

# OVERVIEW AND GROWTH OF MICRO, SMALL AND MEDIUM ENTERPRISES IN PUNJAB

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## ABSTRACT

*Punjab has been a major centre for the textile industry, which includes cotton, ready-made clothes, and hosiery. With the creation of apparel parks, favorable textile laws, and other incentives for the development of textile infrastructure, the state provides investment opportunities. In terms of infrastructure facilities, Punjab was ranked first in India. Punjab has some of the best highway, rail, and air transportation networks, connectivity, bridge construction, and infrastructure facilities. But, the growth is concentrated only to a few sectors and rest of the industry is in a declining phase. This research paper is written with the aim of having overview of MSME and to study the growth of MSME in Punjab state. The data of last three years has been collected from MSME in Punjab in terms of sales, profit, capital and number of employees. The figures have been analyzed to know the growth pattern of the industry. A final conclusion is drawn out of the figures collected which revealed that there is no growth as far as sales, profit and numbers of employees are concerned. On the other hand capital has been injected by the entrepreneurs in order to keep the business going.*

**Keywords:** Infrastructure, Demographics, Special Economic Zones, Renewable Energy, GSDP, FDI, CAGR

## INTRODUCTION

Punjab has a strong farming base and produces a considerable amount of rice, maize, sugarcane, and barley. In 2017-18, the state's total food grain production was projected to be 31.38 million metric tonnes. The state government of Punjab is putting a lot of effort into using renewable energy sources. The state will generate 4,772 MW of solar power, 50 MW of small hydro projects, and 244 MW of biomass energy by 2022. By 2022, the total investment potential in renewable energy is expected to reach USD 6 billion. The state has a geographical area of 50,362 square kilometres, 22 administrative districts, and a population density of 550 people per square kilometre (person per sq. km). The population of the state is 27.7 million people, with a literacy rate of 76.7 percent. Between 2011-12 and 2017-18, the state's GSDP (in Rs) increased at a compound annual growth rate (CAGR) of 10.2%. Punjab's infrastructure is well-developed for both social and industrial purposes. The transportation network is one of India's best, with easy access to major markets such as the Delhi NCR. Punjab's contribution to the GSDP growth rate in 2017-18 was 10.11 percent, and total FDI equity inflows were US\$ 1.47 billion between April 2000 and June 2018. The primary sector contributed 29.42 percent of Punjab's GSVA in 2017-18 and grew at a 7.85 percent compound annual growth rate (CAGR) between 2011-12 and 2017-18, while the secondary sector grew at a 7.57 percent CAGR over the same period and contributed 23.88 percent in 2017-18.

## LITERATURE REVIEW

Professor Gunnar Myrdal (1968) recommends the adoption of a strategy based on predominantly labor-intensive techniques in less developed countries on the ground that “the large volume of unutilized labor possessed by these countries has a productive potential, capable of creating capital and increasing production”.

Ruddar Datt and Sundaram (1979) strongly advocated the small scale and house hold enterprises as an important component of an employment of industrialization. Researchers found that employment-output ratio is the lowest in the small scale sector while that employment generation capacity is eight times higher than that of large sectors.

M A Hasnat (1991) "The sector of smallscale industries plays an important role in the economy of all labor surpluses because they provide employment for a substantial workforce; small industries derive part of their potential value from the employment of trained and educational persons"

Chandra BL (1994) "Lowcost lending banks would be suitable to lend small and selfemployed enterprises to the agricultural sector. This would help rural poor people relive from the clutches of informal and unorganized credit agencies."

VeenaBhatnagar (1995) "The best claim that could be put forward in developed countries for small-scale businesses is its job creation potential.

Punjab holds a position of pride in India's industrial map, due to its tiny industrial sector (Lal, 1966). Punjab holds a position of pride in India's industrial map, due to its tiny industrial sector (Lal, 1966). When partitioned in 1947, the state inherited a very small industrial base, and experienced further depletion when reorganized in 1966 (Singh 1995).

Srinivasan Ramani (1997), “A study of marketing orientation to the success of small scale industries”, quotes in State Bank of India Report which identified that financial management, lack of planned and organized approach are the major cause of failure. However in his study of 20 units, he finds management failure as the single largest contributing factor. He also found problems with governmental procedures and consequent delays contributing to the malaise. However these and other studies also refer to the problem and importance of marketing function on the need for planning and organizing for marketing.

More recently, not only adversely affected industrial development but also seemed to cause some industrial migration during a period of terrorism and social unrest. The state government tried to start the process of industrial growth with the goal of entering a new era of prosperity with the restoration of peace (Bhatia, 1999).

Valasama Antyony, 2002 in her article titled “Prospects and growth of SSIs in India: An overview “Observes that adequate and timely availability of working capital and marketing avenues for the SSI products should be ensured for improving their competitive strength in the domestic and global markets. There is the need for providing better information and efficiency networking for the SSIs besides development of quality infrastructural facilities.

Ghanshyam Panda (2008) A study covers the problem of raising working capital. The utilization of bank credit by small industries and their industries in backward areas and priority sectors forms a special part of the study.

S.N. Arjun Kumar (2012) Marketing is very essential though strenuous, in developing countries like India. The importance of Small Scale Industries (SSIs) is such that their development is concomitant with the balanced growth of Indian economy. Small, Medium or Large scale industries prospects depend upon how well they market their products in the dynamic competitive markets. So with the importance of marketing management in small scale industries increasing and sell the products effectively in the markets. In other words, effective marketing of small scale industrial products would ensure higher levels of income, consumption, and employment which increase the standard of living of the people. Marketing is demanding greater attention not only

from industrialists especially of the small scale sector but also from our planners and economists. This empirical study covers the socio-economic conditions, marketing strategies of SSIs and identifies the marketing problems of SSIs. The aim of this is to generate the awareness to the SSIs regarding the blind spots in marketing of their products.

### **OBJECTIVE OF THE STUDY**

- Overview of agriculture, IT, electronics, textile and petrochemical industry in Punjab.
- To study the growth of entire small scale industry in Punjab.

### **METHODS OF DATA COLLECTION**

The data which is collected for the very first time is known as primary data. It can be obtained using a questionnaire or via a direct interview from the concerned people. On the other hand the data which is collected from the internet, books, journals or any other published source is known as secondary data.

### **Type of Research Used**

The research is conducted with the help of primary as well as secondary data. Data is collected from 100 MSME units in Punjab. Questionnaire was used to collect the responses of the entrepreneurs and the top level management personal.

### **OVERVIEW OF THE SMALL SCALE INDUSTRY IN PUNJAB**

The state's main industries are agriculture and allied industries, information technology, electronics and light technology products, textiles and petrochemicals, and fertilizers. Agriculture is one of Punjab's most important economic sectors. The state produces the most rice, paddy, and wheat in the country. In 2017-18, the following crops produced 13,311, Wheat 17,613, Other Cereals 440, Pulses 14, Oilseeds 58, and Sugarcane 789 metric tonnes of production. During 2017-18, the total area sown was projected to be 7.9 million hectares.

Mohali was established within the state as an IT and ITeS centre. Punjab's light engineering products sector includes parts for motorcycles and automobiles, machine tools / hands. Infosys Ltd, APLAB Ltd, Hero Cycles, PABLA Bearings Ltd are the companies which are the main players in the industry. After the Punjab Small Industries and Export Corporation Limited floated a proposal to select a project company to set up an anchor unit-cum-industrial park, three proposals for the cycle valley project in Dhanansu near Ludhiana were received (PSIEC). Three prominent corporate houses with headquarters in Ludhiana—Hero cycles limited, Rockman Industries, and Ralson—have submitted proposals for this project. The effective bidder will not only have the opportunity to set up the anchor unit to produce mobility solutions such as bicycles and e-bikes, but will also provide the company with the opportunity to grow the industrial park along with ancillary and vendor units in 100 acres of land.

Punjab is a leading producer of cotton and blended yarns, as well as mill-made fabrics in India. Ludhiana is also known as India's Manchester. Ludhiana Integrated Textile Park, Rhythm Textile & Apparel Park, and Lotus Integrated Textile Park are some of the textile parks that have been created. The Nahar Group of Companies, the Vardhman Group, and JCT Ltd are the industry's major players.

Within the areas of petrochemicals and fertilizers industrial production includes manufacturing, petrochemicals, chemicals, fertilizers and other associated goods and

distribution. The famous garment industry of Punjab is staring at massive losses on account of almost 70 per cent drop in orders for winter wear in the wake of the corona virus pandemic. Unlike in previous years when garment manufacturing units will work at full strength during this time of year, most factories operate at capacities of only 30-35 per cent. The drastic decline in orders for winter apparel is a double blow to the industry, which has already experienced a setback with consumers canceling or placing orders for summer wear due to COVID-19 pandemic.

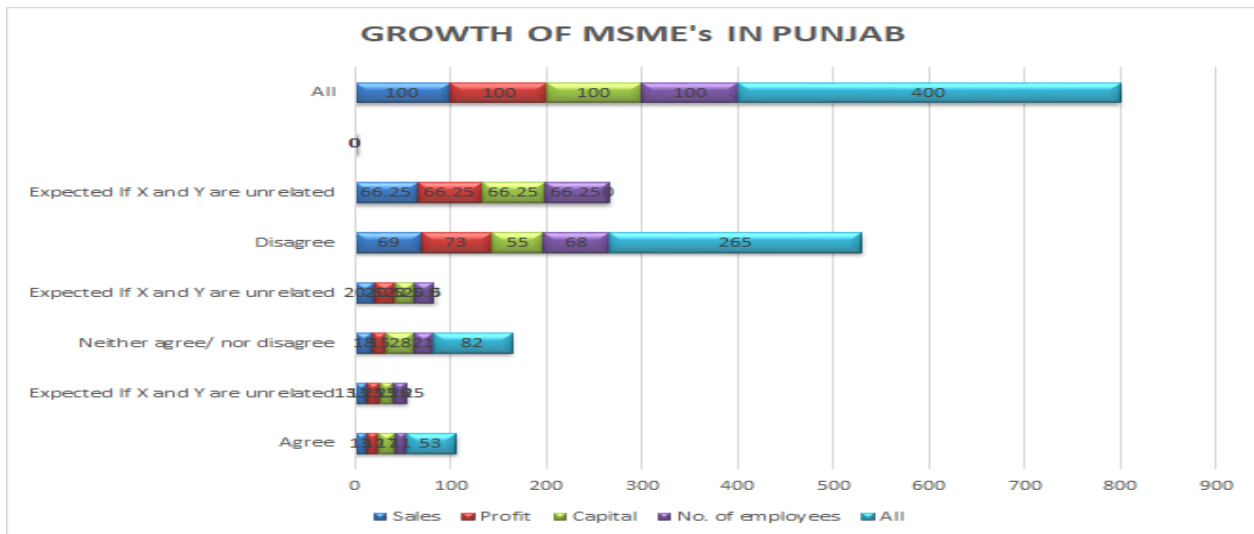
**Growth of MSME’s in Punjab**

Primary data was collected for 100 units, to analyze its growth of MSME units in the state of Punjab. Data pertaining to increase in sales, profit, capital and number of employees was collected from the entrepreneurs and the top level management staff of the micro, small and medium enterprises.

<b>Table 1</b>						
<b>DATA ON SALES, PROFIT, CAPITAL AND NO. OF EMPLOYEES OF MSME</b>						
<b>Rows: Response</b>		<b>Columns: Worksheet columns</b>				
		<b>Sales</b>	<b>Profit</b>	<b>Capital</b>	<b>No. of Employees</b>	<b>All</b>
Count	Agree	13	12	17	11	53
Expected Count	Expected if X and Y are Unrelated	13.25	13.25	13.25	13.25	
Count	Neither agree/ Nor Disagree	18	15	28	21	82
Expected Count	Expected if X and Y are Unrelated	20.5	20.5	20.5	20.5	
Count	Disagree	69	73	55	68	265
Expected Count	Expected if X and Y are Unrelated	66.25	66.25	66.25	66.25	
	All	100	100	100	100	400
Source: Primary data collected through questionnaire from 100 MSME units in Punjab						

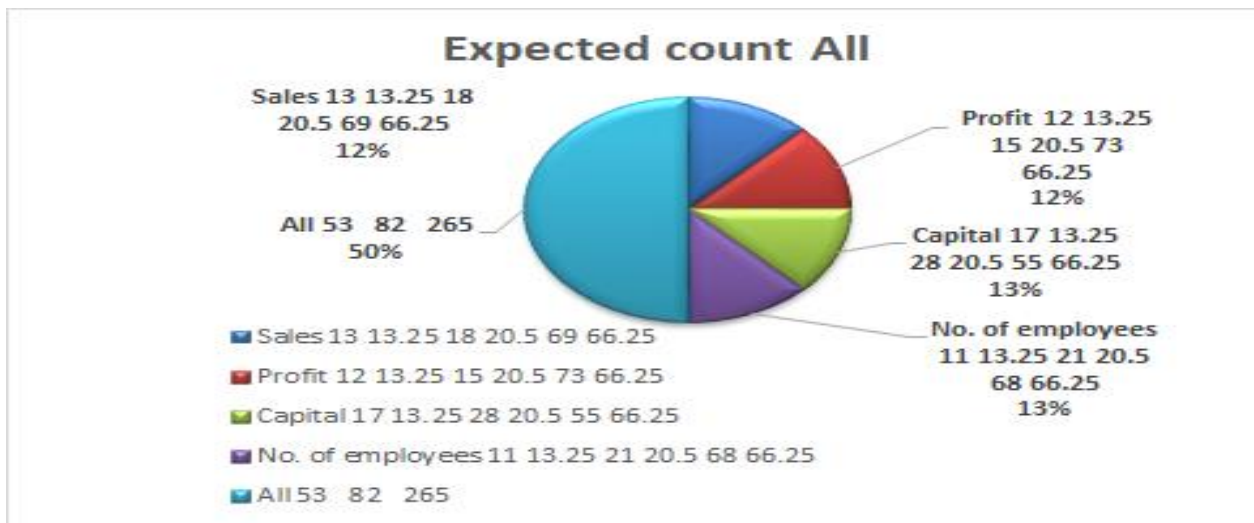
<b>Table 2</b>			
<b>CHI-SQUARE TEST</b>			
<b>Chi-Square Test</b>			
	<b>Chi-Square</b>	<b>DF</b>	<b>P-Value</b>
Pearson	8.861	6	0.182
Likelihood Ratio	8.777	6	0.187
Source: Author’s Compilation			

The above shows that Chi-square analysis of progress of small scale enterprises in Punjab by the operational outcome of the last 3 years of the organization in terms of increase in sales/turnover, profit, capital and number of employees with and the p-value = 0.182 which is greater than the significant level implies that the industry has no growth as far as sales, profit and number of employees are concerned.



**FIGURE 1**  
**DATA ON SALES, PROFIT, CAPITAL AND NO. OF EMPLOYEES OF MSME**

Source: Primary data collected through questionnaire from 100 MSME units in Punjab



**FIGURE 2**  
**DATA ON SALES, PROFIT, CAPITAL AND NO. OF EMPLOYEES OF MSME**

Source: Primary data collected through questionnaire from 100 MSME units in Punjab

**FINDINGS**

- India is performing well in Agriculture and Allied Manufacturing, IT-Products, Textiles and Petrochemicals and Fertilizers, Electronics and Light Technology. These are the only few sectors which are able to derive some of the profit. All the other sectors are either declining or loss making.
- There is no increase in sales, profit and number of employees in the last three years. As the GDP of Punjab has fallen down, so the sales and profit have also declined. The industry cannot see any scope of growth prospects in future except a few sectors.
- The input of capital has increased up to some extent. In order to survive in the current situation, the entrepreneurs had to inject extra capital input in order to keep the business going. They either had to put in extra capital or close down the business.

## CONCLUSION

It can be concluded that in all four sectors i.e., Agriculture and Allied Manufacturing, IT-Products, Textiles and Petrochemicals and Fertilizers, Electronics and Light Technology India is performing well. It operates at its maximum potential with regard to the contribution to the GDP and exports of the country are concerned. Except a few sectors, all other sectors of MSME in Punjab are loss making. We also notice that there is no increase in sales, profit and number of employees in the last three years. As the GDP of Punjab has fallen down, so the sales and profit have also declined. Most of the units have been declared sick. There is no scope of growth in such units. The input of capital has increased up to some extent. In order to survive in the current situation, the entrepreneurs had to inject extra capital input in order to keep the business going. They either had to put in extra capital or close down the business. On the whole we can conclude that the industry is not in a favorable condition as far as its profitability is concerned. The existence of these units cannot be assured in long run. The only way that the industry can survive is by setting up large scale units, to whom these small scale units can serve as auxiliary units. The development of large scale units will ensure the existence of small scale units.

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