

Indian Economy and Small and Medium Enterprises in Punjab: A comparative Study.

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ABSTRACT

Since India got its independence in 1947, all political government as well as economic advisors have been expecting and executing every possibility for the development of Small and Medium Enterprises (SME). The history reveals that SME sector always had an exceptional contribution in the development of the country both economically in GDP and socially. A SWOT analysis have been conducted on the SME industry to identify the Strength, Weakness, Opportunity and Threat faced by SME of Punjab. With steps such as Make in India, Pradhan Mantri Mudra Yojana to reinstate and rehabilitate these small and medium enterprise from perishing in front of industry Giants, the People of Punjab has come forward to welcoming SME's back to their life again. The Study was conducted among 10 Small and Medium Enterprises located in Industrial Area Chandigarh, to understand the reason for the decline of SME's in India. Interview were conducted personally to review the situation and help plan reforms to reinstate the Industry back to its feet

Keywords: Small and Medium Enterprise, Industry, GDP, SWOT analysis

INTRODUCTION

SME's contribute a major role to the economic development of India. Indian SME sector comprises of 37million units providing direct and indirect employment to over 95 million persons. SME in India produces more than 6900 products with an annual contribution of 8% to the India GDP. It also brings in Import export balance in the country by contribution of 45% of total manufacturing output and contributing 40% to the export of the country.

Table.1

Sectors	% Contribution
SME Service Sector	71%
SME Manufacturing Sectors	29%
Highest Growth Rate (2015-16)	18.74%
Current Growth Rate	10%

Table. 2

Industries	% Contribution
Retail Trade	39.85%
Manufacturing of wearing apparel	8.75%
Manufacture of Food & Beverage	6.94%
Other Service Activities	6.20%
Hotels & Restaurants	3.64%

The top 5 industries contributing to the Indian economy has been highlighted in the Table. 2. The Global Economy concept has coined the world in to a small village with intense competition in every sector. Most countries both developing and developed are coming up with new strategies to protect, support, improve and grow the Small and Medium enterprises in their country. As per the study conducted by Wani.E in 2003 the contribution of SME towards Indian economy has reached a stage of competition between sectors, improving the country's economy since its independence in 1947. The Contribution of SME's were not confined to Economic developments but also helped in social development by inducing cooperation among different demographics of India and beyond. It also somewhat safeguarded our Cultural values as well. SMEs where once called as Small-Scale Industries the term used during British Era and later was called Small and Medium Enterprises (SME's) In many other countries it is also named as MSME's where the 'M' Stands for Micro. The development of SME in India has influenced the economy of India by generating jobs, income import and export as well as bringing in Foreign investments to India. As per the study conducted by Pandey J, (2010) it was observed that 50 to 66% of all business in the world are from SME's. However, In India the maximum potential of SMEs are not explored A SWOT analysis of the same puts some light on the reasons for the same

The SMEs have developed and influenced the income, job market and export According to Pandey and et al., SMEs are considered as a priority in most countries as 50 to 66 percent of businesses all over the world are SMEs. SMEs contribution in manufacturing output is recorded approximately 45%. Its' export also growing and recorded recently 40%. GDP growth in India has been consistently performed above 7 % per annum in recent time, which is at par with average GDP growth worldwide. The growth rates maintained by SMEs have higher than large scale industries all over the world. The definitions of SMEs are different in various countries. Few countries have defined SMEs based on benchmarks of employment, others have defined it based on assets, many have in terms of sales and few has based on shareholders fund.

<p>STRENGTHS</p> <p>Contribution to GDP – 8% Contribution to Manufacturing Sector – 45% Contribution to Exports – 40% Above 3500 Lakh Employment</p>	<p>WEAKNESS</p> <p>Current Credit Gap – 63% Financing Interest from Banks to SME's Lack of Information Lack of Management Skills</p>
<p>OPPORTUNITY</p> <p>Government Plans Such as Make in India Prime Minister Mudra Yojana Bilateral and Multilateral Trade Agreement Enhanced Credit & Support</p>	<p>THREATS</p> <p>Low Research and Development About 70% of SME are in Service Sector where R& D is Inevitable Funds and Expansion plans Quality Concern Cheap International products</p>

REVIEW OF LITERATUTRE

For any SME to flourish to its peak the support from local as well as central government is inevitable. One of the major challenges faced by SME in the India is the support on subsidies provided by the government of India on Export. The second most important challenge is the infrastructure requirement for SME's to operate, the location, capacity, the setup of the factory lack of storage facility all plays an effective strategy in the international market. These were identified as a serious challenge for the SME's. A Study by Gousse in 2017 observed that these issues mentioned posed serious challenges and threats to the SME's of India. Lack of awareness about exports and promotions against competitors always made SME's of India behind in Export and profit through Exports.

The banks or financial institutions offer minimal or no credit levels for infrastructure raw material procurement, training to employees, installation of new machineries. Procurement of Raw materials on credit line is another issue faced by the SME's. Issues such as lack of training facility for the employees and competition from manufacturing Giants are major challenges making the SME's of India incapable of competing with corporate giants that is making their profit generation process slower a study by Mitthai J in 2015 revealed.

A study on coir Industry of India by Mukherjee in year 2018 revealed that the challenges faced by the SME in India are procurement of Raw materials. A case study on the coir industry in 2018 revealed that export of coir in the global industry has increased with time but the export earnings have decreased due to tough competition from global coir manufacturers especially China.to overcome such issues in the future technological development and upgradation is required. It has been also observed that technological upgradation in manufacturing giants have made their cost highly competitive with the SME's which brings in high loss for them.

Inadequate accessibility to advanced and modern technology, machineries and awareness brings down the standardization and quality confirmation. Lack of awareness about quality standards and mutual agreement schemes, product and service improvement and multi lingual approaches all are a challenge in front of SME's when it comes to international market. In a study conducted by M. Yadav and Tripathi in 2008 referred to the some of the key challenges faced by SME in India as not only the multinational company with enormous funds facing the SME's with a hostile approach. But also the Indian financial institutions denial approach to credit limits and charging high interest over credit or demanding collateral for credit access affected the generation of capital which intern affected the ability for procurement of raw materials, storage, product designing, product development and marketing accessibility for the SME all affect the potential in world market. With low credit accessibility infrastructural development, purchasing of modern equipment and accessibility all became a huge challenge before the SME's.

Research and development is a must for upgradation of SME's, with R&D it develops analytical skills and induces innovation to the respective fields. This intern brings in advancement of technology and implementation. The study revealed that for innovation and implementation of development in SME's the required of highly skilled craftsman is inevitable. The development of SME's are also hindered by the unavailability of young and dynamic people joining SME's to contribute their marketing, organization as well as innovative skills to the SME's. The study revealed that most SME's are controlled and run by the 1st or 2nd generation the new generation refrains from entering this field in an expectation of white-collar jobs. The reluctance of educated and skilled new generation to come forward and take the business to new levels have always stood as huge challenge in front of the SME's and its future. More than 85% of all the SME's studied shows this as a major cause or challenge for its sustainability. Financial containment being another challenge to attract young and educated skilled youth to the job, when multinational companies offer higher perks and packages the SME's are mostly ignored by the youth in expectation of high standard of living. The financial institutions in the country also supports multinational corporations ignoring the potential of SME's and its contribution to the Economy of the Country. The common judgement made by people on the success of SME on the basis of some SME shutting doors to operation also makes people question the reliability on investments in these SME's. Infrastructure is another issue that came forward in the study. The development of infrastructure and purchasing machineries have always been a challenge to the SME. Government offers of subsidies mostly get entrapped in the files and papers with minimal or low accessibility to the SME. Ignorance or lack of awareness to the rights of SME also is another issue for non-development of the infrastructure. With lack of infrastructure facility, it is virtually impossible to compete with multinational companies and enter the market with competitive pricings.

OBJECTIVE

The study was conducted among 10 SME's based on the industrial phase of Chandigarh, the SME's on and average were run by 5 – 6 partners. The study was

focused on the following to explore the difficulty as well as challenges faced by the SME sector in India. The study focused on issues such as

- The support offered by government for the development of SME
- Infrastructural challenges
- Financial constraints
- Innovation and Skilled Labour Availability
- Public perception on SME
- Competition from Multinational companies
- Future of SME in India

RESEARCH METHODS

A cross-sectional descriptive study of randomly selected SME's was conducted to analyse the challenges faced by the SME's in Chandigarh area. This study and survey were carried out in the domain specified area for industries in Chandigarh called as Industrial area Phase 1 and Phase 2. The total population of SME's for the study area was as following-

Total SME's Studies	Average Partners per SME	Total No: of persons
10	5	50

Before the starting of the survey, observational visits were made to the study area to understand the type of population and staffs comprising the area as well as to achieve the support and cooperation of the SME's in the area. The study was conducted by executing Interviews supported by questionnaires, Observations supported by observation checklists as well as interactions with the partners through personal as well as telephonic conversation. We conducted the survey which included to the basic socio-demographic details, awareness about govt supports, innovation and skilled labour availability, infrastructure, financial challenges, multinational companies as a threat, Public perception, and future of the SME's. A total of 10 SME's was selected from the location representing 100% of the Study Area as Small and Medium Enterprises.

Data Collection

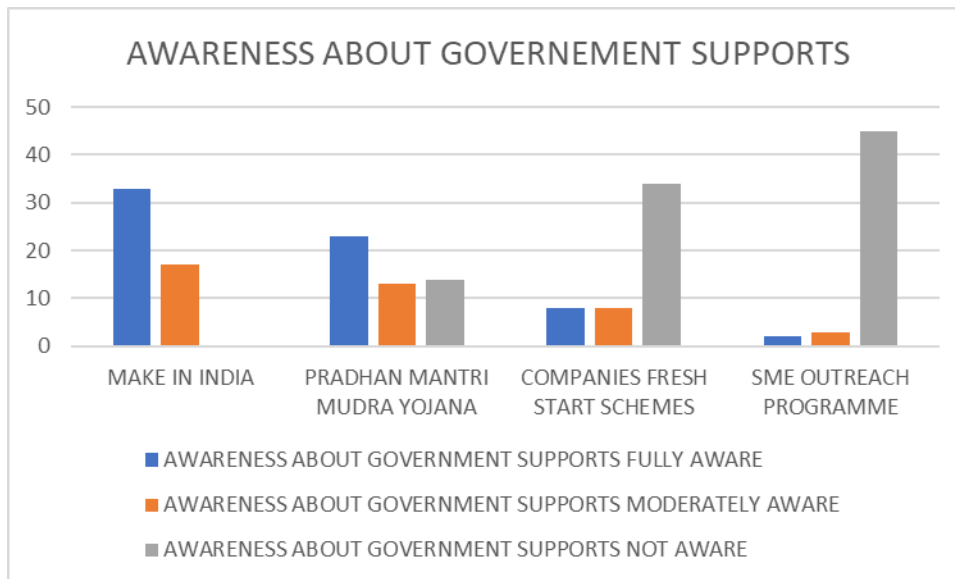
The data was collected in two different ways: direct observation and interview. For the direct observation, a checklist with close-ended questions was used to guide the points to be observed. An interview was conducted in-person, guided by a close-ended questionnaire. The direct observation was used primarily at the location of SME and guided by a checklist. The interview was mostly used to uncover the challenges faced by the SME's in today's Scenarios. The data was collected to present an overall picture of the condition of SME's in Chandigarh.

Table.1

Parameters	Frequency (n)	Percentage
Age (n=50)		
>20 Years	1	2%
20 TO 35 Years	5	10%
36 TO 45 Years	7	14%
46 TO 55 Years	9	18%
<55	28	56%
Gender (n=50)		
Male	47	94%
Female	3	6%
Education (n=50)		
Illiterate	0	0%
Primary education	7	14%
Secondary education	10	20%
Diploma	30	60%
Graduation	3	6%

The table above shows the basic demographics of the SME studied, considering the age of partners in the SME, 56% (n=28) are above the age of 55 years old, 18% (n=9) are of the age of 46 to 55 years, this reveals that most people who are indulged in the execution control and operation of SME's are aged people. Very low as 2% (n=1) was young and below 20 years. The gender demographic revealed that it was more of a male dominated sector as most family passed on the SME to their male family generation where male comprised of a majority of 94% (n=47), where only 6% (n=3) were females. Considering the factor of Education majority holds a diploma basically a skill-based diploma enabling them to work in the Enterprise. 60% (n=30) have some diploma in the field of work, 6% (n=3) are graduates 20% (n=10) have completed their secondary education and 14% (n=7) discontinued education after completion of primary education.

Chart. 1 Government Support



When asked question about the various steps and decisions that government of India has taken to uplift and protect the SME's most people are only aware of those steps taken to social media, the reality was found out that most government offices refrain from explain the facilities that are the rights to SME in a way of blindly supporting the Multinational corporations. The study shows that to fight for their rights it is evident that they should be aware of their rights, government should aggressively campaign their rights through various medium not confining to a 4x6 column in a local dailies but do mass campaigns through social medias as well.

Chart. 2 infrastructural challenges

The study shows that majority of the SME partners felt that their infrastructure as building needs to be either renovated or built to facilitate the market demand and ensure the product quality. However, there was a mixed opinion on accessibility from the SME owners and partners. Question regarding Storage facility was recorded as majority felt requirement for storage facility for raw materials as well as finished products. Majority of the SME owners and partners also agreed that they required modern machineries to compete with multinational producers. The machines of current use are outdated or under defect hindering the quality production of the products.

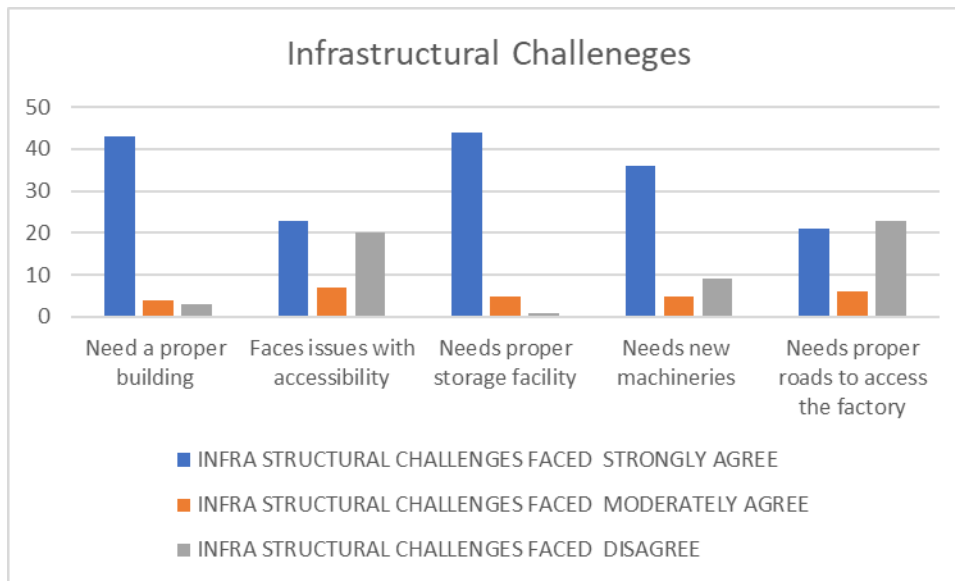


Chart. 3 Financial Challenges

When the questions regarding financial challenges most of them faced financial constraints in many ways. Majority of them agreed financial institutions and banks denied loans or credit facility without collateral supports. High interest rates were levied on the SMEs on loans or credit facilities availed by them. They also agreed that most funds from the government are entrapped in government files. Allotted funds also are delayed due to the government official’s negligence over the SME’s. GST was a major topic of discussion with mixed results half people were tired of the hassles they had to face in the initial stages of filing but majority of them believes it is going to affect them positively in the future with more help from the government. They also agree the various taxes they had to pay in different levels were curbed due to the GST.

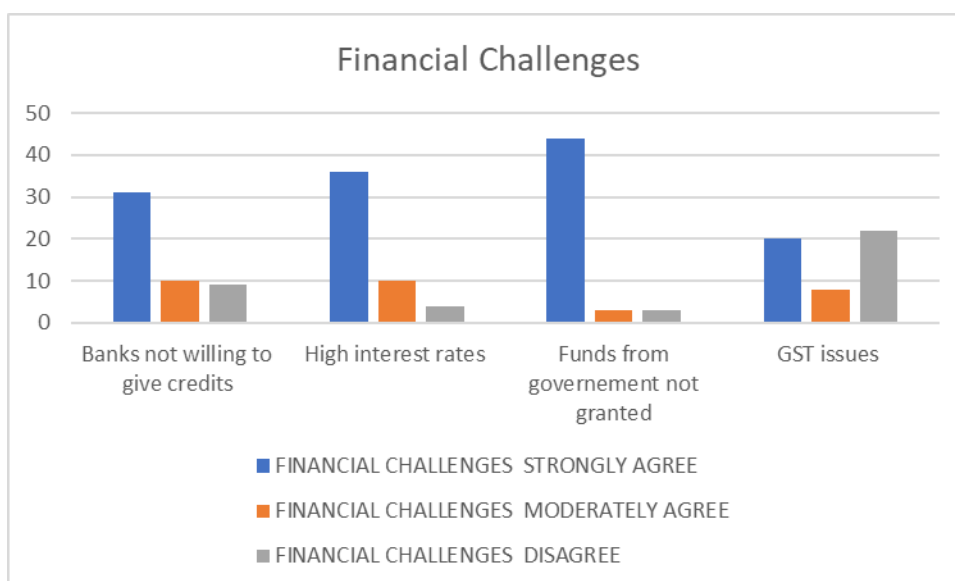
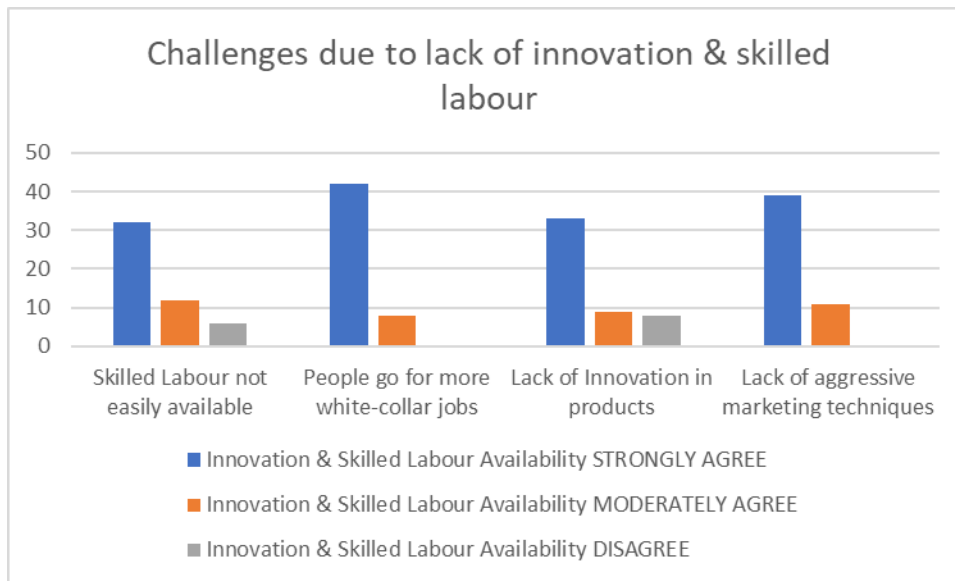
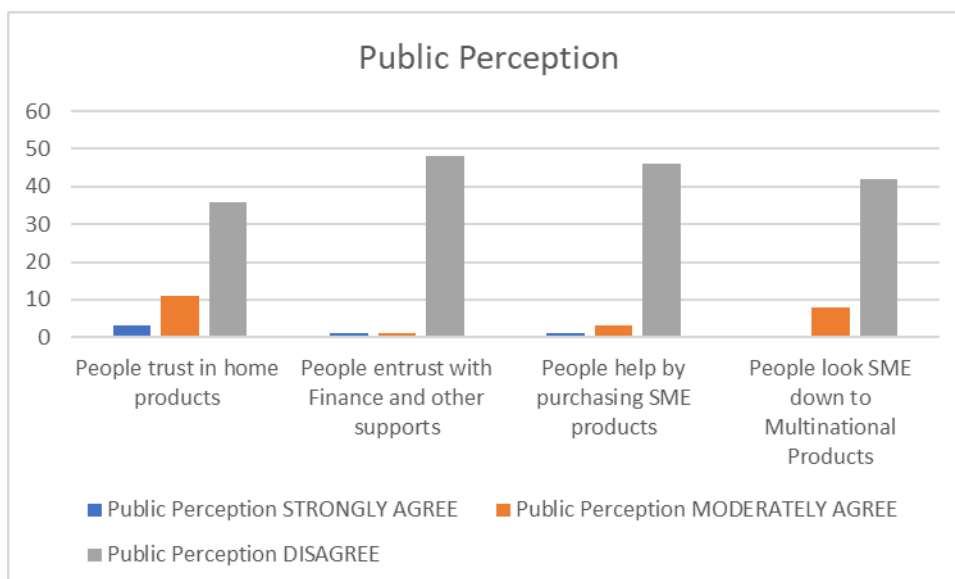


Chart. 4 Innovation and Skilled Labour



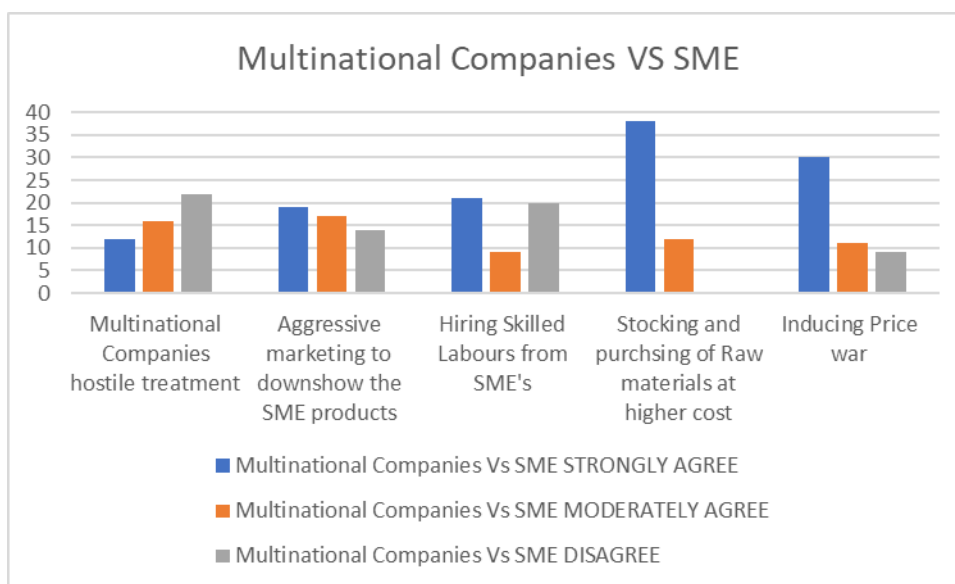
The availability of innovation and skilled labour in the SME sector is another major challenge faced by the owners and partners. They agreed that it has been difficult to find skilled craftsmen these days to support the production either there are no people to work in the field or those trained in SME are absorbed by Multinational companies at higher pay. It has also been observed in the study that most youth are focusing on white collar jobs reducing the level and expertise of craftsmen available in the market. With lack of skilled craftsmen, it is evident that product development has not happened in years where in multinational corporations have dedicated team of engineers to perform R& D and product development. Another challenge is that SME's cannot afford to take the cost of a dedicated team for marketing and sales, unlike multi national corporations most marketing and sales work are done by the owners or partners themselves in an SME.

Chart. 5 Perception of People



Another challenge that was faced by the SMEs were the trust of local people on their products. Multinational corporations win over SME with dedicated Service centres located in most states, even if the SME produced products of higher quality people tend to buy product from multinational corporations that offer speedy and fast service centres across states. When it comes to public investment over the SME's most SME owners and partners agreed that public views SME as a sinking ship and refrain from investing money in them. People refrain from buying SME products and looks down on the products of SME due to the branding and advertisement. And interesting factor during the study was a shoes manufacturer in the SME he claims his own children does not wear his products as they prefer branded shoes as a style icon in the market.

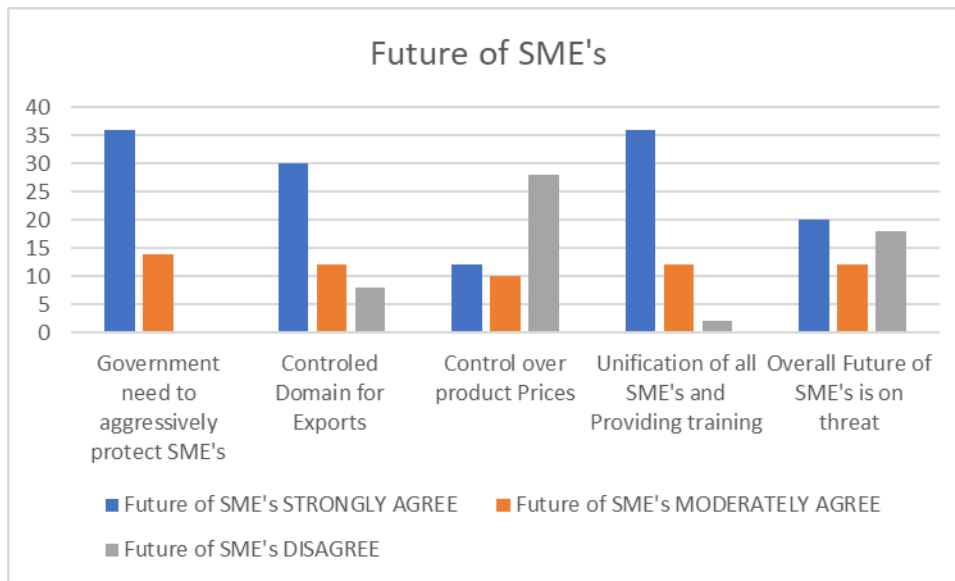
Chart. 6 Multinational Companies Vs SME



Hostility from the multinational corporations is a common scene not only in Chandigarh but in most places. However, the SME has seen them as a less challenging factor due to their confidence in themselves and the agility to win over in the future has made them strong and protective to the continuous attack from the MNC's.

Chart. 7 Future of SME

Discussion about future of SME's was an interesting topic, the desire to proclaim lost market and win over the MNC's was prominent in most owners and partners, however the fear of failing to competition because of financial, moral and government supports to MNC's was seen as a challenge also. Most owners and Partners agreed that the government need to take strict steps to ensure the protection of SME's they also agreed on government having a dedicated export percentage protected for SME's majority of the people disagreed on price control by government fearing the scrapping of negotiation facility the SME's enjoy. They all agreed in Government taking a step to unify all SME's providing them training and single point marketing and advertising facility. The trust in themselves has made the question of future of SME's a point of discussion among us.



CONCLUSION

The study conducted and data collected from the sources has concluded the study to the above information. It is proved that major challenges faced by the SME's in India are the government support to the SME on both state level and central level. Even though there are various sections, rules and facilities extended to the SME is various decisions, awareness among local people are minimal. Without proper infrastructure competing with world class multinational manufacturers would be just impractical. Subsidies on machineries and programs like skilling India should be aggressively followed up. For infrastructure and Machineries funds are a question, government could dissipate funds allotted to the SME's thorough authorised banks who would take consideration of allocating field officers for the same. The hostile approach of government banks on the SMEs need to be changed which would help them from refraining themselves from availing loans from private lenders are high interest. Skilling India program such as PMKY, DDU-GKY etc. were successful in creating well equipped and Skilled Craftsmen for the SME's these have to aggressively follow up and outreach to the public. Government has to come up with a strategy of uplifting the branding of SME products to the level of MNC's a assigned team of people should be allocated in R&D, product design and development assistance for SMEs which would change the perception of local people. Awareness campaign to Indian people to support Indian products also should be aggressively tried. Future of the SMEs are seen as bright in the study as still the owner's and partners will have not been broken. With various progressive steps and support the future of SME's would be bright and the contribution to GDP will grow as well.

The limitation of the study can be identified as the unavailability of information and Statistics of the Current year. The data that was referred and studied were secondary data or information backing 5-6 years in various sources. The cooperation from government offices in this study was minimal and the support in data as well as information was difficult to be collected from them.

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