. Information and communication technology adoption is very important for the ongoing survival and growth of Small and medium scale enterprises on the other hand due to some misconception, uncertainty and inability information and communication technology adoption rate is very low in large no. of small and medium scale enterprises particularly in Haryana and Punjab region.

2. LITERATURE REVIEW

Gallouj (2002) classifies literature on service innovation into three main categories: (i) Technological approach, which takes into consideration the introduction and diffusion of new technologies into services, which may have improved their productivity and other performance; (ii) Service-orientated approach, which regards innovation in the manufacturing and service industries as being different, and emphasises the “peculiarity” of services related to, for example, non-technological innovation; and (iii) Integrative approach, which investigates the boundary between goods and services, and develops a framework to bridge the gap between them. Despite the different views of innovation in the service industries, one key agreement seems to have been reached, i.e. service innovation is deemed to be a crucial factor of competitiveness and growth of services (Hauknes, 1998). The present study, which looks into the question of how ICT and organisational change may jointly contribute to the superior performance of services, follows the technological approach (for example, see Sirilli and Evangelista, 1998; Soete and Miozzo, 1989), while also taking into account the importance of non-technological innovation, as emphasised in the service-orientated approach. Indeed, the heterogeneity of service activities (across industries) may matter in terms of how different services benefit differentially from innovation. This is why Soete and Miozzo found it necessary to extend Pavitt’s (1984) taxonomy of sectoral patterns of technical change by proposing a specific taxonomy for services, which seriously takes into account the heterogeneous characteristics across these industries. Pavitt’s taxonomy, which consists of Science-based, Specialised-suppliers, Scale-intensive and Supplied-dominated industries, places all services into one category (namely, Supplier-dominated). Based on trajectories of innovation in services, Soete and Miozzo’s taxonomy suggests that only some service industries are supplier-dominated, for example, health, education, public and social services. Two other groups are, in fact, technology-intensive, and these are Scale-intensive physical network industries and Information network industries (for example, wholesale, transport, communication, insurance and financial services), and Science-based and specialised supplier industries (for example, software and business services). micro and SMEs are major providers of new jobs (Audretsch et al., 2002), increasing understanding of the key determinants of their success is essential. It is understood that SMEs in pursuit of organizational goals do not adopt the marketing concept to the same extent as larger firms (Pollard and Jemicz, 2006), and that marketing practice in SMEs is situation specific, and variable, regarding the levels of sophistication and effectiveness (Hill, 2001). “However, it is recognized that small firm owner -managers do engage in marketing, but that the form this marketing takes is not fully understood” (O’Donnell, 2004).

More recent research (Balabanis and Katsikea, 2003) has also reported a positive association between entrepreneurial orientation and export performance, though moderated by contextual variables such as organizational and environmental factors. Studies have shown that entrepreneurial orientation of the owner or manager has also been found to have a positive relationship with performance and competitiveness (Covin and Slevin, 1991; Entrialgo et al., 2001; Hult, Snow and Kandemir, 2003; Ibeh, 2004; Kickul and Gundry, 2002; Marino and Weaver, 2002; Wiklund, 1999). Kazem and van Der Heijden, (2006) have argued that a firm's ownership, regardless of size or structure, is characterized by a particular entrepreneurial orientation, certain decision-making style, and by a set of operational strategies. As with larger companies, SMEs must generate sales to survive, but need to market their products to generate sales (Carson, 1993). SME growth stems from engaging in some form of marketing activity, which will focus on attaining and retaining competitive advantage by engaging in marketing practice, that addresses market share, market development, product promotion, product pricing, product differentiation and distribution (Carter and Tzokas, 1999). The marketing function in SMEs is hindered by constraints such as poor cash flow, lack of marketing expertise, business size and strategic customer-related problems (Doole et al., 2006).

3. OBJECTIVE OF THE STUDY

To identify the drawbacks and benefits of Small and Medium Scale industries in Punjab.
To appraise the statistics of Small and Medium Scale enterprises affecting the Punjab economy.

Exhibit 1: Benefits of Small and Medium Scale enterprises are given below

Benefits of SME's	Source
Flexible and Quick response Easily acceptable to new market conditions , Vibrant in behavior, Developing customized solutions for partners and customers	(Deros et al., 2006; Sarosa, 2007; Abdul-Nour et al., 1999).
More general use of external linkages for Innovate.	(Laforet and Tann, 2006; Hoffman et al., 1998; Barnett and Storey, 2000)
Non bureaucratic processes, flat and flexible structures	(Deros et al., 2006; Levy and Powell, 1998; Massa and Testa, 2008)
Strong inter and intra-firm associations , managing a great amount of information	(Carbonara, 2005; Chen et al., 2007)
Good at multi-tasking	(Schatz, 2006; Axelson; 2007)
Focused on gaining instantaneous gratification with technology solutions	(Schatz, 2006)
Informal and dynamic strategies	(Sharma and Bhagwat, 2006)
Capable of going international early and rapidly	(Gassmann and Keupp, 2007)
Possessing tight control over production processes due to close management involvement	(Levy and Powell, 1998)

Productive in nature	(Beck et al., 2005)
Great prospective to adapt new production methods	(Axelson, 2005)
Strongly associated and inter-related with respect to modernization and entrepreneurship	(Robles-Estrada and Gómez-Suárez, 2007; Gray, 2006; Gunasekaran et al., 1999)
Concentrated production and sales in their home country	(Narula, 2004; Perrini et al., 2007).

Exhibit 2: Drawbacks of Small and Medium Scale Enterprises are given below

Drawbacks of SMEs	Source
Absolute size , fewer technological assets	(Narula, 2004)
Lack of formal competitor analysis, data collection during NPD processes.	(Woodcock et al., 2000)
Reliance on small number of customers, and operating in limited markets. Reactive and firefighting mentality	(Sharma and Bhagwat, 2006)
Not having formal R&D activities	(Adams et al., 2006; Bougrain and Haudeville, 2002)
Weak at converting research and development into effective innovation	(O'Regan et al., 2006a; O'Regan et al., 2006b)
Limited degree of information technology (IT) implementation	(Wang and Chou, 2008; Eikebrokk and Olsen, 2007; Sarosa and Zowghi, 2003)
Lagging in the export, lack the resources necessary to enter foreign markets	(Mahajar et al., 2006'; Jansson and Sandberg, 2008)
Rely on outdated technology, labor intensive and traditional management practices	(Deros et al., 2006; Beck et al., 2005; Caputo et al., 2002)
Strategy is based on low price, high quality offerings, rather than new product innovations	(Hobday et al., 2004)

Exhibit 3: Definition of Small and Medium Scale Enterprises by Ministry of Medium Small and Medium Enterprises

Enterprise	Investment	
	Manufacturing Sector	Service Sector
Micro	Does not exceed twenty-five lakh rupees	Does not exceed ten lakh rupees
Small	More than twenty-five lakhs but less than five crore rupees	More than ten lakhs but less than two crore rupees
Medium	More than five crores but less than ten crore rupees	More than two crores but less than five crore rupees

Exhibit 4: List of SMEs Cluster in Punjab (identified by UNIDO)

S.No	State	District	Location	Product
1	Punjab	Amritsar	Amritsar	Rice Mills
2	Punjab	Amritsar	Amritsar	Shoddy Yarn
3	Punjab	Amritsar	Amritsar	Powerloom
4	Punjab	Fatehgarh Sahib	Mandi Gobind Garg	Steel Re-rolling
5	Punjab	Gurdaspur	Batala	Machine Tools
6	Punjab	Gurdaspur	Batala Gurdaspur	Rice Mills
7	Punjab	Gurdaspur	Batala	Castings and Forging.
8	Punjab	Jalandhar	Jalandhar	Sports Goods
9	Punjab	Jalandhar	Jalandhar	Agricultural Implements
10	Punjab	Jalandhar	Jalandhar	Hand tools
11	Punjab	Jalandhar	Jalandhar	Rubber Goods
12	Punjab	Jalandhar	Kartarpur	Wooden furniture
13	Punjab	Jalandhar	Jalandhar	Leather Tanning
14	Punjab	Jalandhar	Jalandhar	Leather Footwear
15	Punjab	Jalandhar	Jalandhar	Surgical Instruments
16	Punjab	Kapurthala	Kapurthala	Rice Mills
17	Punjab	Kapurthala	Phagwara	Diesel Engines
18	Punjab	Ludhiana	Ludhiana	Auto Components
19	Punjab	Ludhiana	Ludhiana	Bicycle Parts
20	Punjab	Ludhiana	Ludhiana	Hosiery
21	Punjab	Ludhiana	Ludhiana	Sewing M/C Components
22	Punjab	Ludhiana	Ludhiana	Industrial Fastners
23	Punjab	Ludhiana	Ludhiana	Handtools
24	Punjab	Ludhiana	Ludhiana	Machine Tools
25	Punjab	Ludhiana	Ludhiana	Forging
26	Punjab	Ludhiana	Ludhiana	Electroplating
27	Punjab	Moga	Moga	Wheat Threshers
28	Punjab	Patiala	Patiala	Agricultural Implements
29	Punjab	Patiala	Patiala	Cutting Tools
30	Punjab	Sangrur	Sangrur	Rice Mills

Exhibit 5: Internationally Renowned Indian Companies Working In Punjab

Ranbaxy	Medicines
Hero Cycles, Avon Cycles	Cycles
Punjab Tractor Ltd.	Swaraj Tractors and Combine Harvester
Oswal Woolen Mills	Monte Carlo , Casablanca
Oswal Knit India Ltd.	Pringle
JCT Textiles, DCM	Ctv Picture Tube , Steel rope ,Castings
Birla_VXL(OCM)	Woolen fabric

JIL	Maltova , Viva , range of wines and liquor
Gujrat Ambuja	Cement
Godrej	Washing Machine
ACC	Cement
SIEL	Chemicals, Vanaspati
Abhishek	Denim Fabric

Source: Department of Industries and Commerce, Government of Punjab

Exhibit 6: District Wise Status of Small Scale Units in Punjab

S.No	District	No of Units	Employment	Fixed Investment (Cr. Rs)	Production (Cr.Rs)
1.	Amritsar	25364	114921	712.68	4045.55
2.	Barnala	1788	6816	62.39	366.48
3.	Bathinda	4209	21810	181.28	1148.54
4.	Faridkot	2188	13512	84.37	306.33
5.	Fatehgarh Sahib	3087	18571	250.99	2577.33
6.	Ferozepur	4340	19674	233.44	791.29
7.	Gurdaspur	9435	56512	193.28	1050.27
8.	Hoshiarpur	6457	27492	157.59	324.51
9.	Jalandhar	22906	137723	527.97	2921.96
10.	Kapurthala	4198	21150	104.30	416.36
11.	Ludhiana	38393	308713	1443.42	21650.68
12.	Mansa	1971	7144	43.36	402.74
13.	Moga	3281	21729	168.94	562.92
14.	Mukatsar	3368	18378	99.51	432.65
15.	Nawanshahar	2380	8372	33.63	111.02
16.	Patiala	7844	41447	508.95	1648.61
17.	Ropar	2816	12138	98.77	277.63
18.	S. A. S. Nagar	6063	30666	681.62	699.60
19.	Sangrur	10636	52315	368.29	2091.88
20.	Tarn Taran	1835	5158	17.48	70.45
	Total	162559	944241	5972.25	41896.80

Source: Department of Industries and Commerce, Government of Punjab

Exhibit 7: DISTRICT WISE EXPORTS FROM PUNJAB (Amt. Cr. Rs.)

SR. NO.	DISTRICT	EXPORT DURING	
		2008-09	2009-10
1	AMRITSAR	1966.36	2306.53

2	BATHINDA	31.45	58.40
3	FARIDKOT	41.09	0.04
4	FATEHGARH SAHIB	5.20	10.66
5	FEROZEPUR	36.76	0.00
6	GURDASPUR	83.19	112.35
7	HOSHIARPUR	6.72	10.72
8	JALANDHAR	1855.52	2729.46
9	KAPURTHALA	200.14	150.84
10	LUDHIANA	8861.60	9730.73
11	MANSA	64.60	2.00
12	MOGA	5.39	5.39
13	MUKATSAR	12.27	3.00
14	NAWANSHAHAR	0.74	799.74
15	PATIALA	651.67	36.94
16	ROPAR	3.65	0.68
17	SANGRUR	15.61	0.00
18	TARN TARAN	46.33	15.00
	TOTAL	13888.29	15972.48

Source: Department of Industries and Commerce, Government of Punjab

From the above table exhibit 6 regarding the district wise status of Small and Medium Scale Enterprises units in Punjab it is evidently shows about the Production, fixed investment, Employment and the no of units of Small and medium scale enterprises in Punjab state which plays a most significant role in the Punjab economy. As per the department of Industries and Commerce, Government of Punjab there are 1,62,559 Small and Medium Enterprises units are running their business in Punjab state which create employment for around 9,44,241 people. Around 5972.5 Cr. fixed investment invested by theses 1, 62,559 units of Small and Medium Scale Enterprises and with the investment of Rs.5972.25 cr. around 41896.80 cr Rs production is generated. So we can conclude that Punjab state SME plays a major role in the Indian Economy.

Punjab state Small and Medium Scale Enterprises also plays most important role in the Economy through Exports. According to the Department of Industries and Commerce, Government of Punjab around 13,889.29 Cr Rs exports has been done during the year 2008-09 as well as around 15,972.48 Cr Rs exports has been done during the year 2009-10. Around 2083.19 Cr Rs. Exports increases in such a short period of time i.e. 1 year. With this analysis we can assume that how rapidly Small and Medium Scale industries are growing with such a great speed.

4. CONCLUSION

It is conclude that the enlargement of small and medium enterprises is an approach to branch out or we can say to diversify Punjab economy. Information and Communication technology convention in Small and Medium Enterprises of Punjab is finding fast usage too. Information and Communication Technology is the most important tool for the Small and Medium Enterprises of Punjab organizations should invest in Information and communication Technology to improve its

manufacturing capacity. Importance of Small and Medium Scale enterprises cannot be ignored as far as generation of employment and revenue is concerned. The Small Scale Industry can fight internationally in precise function. Small Scale Industries can also associate themselves with Large Scale Industries or MNC in form of co-branding. It may be suggested from the study that lot many efforts are required from the government side to support small and medium scale enterprises particularly improvements in infrastructure facilities are required like roads, electricity supply, water arrangements, rail transportation etc.

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