Constructs and Constraints of MSME in India for Sustainable Development

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Abstract

MSMEs are critical to growth and economic indicators of national economy. The Manufacturing Plan, April 2012 reports that the Indian SME market is valued at 5 billion $ and over 11 million SME units produce more than 8000 products. Its deep forward and backward linkages with several segments of economy provide dynamism to the industrial sector of the economy. With such contribution to the economy this sector has to be sustainable. Sustainable development that can be defined as the progressive dedication by MSMEs to behave fairly in equitable and just manner and add towards economic expansion while recuperating the excellence of existence of the stakeholders: their families, local communities, the society and the world at large as well as future generations. In the present paper an attempt has been made to study the contribution of this sector based on MSMEs Census reports. Along with it firsthand information in form of questionnaire has been derived from the entrepreneurs to know the strengths and challenges of MSME sector. For this purpose 19 variables relating to strengths or constructs and 23 different variables relating to constraints have been defined to analyse the constructs and constraints of MSMEs in Punjab for Sustainable Development. Following the Census reports, it is ascertained that government is progressive to sustain this sector as it is characterized as a boon for employment, output, growth, and export in the present era of globalization due to its cost efficiency. Further by Applying Factor Analysis the results indicate that small scale entrepreneurs are mostly influenced by their core strengths which prompt the revenue generating activities and look for a favourable economic and infrastructural environment. While exploring the constraints, it indicated that entrepreneurs of MSME of Punjab feel that high tax structure, bottlenecks in bank finance, regulatory machinery and inadequate infrastructure pose threat to competencies and sustainability of this sector in Punjab. Thus, the State Government has a major role in reducing the burden of administrative regulations and improving the business environment. It is suggested that enabling business environment must be provided to nurture and promote entrepreneurism and this sector could develop on their own competence to rule the market and provide sustainability in the economy.

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Introduction

1.1 Defining Sustainability

The World Commission on Economic Development defined the sustainable development concept as ―meeting the needs of the present without compromising the ability of future generations to meet their own needs." (Brundtlant Commission, 1987) Sustainability is not about philanthropy. There's nothing wrong with corporate charity, but the sustainable company conducts its business so that benefits flow naturally to all stakeholders, including employees, customers, business partners, the communities in which it operates, and, of course, shareholders.(Savitz,Weber,2007)Sustainability thinking is based on the demand by the society to distribute the risks, losses and gains from a company doing business more fairly. It is a business view where corporate decisions do not only impact other businesses but also other sectors that comprise society, political and civil society (Waddock 2006). Sustainability is "the art of doing business in an interdependent world" according to consultant Andrew W. Savitz, who urges companies to focus on the "triple bottom line": solid profit, environmental quality and improved human welfare. Similarly,s ustainable development ―is a process of achieving human development...in aninclusive, con-nected, equitable, prudent, and secure manner."A sustainable enterprise, therefore, is one that con-tributes to sustainable development by delivering simultaneously economic, social, and environmental benefit (Elkington, J. 1994).For most firms, the pursuit of enterprise sustainability remains difficult to reconcile with the objective of increasing shareholder value. Indeed, some have even advocated that creating a more sustainable world will require firms to sacrifice profits and shareholder value in favour of the public good. By starting with legal or moral arguments for firm actions, however, managers inevitably underestimate the strategic business opportunities associated with this important issue. To avoid this problem, managers need to directly link enterprise sustainability to the creation of shareholder value. The global challenges associated with sustainability, viewed through the appropriate set of business lenses, can help to identify strategies and practices that contribute to a more sustainable world and, simultaneously, drive shareholder value; this we define as the creation of sustainable value for the firm.(Stuart , Mark,2003)

1.2 MSMEs in India: The Rationale

Small scale and cottage industrial sector has emerged as an engine of growth in several developing and developed economies of the world. In India also they have emerged as a vibrant and dynamic sector of Indian economy by virtue of their significant contribution to GDP, industrial production and export. However, the most vital contribution of this sector is headed for employment generation which is next to agriculture. They also play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. The socio-economic policies adopted by India since the Industries Development and Regulation Act, 1951 have laid stress on MSMEs as a means to improve the country's economic conditions. The Manufacturing Plan, April 2012 reports that the Indian SME market is valued at 5 billion $ and over 11 million SME units produce more than 8000 products. Its deep forward and backward linkages with several

segments of economy provide dynamism to the industrial sector of the economy. Henceforth, it is considered to be backbone of the economy and cannot be undermined as compared to large and medium scale industries. Undoubtedly, in increasing industrial production, diversifying the base of industrial production as well as increasing employment opportunities, small scale industries have been playing a prominent role in India. In view of its considerable contribution to employment, production and exports small scale industries occupy a place of strategic importance in Indian economy and have considered as one of the major planks of India's economic development strategy. In this context, small is beautiful, efficient innovative and creative where the potential for progress is endless and growth is way of life and it is being accepted as key to sustainable economic growth (RBI, 2005). The Government of India is striving to improve the economic and social conditions of rural population and non-farm sector through a host of measures including creation of productive employment opportunities based on optimal use of local raw materials and skills as well as undertaking interventions aimed at improving supply chain; enhancing skills; upgrading technology; expanding markets and capacity building of the entrepreneurs/artisans and their groups/collectives.

The small scale and cottage industrial sector have found their economic rationale in Mahalanobis model of economic development, which was the basis for India's second and subsequent Five Year Plans. The major thrust of all economic policies being pursued in India today is to eliminate poverty, generate adequate employment opportunities and to ensure the utilization of physical and human resources to the best of their potential. Given the scope of generating tremendous employment opportunities, promoting entrepreneurial abilities and adding to the National Product, the SSI sector continue to be the most important economic proposition for a labour surplus economy like India. The rate of employment creation in this sector is the fastest and is able to provide employment across the length and breadth of the country. While the promotion of small scale industries has been one of the major objectives of economic planning in India, the policies and strategies have undergone change from time to time. The Industrial Policy Resolutions and Five Year Plans supported a continuous flow of incentives, both protective and promotional in nature; as an element of development strategy to meet socioeconomic objectives like employment generation, removal of poverty and regional disparities, optimum utilization of local resources, etc. A comprehensive package of program and policy measures has been formulated by the government to accelerate the growth and productivity of small scale sector. The support packages includes a variety of promotional and protective measures like industrial estates program, ancilliarization program, product reservation policy, program of technology up gradation and modernization and financial support measures etc. The policy of the Government of India towards the small scale sector has been guided by the consideration that SSIs are hampered in their growth by imperfections in the markets. Therefore, special attention and support policies are needed for this sector.

Thus, MSMEs has a large role to play in development program as it generates backward and forward linkages in any economy. It not only stimulates demand but provides a structural transformation in an economy for cumulative and self sustaining growth. Pt. Jawaharlal highlighting the importance of industrialization quoted ―The God, which all the countries worship, is the God of Industrialization, the God of machine, the God of high production, and utilization of natural power and resources for greater advantage.

1.3 Sustainability and MSMEs

The importance of SMEs to sustainability cannot be understated. The cumulative impacts of small to medium-size enterprises are considerable—SMEs make up more than 90 percent of businesses worldwide. They also account for 50 percent of GDP of all countries and for 60 percent of their employment, on average (Global Reporting Initiative,2008).Global wealth has almost doubled since 1990 but nearly half the world's population subsists on less than US$2 per day. Poverty remains a major challenge to sustainable development, environment security, global stability and global market. The key to poverty alleviation is economic growth that is inclusive and reaches majority of people. Improving performance and sustainability of local entrepreneur and MSMEs which represent the backbone of global economic activity can help achieve.(SNV,WBCSD,2007) Moreover, Business sustainability makes firms resilient so they are better able to adapt to change. Sustainable businesses are prepared for the future because a long term financial value is created. The farsightedness regarding the effects and impact of natural environment is developed which contributes towards a positive social change. A close rapport of MSMEs with customers, employees, suppliers integrates the MSMEs to understand the communities ,environment and work for its development making it sustainable. As quoted by Robert de Jongh, Regional Director, SNV ―While SMEs are critical to a country's long-term development, sustainable access to finance and inclusive business design are fundamental to ensuring long-term and equitable poverty reduction and business profitability."

The SME faces two major challenges in the immediate future. On the one hand to survive in an increasingly demanding economy and, on the other, contribute to sustainable development in the region where they are the main actors of economic activity. The concept of sustainable development consists of three elements: 1) the environment or Planet, 2) the social environment or People, 3) the economic environment or Profit. These three elements coexist in a delicate balance which is often difficult to maintain and which affects the development of the region. In reality, many MSMEs admit to confusion over what sustainability is and how to introduce sustainable measures in their everyday business. Unless they are specifically instructed, SME chief executives are going to be slow to allocate precious resources to a sustainability initiative that they do not understand. For this reason sustainability needs to be made simple and accessible for SMEs. It needs to deliver operational efficiencies, open the door to new business, and cost less money than it generates (or even zero cost), and engage with and motivate employees. With rising energy prices and upcoming legislation such as mandatory carbon reporting, there are an increasing number of reasons why businesses are adopting sustainable certification, including being able to show those credentials to customers. Michael Pragnell, CEO, Syngenta elucidates ―Business is the most important engine of economic change. It brings employment, goods, revenues, knowledge and skills development. (...) We must also recognize that the most important role is probably not that played by the multinationals, but by the small and medium enterprise sector, the SMEs. We as global companies can provide the catalyst to partner with SMEs to mutual benefit. We can access their local expertise and markets they can access our technologies and business skills for local momentum."

2 Literature Review

Sustainability is a complex issue with many competing definitions. However, a good starting point is to realise that sustainability means more than ‚going green'. It's about developing practices that will ensure your business, the people involved in it, and the community you're based in continue to do well into the future. Many companies now talk about the ‚triple bottom line' or the idea that success can only be judged on separate economic, social and environmental criteria (DESUR Project,2013) While the studies on sustainable business have primarily focused on large-scale organizations (Quinn, 1997), there is a growing body of research (Clemens, 2006,Hussey and Eagan, 2007) that has begun to look specifically at the micro, medium sized enterprise (SME) context. The overall approach has been to encourage SMEs to become more or less ―green", and thus more responsible (Jenkins, 2006). With a growth rate of around 8%, India has consolidated its position as a global economic player. Turning this rapid growth into an inclusive and sustainable growth model requires competitiveness and innovation, especially in country's 26 million small businesses the 12 Five Year Plan ‚Faster, Sustainable and More Inclusive Growth' highlights economic development, India will mainly depend on realising the potential of the country's 27 million MSMEs, which are today providing more than 60 million jobs, and bringing them on a rapid, clean and resource efficient growth trajectory. GIZ is supporting Indian partners and the private sector on the path towards this ‚Inclusive Growth' by encouraging the promotion of these small businesses that have a huge potential in job creation. (GIZ,2012). Within its programmatic focus area of poverty reduction through productive activities, UNIDO thus assists developing countries in their efforts to reach the MDG target of eradicating extreme poverty and hunger through programmes to support agribusiness and agro-processing for food security and food safety, facilitating investment and technology flows, and promoting the development of entrepreneurship and SMEs(UNIDO,2005) Therefore, active promotion of this sector is both a means and an end to the transition to the market economy and the creation of an entrepreneurial class will both mitigate the social costs associated with restructuring enterprises and enhance the likelihood of a durable commitment to democratic societies and the rule of law.(European Bank,2005)

3 Objectives of the Study

The present research paper concentrates to explore the various constructs and constraints of Micro, Medium, Small and Micro Enterprises for sustainable development in Punjab. This paper aims to bridge gap debating on the issue of MSME's sustainability by pinpointing the following issues. Hence, the research question of this study precisely focuses the following objectives of the present research work are:

1. To trace the contribution of MSMEs in Indian Economy

2. To identify the factors defining the constructs of MSMEs in India.

3. To identify the factors defining the constraints of MSMEs in India.

4 Scope of the Study

The districts of state of Punjab with largest concentration of industry are defined as the scope of the present research work. The response from respondents of the four districts namely Amritsar, Jalandhar, Ludhiana and Sangroor has been collected to define the premises of the study.

5 Research Design

The study is based on primary data. The primary information is collected through structured questionnaire (500 respondents). The data collected is placed in the tabular form and Factor Analysis has been applied to the collected data.

6 Analysis and Discussions

6.1 Contribution of MSMEs towards Sustainable Development

Exhibit 1 examines the certain characteristics of small scale sector since Ist census in 1972-73. The comparative analysis of the census results of the four censuses conducted till date reveals that the small scale industries have registered significant development both horizontally and vertically. This sector is predominantly characterized by proprietor form of organization from first census onwards and has contributed towards the generation of fixed investment, employment, rural empowerment, women empowerment and providing opportunities to socially backward classes. Therefore, the MSME/ Small Scale Industries have been instrumental in bringing down regional imbalance and accelerating economic development, thus providing a sustainable development in the economy.

Exhibit 1 Characteristics of all India Census of MSME

Sr. No	Characteristics	Ist Census (1972-73)	2nd Census (1987-88)	3rd Census (2001-02)	4th Census (2006-07)
1.	Percent of working enterprises	61.8	62.75	60.77	70.48
2.	Per unit of Gross output	Na	7.38	14.78	46.14
3.	Percent of manufacturing enterprise vis-à-vis total number of working units	100percent	96.76	65.55	61.96
4.	percent of service enterprise vis-à-vis total number of working units	----	3.24	34.45	38.04
5.	Per unit employment	12	6	4.48	6.24
6.	percent of working enterprises in rural areas	35	42.20	44.33	44.77
7.	Employment per Rs.1 Lakh investment in fixed assets	20.05	3.94	0.67	0.85
8.	percent of closure of enterprises	38.2	52	39.23	21.6
9.	Fixed investment per enterprise in Rs. Lakh	0.57	1.6	6.68	33.78
10.	No. of enterprises managed by				
	SC	N.A.	6.84	7.85	7.80
	ST	N.A.	1.70	3.53	2.93
	Women	N.A.	7.69	8.32	13.48
11.	percent of sickness	N.A.	N.A.	13.98	14.47
12.	Type of Organisation				
	Proprietorship	NA	80.48percent	96.90percent	90.67percent
	Partnership	N.A.	16.84percent	1.18percent	3.74percent
	Pvt. Ltd.	N.A.	2.01percent	0.42percent	2.63percent
	Public Ltd.	N.A.	-	-	0.49percent
	Co-operatives	N.A.	-	0.11percent	0.29
	Others	N.A.	0.67	1.44	2.18

(Source: census reports, ministry of micro, Small and Medium Enterprises, Government of India.)

Constructs of MSMES for Sustainable Development

In order to explore the consolidated perceptual dimensions related to constructs or strengths and opportunities of small scale industries (as expressed by the expectation scores on 19 variables), exploratory factor analysis has been performed. Here, it is considered the hypothesis that there are some underlying dimensions inherent in the responses to 19 variables, and so the data set can be

reduced. The factor analysis results are shown in exhibit 2 and 3. As depicted in Exhibit 2, while applying Bartelett's Test of Sphericity, the KMO value arrived at 0.813 with level of significance 000.It confirms the adequacy of data for Factor Analysis. Furthermore, Exhibit 3 identifies the proportion of variable explained through extraction method. In the process as shown in Exhibit 4, initial eigen values and eigen values after extraction are generated which measures the amount of variation in the total sample accounted for by each factor. Hence forth, six major factors have been identified having relative importance in determination of competencies or constructs of MSMEs in Punjab

Exhibit 2 Factors Determining Constructs of MSMEs in Punjab: A Sample Adequacy Test

KMO and Bartlett's Test		
	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.813
Bartlett's Test of Sphericity	Approx. Chi-Square	2175.231
	Df	171
	Sig.	.000

Exhibit 3 Communalities

Factors	Initial	Extraction
Quality Product	1.000	.624
Brand Image	1.000	.751
Competitive Price	1.000	.569
Effective Marketing	1.000	.614
Market Share	1.000	.544
Financial Resources	1.000	.574
Raw Material Sources	1.000	.492
Inventory Management	1.000	.693
Skilled Labour	1.000	.627
Advanced Technology	1.000	.394
Goodwill of Firm	1.000	.478
Customer Loyalty	1.000	.726
Distribution Network	1.000	.671
After Sale Service	1.000	.520
Research and Development	1.000	.539
Infrastructure Facilities	1.000	.501
Focal Points / Industrial Areas	1.000	.561
Cluster Formation / Trade Associations	1.000	.681
Government Policy	1.000	.638
Extraction Method: Principal Component Analysis.		

Source: Data compiled through questionnaire

Exhibit 4 Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	percentages of Variance	Cumulative percentages	Total	percentages of Variance	Cumulative percentages
1	4.789	25.204	25.204	4.789	25.204	25.204
2	1.666	8.769	33.974	1.666	8.769	33.974
3	1.347	7.088	41.062	1.347	7.088	41.062
4	1.273	6.699	47.761	1.273	6.699	47.761
5	1.077	5.667	53.428	1.077	5.667	53.428
6	1.046	5.503	58.931	1.046	5.503	58.931
7	0.946	4.98	63.912			
8	0.847	4.458	68.37			
9	0.789	4.151	72.52			
10	0.714	3.756	76.276			
11	0.664	3.494	79.77			
12	0.604	3.181	82.951			
13	0.572	3.009	85.96			
14	0.53	2.791	88.752			
15	0.505	2.656	91.408			
16	0.465	2.447	93.855			
17	0.433	2.277	96.132			
18	0.378	1.991	98.123			
19	0.357	1.877	100			
Extraction Method: Principal Component Analysis.						

Source: Data compiled through questionnaire

As exhibited, exhibit 5 elucidates the principal component matrix applied for all variables taken into account to represent the strengths /opportunities of a small scale industry. Field (2005) connotes that Principal Component Analysis is not a factor analysis but yields the same results as factor analysis. Therefore, to refine the study and improve the interpretability, the variables were rotated to find the underlying constructs and their inter relationship. The variables were chosen to represent the strengths/opportunities possessed by a small scale industry in present competitive business environment. The result drawn under exhibit 6 identifies six important underlying components which are most correlated.

First factor seem to be related with core competencies. It includes load on variables like quality product, skilled labor, and competitive price and infrastructure facilities. It conveys that small firms consider amongst variables the above mentioned variables as conditional factors which help them to groom and flourish. The next load finds in variables like research and development, inventory management and after sales service. This shows that after concentrating on core competencies, the entrepreneurs focus on research and development to improve product performance and caters services to the customers in the form of post sales keeping inventory cost intact so as to manage the liquidity position because of the total cost, 70percent remains blocked in raw materials or inventory. Thus, in totality these variables could be termed as associated competencies. The third main category is identified with weight on factors like customer loyalty, government policy, financial resources, raw material resources and goodwill of the firm. It intercepted that small scale industries further identifies niche strategies for themselves as they identifies the boundaries of their area of operation for their sustainability so these factors could be termed as sustainability variables. The fourth factor finds its identification with variables like cluster formation/trade associations, transnational linkages and advanced technology. This shows that it caters to craft niche for itself to become sophisticated global players in a narrow product line. Therefore, these factors could be termed as positional indicators.

The fifth load is characterized by network strategy focusing on distribution network and industrial areas in which SMEs work and co-operate with other firms to , take advantage of knowledge spill-over's, in the stages of the industrial life cycle. Finally, the last factor is signified with the presence of brand image and effective marketing. It means that small scale industries weigh lastly the importance of brand orientation in which the processes of the organization revolve around the creation, development, and protection of brand identity.

Thus, factor analysis proved useful tool for reducing the list of variables taken into account, in surveys. The analysis revealed that small scale entrepreneurs are mostly influenced by their core strengths which prompt the revenue generating activities. A better focus on brand distinctiveness would further provide a direction for planning and a guide for implementation on issues which would ensure an increased customer loyalty and the perspective of widening the pool of potential clients. It is deciphered that the future of small-scale enterprises will depend in large part on their ability to adapt to changing markets, technological improvements, and transition from the informal to the formal sector and adaptability towards the value chains system in which they take part. Priorities and strategies need to take the dynamics of long-term societal change into account to avoid the pitfalls of supporting enterprises. The thrust is to nurture and promote entrepreneurism and to provide a favourable environment for small-scale enterprises to develop on their own competence to rule the market.

Exhibit 5 Factors Determining Strengths and Opportunities of SSIs: A Component Matrix

Factors	1	2	3	4	5	6
Inventory Management	.648	.029	-.177	-.089	-.165	.454
Goodwill of Firm	.595	-.055	.152	-.139	.007	-.281
Financial Resources	.576	.079	-.185	-.027	-.434	-.112
Customer Loyalty	.569	.143	.390	-.297	-.345	.145
Infrastructure Facilities	.545	-.381	.026	-.010	.236	-.046
Focal Points / Industrial Areas	.543	.183	-.288	.192	.055	-.332
Distribution Network	.536	.122	-.368	.172	.275	-.359
Skilled Labour	.535	-.511	.052	-.164	.207	.090
Research and Development	.521	-.171	-.314	.199	-.195	.249
Advanced Technology	.511	.290	.006	.010	.159	.155
After Sale Service	.503	-.158	-.365	.279	-.039	.170
Government Policy	.477	.371	.163	-.148	-.264	-.392
Raw Material Sources	.473	-.162	-.038	-.444	-.207	.025
Transnational Linkages	.439	.404	.153	-.199	.345	.079
Quality Product	.316	-.500	.467	.192	.108	.084
Competitive Price	.425	-.426	.279	.046	.048	-.353
Brand Image	.244	.417	.533	.469	.002	.118
Effective Marketing	.501	.103	.131	.566	-.039	.115
Cluster Formation / Trade Associations	.417	.315	-.058	-.330	.503	.208
Extraction Method: Principal Component Analysis.						
a. 6 components extracted.						

Source: Data compiled through questionnaire

Exhibit 6 Factors Determining Strengths and Opportunities of SSIs: A Rotated Component Matrix

Factors	Component					
	1	**2**	**3**	**4**	**5**	**6**
Quality Product	**.712**	.076	-.013	-.059	-.174	.278
Skilled Labour	**.684**	.290	.069	.202	.009	-.172
Competitive Price	**.676**	-.050	.215	-.117	.214	.064
Infrastructure Facilities	**.610**	.235	.045	.177	.195	-.046
Research and Development	.144	**.696**	.097	-.007	.148	.045
Inventory Management	.089	**.693**	.298	.336	-.051	.035
After Sale Service	.162	**.640**	-.036	.029	.280	.060
Customer Loyalty	.183	**.174**	**.720**	.253	-.207	.191
Government Policy	-.017	-.091	**.684**	.124	.342	.168
Financial Resources	.016	.425	**.554**	-.046	.288	.020
Raw Material Sources	.253	.258	**.496**	.161	-.033	-.298
Goodwill of Firm	.408	.040	**.436**	.179	.293	.039
Cluster Formation / Trade Associations	.052	.075	.033	**.809**	.109	-.072
Transnational Linkages	.050	-.034	.194	**.677**	.130	.165
Advanced Technology	.043	.243	.169	**.474**	.172	.223
Distribution Network	.136	.192	.024	.231	**.750**	.008
Focal Points / Industrial Areas	.057	.227	.186	.130	**.667**	.103
Brand Image	-.005	-.049	.120	.168	-.018	**.840**
Effective Marketing	.171	.375	.046	.041	.222	**.625**
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.						
a. Rotation converged in 7 iterations.						

Source: Data compiled through questionnaire

6.2 Constraints of MSMES for Sustainable Development

Furthermore, a factor analysis was applied to validate the environmental factors imposing challenges/threats to the performance of small scale industries. The items comprised of the parameters, internal and external factors influencing the performance. Respondents were asked to indicate the importance of each item in the pricing decision-making context to a Likert type scale (with 1=very small extent and 5= very large extent.) It aimed to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. The Kaiser-Meyer-Olkin measure is performed to show sampling adequacy and the Bartlett's test of adequacy tests the sphericity of data. The Exhibit.7 discloses the value to be 0.859 which lies between 0.8to 0.9 and is recommended great by Kaiser (1974).

The communalities are displayed in Exhibit.8.It is the sum of the squared factor loadings for all factors for a given variable (row) is the variance in that variable accounted for by all the factors. The communality measures the percent of variance in a given variable explained by all the factors jointly and may be interpreted as the reliability of the indicator. Exhibit.9 explains the variance accounted for by the extraction of communalities as termed as eigen value. The Eigen value measures the amount of variation in the total sample accounted by each factor. The ratio of eigen values is the ratio of explanatory importance of the factors with respect to the variables. If a factor has a low eigen value, then it is contributing little to the explanation of variances in the variables and may be ignored as redundant with more important factors .The exhibit reveals that the data could be identified into nine factors above +1.0 level .It signifies that amongst twenty nine listed factors, nine factors explains the relative importance of the variables thereof.

Exhibit 7 Factors Determining Challenges and Threats for SSIs: A Sample Adequacy Test

	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.859
Bartlett's Test of Sphericity	Approx. Chi-Square	4352.964
	Df	406
	Sig.	.000

Exhibit 8 Communalities

Challenges	Initial	Extraction
Poor Infrastructure Facilities	1.000	.696
Bottlenecks in Bank Financing	1.000	.615
High Rate of Interest	1.000	.660
High Taxation and Complex Regulations	1.000	.640
Raw Material Availability	1.000	.638
Inflation	1.000	.637
Corruption	1.000	.692
Inspector Raj	1.000	.749
Delay in Government Clearance	1.000	.733
Ineffective Government Policies / Schemes	1.000	.522
Business Non-Registration	1.000	.746
Shortage of Unskilled / Skilled Labour	1.000	.686
Shortage of Water	1.000	.626
Shortage of Power	1.000	.578
High Power Tariffs	1.000	.630
High Wages	1.000	.630
Transportation Cost	1.000	.610
Packaging Cost	1.000	.625
Advertising Cost	1.000	.606
High Cost of Land	1.000	.579
High Cost of Industrial Waste Management	1.000	.534
Change in Technology	1.000	.632
Lack of Trade Associations	1.000	.611
Lack of Cluster Formation	1.000	.596
Non Availability of Rail Freight Corridor	1.000	.584
Tax Holiday in Neighbouring States	1.000	.637
Entry Tax on Goods by other States	1.000	.622
Availability of Cheap Imported Goods	1.000	.585
Non Imposition of Anti Dumping Duties	1.000	.595
Etraction Method: Principal Component Analysis.		

Exhibit 9 Total Variance Explained

Component	Initial Eigen Values			Extraction Sums of Squared Loadings		
	Total	percentages of Variance	Cumulative percentages	Total	percentages of Variance	Cumulative percentages
1	6.750	23.277	23.277	6.750	23.277	23.277
2	2.690	9.277	32.554	2.690	9.277	32.554
3	1.706	5.883	38.437	1.706	5.883	38.437
4	1.504	5.188	43.625	1.504	5.188	43.625
5	1.329	4.584	48.209	1.329	4.584	48.209
6	1.190	4.103	52.312	1.190	4.103	52.312
7	1.089	3.757	56.068	1.089	3.757	56.068
8	1.022	3.524	59.592	1.022	3.524	59.592
9	1.011	3.485	63.077	1.011	3.485	63.077
10	.823	2.839	65.916			
11	.789	2.721	68.637			
12	.763	2.629	71.266			
13	.706	2.434	73.700			
14	.658	2.269	75.970			
15	.635	2.191	78.161			
16	.627	2.163	80.323			
17	.585	2.016	82.340			
18	.561	1.935	84.274			
19	.532	1.835	86.109			
20	.495	1.706	87.815			
21	.486	1.676	89.491			
22	.459	1.582	91.073			
23	.450	1.552	92.624			
24	.434	1.495	94.119			
25	.400	1.379	95.498			
26	.360	1.240	96.738			
27	.350	1.206	97.944			
28	.299	1.031	98.975			
29	.297	1.025	100.000			
Extraction Method: Principal Component Analysis. Source: Data compiled through questionnaire						

Furthermore, the Principal Component Analysis has been applied to identify those set of variables which could synthesize most of the total information contained in the original variables. Table 7.8 elucidates the factors determining challenges posed to small scale industries. However,

as it fails to deliver a clear picture of the impact of the mentioned factors, so, it is rotated as depicted in table 7.9. The rotated component matrix shows that first factor is loaded with factors like availability of cheap imported goods, non imposition of anti dumping duties, high cost of land, entry tax on goods and high cost of industrial waste. These factors relate to the policy making and could be termed as regulatory factors. Presence of imported goods ,without anti dumping duties in an industrial regime which is perceived to be non industry friendly by small scale industrialists .These factors not only hurts the local industry, but also go down unfavourably with potential investors who may be contemplating investment in the State . The analysis further shows that second factor is loaded with challenges like high transportation, taxes ,shortage of power, bottlenecks in financing and delay in government clearance. These factors could be summed up as sustenance factors. Having an entry tax on industrial raw materials entering the state means that the cost of production of all units located in the state goes up and their competitiveness is further eroded. Since most other states do not have these levies, this is a wound inflicted on the competitiveness of industry by the government of Punjab. It is highlighted that importance of business-friendly policy environment, quick and transparent decision-making within the government, and low transactions costs favors the businesses and performance.

The third factor shows load on poor availability of infrastructure, raw material supply and presence of high interest rates which could be regarded as procedural and infrastructural hindrance. All the said factors undermine the competence of the industry. The next load is represented by variable like corruption, high power tariff, lack of cluster formation and ineffective government policies which together forms administrative inefficiencies .Fifth load is characterized by lack of trade associations, shortage of water, change in technology and high advertisement cost prevalent in the state. This is followed by shortage of labor and high wages. Punjab experiences migratory labor from Bihar and Uttar Pradesh. Successful implementation of MANERGA scheme has led to shortage of labor which in turn has increased the cost. The seventh factor is loaded with business non registration and Tax holiday in neighbouring states. The fiscal concessions granted by the Government of India to the neighbouring hill states have led to a movement of industrial activity away from Punjab to these states and creating an impact towards non registration. Furthermore, bureaucratic environment , administrative delays, apathetic approach of the government officials and corruption emerge as important messages from interaction with the small scale entrepreneurs of Punjab .Finally, the last and ninth factor shows load on non availability of rail freight corridor and inflation. It is observed that the road infrastructure is certainly not good enough for an industrial take off. Along with strengthening, widening and extending the road network, construction of the dedicated freight corridor by the railways and the inter-state network of the national highways is required. A general improvement in the state highways and road linkages will also change the scenario for industry in Punjab.

To conclude, the above analysis, it indicates that, in general, SSIs have experienced delay in getting credit sanctioned from banks, getting tax- and duty-drawbacks, temporary and permanent registration, clearances for exports, permission for expansion and diversification, power and water connections, and clearance from the pollution control board. Many of these delays are attributable to the working of the departments in the State Government. Thus, the State Government has a major role in reducing the burden of administrative regulations and delays for improving the business environment and, hence, enhancing the competitiveness of SSIs in the State. UNIDO

Report (2005) on Creative Industries and Micro & Small Scale Enterprise Development -A Contribution to Poverty Alleviation also corroborates that together with the appropriate support policies, coherent industrial, cultural and trade policies should be introduced in order to ensure an environment that will encourage the development of these industries.

Conclusion and Suggestions

In the light of the above, the reflections of the analysis could be connoted as these resource abilities of small scale sector could bring fundamental change in its approach and direction of the entrepreneurs. The inherent openness and inductive nature of development process of this sector underpins its irreversibility and marches towards the path of dependency for whole economic system. Ayozie Daniel Ogechukwu(2010) made similar orientations while studying contribution of small scale industries in Nigerian national development. It identified the function of the state regarding the provision and enactment of beneficial and supportive laws to the small industry. The availability of infrastructural facilities, constant man-power development, direct financial assistance to SMEs and the establishment of finance institutions to support SMEs could not be underestimated. Therefore, the roles of SMEs in development and growth are inclusive of the entrepreneurial thoughts, innovation and pragmatic approach towards practical marketing solution to enable the small scale industrial sector for sustainable development. Sustainability thus depends on the possession of international capabilities of product delivery. Further, it must be complemented by other necessary antecedents such as macroeconomic stability, sound logistics, infrastructure, competitiveness of firms, and social cohesion. It will be possible only when the small scale enterprises will acknowledge, appreciate and reap benefits out of it

Moreover, better linkages between small and medium-sized enterprises (SMEs) and affiliates of transnational corporations (TNCs) can potentially improve development. Linkages would help small units to learn new and better production methods and can help to increase SME's efficiency in terms of value and quantum both. Well-developed suppliers can stimulate more investment and help to improve the even the developmental impact of Foreign Direct Investment .Thus, by assessing such initiatives that promote linkages, small scale industries could scale up new and profitable ventures and this would be the first step towards adopting and managing an innovative marketing .

Therefore, it is comprehended that synergizing on their augmenting resources, small scale industries could combat the challenges posed particularly with low access and capital mobilization among small scale industrialists and use if indigenous technologies particularly when tools and equipments have to be imported. The strategy of the firm has to be so designed that there is a proper fit between external opportunities and internal strengths while working around external threats and internal weaknesses.

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