

Shagufa Ali

Importance of Innovation in Small Scale Business in India: An Empirical Study

Importance of Innovation in Small Scale Business in India: An Empirical Study

Shagufa Ali

Asst. Professor, School of Management, Graphic Era Hill University,
Dehradun Uttarakhand India

Abstract

Small-scale firms in India place a great deal of importance on innovation since it helps them expand and succeed overall. Innovation helps these companies stand out, adjust to changing client expectations, and outperform their competitors in a competitive market environment. Innovation enables small firms to create distinctive goods or services that differentiate them from rivals, in the first place. They can draw clients' attention and get a competitive edge in the market by introducing unique and distinctive offerings. The efficiency and productivity of small firms are also greatly improved by innovation. These businesses can restructure their operations, cut costs, and maximize resource utilization by incorporating cutting-edge technologies and procedures. Additionally, innovation makes it easier to look into new industries and business models, giving small firms the chance to grow their clientele and look into untapped potential. It inspires business owners to use their imagination, take prudent chances, and modify their plans in response to shifting market circumstances. Small-scale firms in India rely on innovation as a key driver because it gives them the tools they need to compete successfully, offer distinctive value propositions, and support long-term growth. Sample of 212 people from different business sectors were considered to conduct the study survey and know the importance of innovation in small scale business in India and found that innovation enables small firms to create distinctive goods or services that distinguish them from others and help them to outdo their competitors in a competitive market environment.

Keywords: Small-Scale Firms, Innovation, Expansion and Success, Competitive Market Environment, Differentiation, Long-Term Growth.

Tob Regul Sci.™ 2021;7(5-1): 4653-4658

DOI: <https://doi.org/10.52783/trs.v7i5-1.1418>

Introduction

"Innovation capacity" was examined by Sawaeen and Ali (2020) as a potential regulator in this relationship. They revealed how "entrepreneurial leadership" and a "learning orientation" influenced small enterprises' organizational performance in a favorable way. These elements, it was found, helped the organization's "innovation capacity," which in turn enhanced performance. They stressed that small enterprises may increase their "innovation capacity" and fuel organizational success by creating an "entrepreneurial mindset" and encouraging a constant "learning culture." Gupta and Barua (2016) emphasized the critical role that innovation plays in

Shagufa Ali

Importance of Innovation in Small Scale Business in India: An Empirical Study

Indian small firms' success. They found crucial elements that promoted technological innovation in these businesses by using the "best-worst decision-making approach." They stressed the importance of elements like "the government assistance," "having access to finance," "technological infrastructure," "skilled manpower," and "collaboration with research institutions." In order to respond to shifting market dynamics, satisfy customer expectations, and acquire a competitive edge, these enablers were crucial in establishing an innovation culture within MSMEs.

The significance of innovation in India's small-scale firms was looked into further by Surie (2017). It emphasized the part social entrepreneurship plays in promoting a renewable energy innovation ecosystem. Businesses were able to recognise and take advantage of cutting-edge prospects in the renewable energy market by adopting social entrepreneurship. This emphasized the need of "collaboration between stakeholders," "knowledge sharing," and "entrepreneurial mindset" as essential components in creating an enabling environment for innovation in small-scale firms. These companies significantly influenced the adoption of renewable energy options and made contributions to sustainable development through their cutting-edge strategies and endeavors.

According to Bayarcelik et al. (2014) innovation factors affecting small and medium-sized businesses (SMEs), they highlighted the significance of a number of variables, including "entrepreneurial orientation," "organizational culture," "technology management," "customer focus," and "collaboration" in fostering innovation within SMEs. Small-scale enterprises in India were able to introduce unique goods, increase operational efficiency, and respond to market changes because of these characteristics, which significantly increased their capacity for innovation. They emphasized how the success and expansion of SMEs in India were greatly aided by a conducive innovation environment, which was characterized by efficient resource management, a welcoming organizational culture, and cooperative networks.

Literature Review

Agarwal (2014) emphasised on the value of innovation in India's small-scale enterprises. Investigations were made into the connections between "justice," "trust," "innovative work behaviour," and "work engagement." This showed that employees were more inclined to engage in innovative work behaviour, which eventually increased their level of work engagement, when they felt "justice" and "trust" within their organisation. This brought home how crucial it is for small firms to cultivate a culture of "justice" and "trust" in order to inspire innovation and increase worker engagement. Small firms may develop a workforce that actively contributes to innovation by fostering an environment that appreciates employee input, rewards creativity, and encourages open communication. The importance of innovation in small enterprises in India was examined by Gupta et al. (2013). They concentrated on examining the variables affecting business growth. They emphasised how important innovation was to the expansion of small

firms. In order to promote growth and competitiveness in the small business sector, it was made clear how important it is to invest in new practises, technology, and strategies. Small firms can improve their chances of development and long-term success by consistently looking for possibilities for innovation and adjusting to shifting consumer needs. Coad and Tamvada (2012) found that small-scale enterprises place a high value on innovation. They identified a number of obstacles to progress, including poor infrastructure, a lack of financial resources, and weak managerial skills. They emphasised that for small firms to have continuous success, they must embrace innovation and get past these obstacles. Small-scale businesses could successfully solve these issues and grab development possibilities by implementing creative ways in their goods, services, and business strategies. They emphasised that innovation was crucial in fostering the expansion of small enterprises in India and giving them the chance to succeed in a cutthroat market. The significance of innovation in India's small-scale firms was examined by Aksoy (2017). This showed how these businesses' market performance was positively impacted by a strong "innovation culture" within them. The market performance of small enterprises was also found to be highly influenced by "marketing innovation" and "product innovation," respectively. The importance of investing in "marketing" and "product innovation" as well as building a "innovation culture" was emphasised as being essential for improving the market performance and competitiveness of SMEs in India.

Brem and Wolfram (2014) focussed on introducing concepts for innovation in emerging markets. It emphasised the significance of innovation and its R&D (research and development) in fostering small businesses' growth. They emphasized the importance of innovation in helping small businesses expand into new areas, set themselves apart from rivals, and experience sustained growth. In the context of small manufacturing businesses in emerging economies, especially India, Nanda et al. (2020) emphasized the significance of innovation. They emphasized the necessity for these companies to strategically invest in technology development in order to increase their competitiveness. They emphasized that innovation was crucial in helping small firms become technologically sophisticated businesses that could satisfy the demands of the global market.

With a focus on the mediating function of "innovation capabilities," Jakhar et al. (2019) assessed the influence of input from stakeholders on pushing the adoption of sustainable economic practices. They found that small businesses were more inclined to create and adopt cutting-edge practices that supported the concept of circular economy when they were under pressure from stakeholders like customers and regulatory bodies. They emphasized the vital role that "innovation capabilities" had in easing the shift to a circular economy model. Small-scale companies were able to establish sustainable practices, optimize resource utilization, and satisfy stakeholder expectations by utilizing their "innovation capabilities," increasing their long-term sustainability and competitiveness. Centobelli et al. (2019) looked into the connections between "leanness," "innovativeness," environmental sustainability, and financial performance; they found

Importance of Innovation in Small Scale Business in India: An Empirical Study

that small-scale businesses that adopted "lean" practises and displayed a high level of "innovativeness" observed improvements in both their financial and environmental performance. They emphasized that small businesses were able to strike a balance among environmental sustainability and profitability by putting creative techniques and strategies into practice, like adopting eco-friendly procedures and manufacturing sustainable products. They emphasized the significance of "innovation" as a motivating factor for the achievement and competitiveness of small-scale firms in India.

Objective: To know the Importance of innovation in small scale business in India.

Methodology:

Sample of 212 people from different business sectors were considered to conduct the study survey and know the importance of innovation in small scale business in India. The study is empirical in nature. A checklist question was used to analyze and interpret the data. In a checklist question respondents choose "Yes" or "No" for all the questions.

Data analysis and interpretation

Table 1 Importance of innovation in small scale business in India

S. No.	Statements	Yes	% Yes	No	% No	Total
1	Innovation helps small business to expand and succeed	148	69.8	64	30.2	212
2	Innovation helps small business to stand out and adjust to changing expectations of client	152	71.7	60	28.3	212
3	Help outperform their competitors in a competitive market environment	161	75.9	51	24.1	212
4	Enables small firms to create distinctive goods or services that differentiate them from others	149	70.3	63	29.7	212
5	Help to draw clients' attention and get a competitive edge in the market	150	70.7	62	29.3	212
6	Give small firms the chance to grow their clientele and look into untapped potential	154	72.6	58	27.4	212

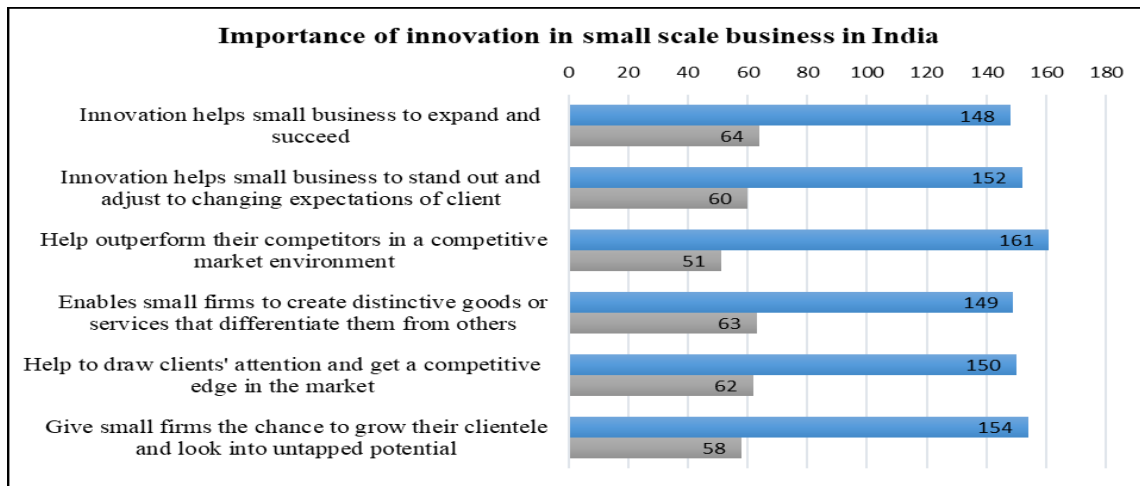


Figure 1 Importance of innovation in small scale business in India

Table and figure above are showing Importance of innovation in small scale business in India. It is found that around 69.8% of the respondent accept that Innovation helps small business to expand and succeed followed by Innovation helps small business to stand out and adjust to changing expectations of client (71.7%), Help outperform their competitors in a competitive market environment (75.9%), Enables small firms to create distinctive goods or services that differentiate them from others (70.3), Help to draw clients' attention and get a competitive edge in the market (70.7) and Give small firms the chance to grow their clientele and look into untapped potential (72.6).

Conclusion

India's small-scale businesses frequently struggle with a lack of resources, tight budgets, and fierce competition. However, innovation gives them the chance to overcome these obstacles and succeed in the market. Small firms can develop new goods or services that satisfy customers' shifting requirements and preferences by employing innovative strategies. In addition, innovation helps small companies streamline operations, boost output, and cut costs. For instance, introducing cutting-edge technologies or automation can streamline processes, improve productivity, and reduce manual errors. For small enterprises, these improvements may result in cost reductions and increased profitability. Additionally, innovation enables small enterprises to maintain relevance and adjust to shifting market trends. Small firms can gain a competitive edge and experience sustained growth by proactively seeing and seizing on emerging possibilities. They are capable of foreseeing customer wants, spotting market inefficiencies, and creating creative answers that address certain requirements. Additionally, innovation encourages small business owners and staff to be entrepreneurial and creative. It promotes a culture of experimentation, problem-solving, and ongoing learning. Small businesses that place a high priority on innovation recruit top talent, promote employee engagement, and develop a dynamic workplace that fosters innovation. In conclusion, innovation is crucial for India's small-scale firms. They may use it to stand out from the competition, streamline their processes, adjust to changing market

conditions, and experience sustained growth. Small firms may overcome obstacles, take advantage of opportunities, and support the broader economic growth of the nation by embracing an innovation culture. The study was conducted to know the Importance of innovation in small scale business in India where maximum people says that innovation Help outperform their competitors in a competitive market environment and also give small firms the chance to grow their clientele and look into untapped potential.

References

- [1] Agarwal, U. A. (2014). Linking justice, trust and innovative work behaviour to work engagement. *Personnel review*, 43(1), 41-73.
- [2] Aksoy, H. (2017). How do innovation culture, marketing innovation and product innovation affect the market performance of small and medium-sized enterprises (SMEs)?. *Technology in Society*, 51, 133-141.
- [3] Bayarcelik, E. B., Taşel, F., & Apak, S. (2014). A research on determining innovation factors for SMEs. *Procedia-Social and Behavioral Sciences*, 150, 202-211.
- [4] Brem, A., & Wolfram, P. (2014). Research and development from the bottom up-introduction of terminologies for new product development in emerging markets. *Journal of Innovation and Entrepreneurship*, 3(1), 1-22.
- [5] Centobelli, P., Cerchione, R., & Singh, R. (2019). The impact of leanness and innovativeness on environmental and financial performance: Insights from Indian SMEs. *International Journal of Production Economics*, 212, 111-124.
- [6] Coad, A., & Tamvada, J. P. (2012). Firm growth and barriers to growth among small firms in India. *Small Business Economics*, 39, 383-400.
- [7] Gupta, H., & Barua, M. K. (2016). Identifying enablers of technological innovation for Indian MSMEs using best–worst multi criteria decision making method. *Technological Forecasting and Social Change*, 107, 69-79.
- [8] Gupta, P. D., Guha, S., & Krishnaswami, S. S. (2013). Firm growth and its determinants. *Journal of innovation and entrepreneurship*, 2, 1-14.
- [9] Jakhar, S. K., Mangla, S. K., Luthra, S., & Kusi-Sarpong, S. (2019). When stakeholder pressure drives the circular economy: Measuring the mediating role of innovation capabilities. *Management Decision*, 57(4), 904-920.
- [10] Nanda, T., Gupta, H., Singh, T. P., Kusi-Sarpong, S., Jabbour, C. J. C., & Cherri, A. (2020). An original framework for strategic technology development of small manufacturing enterprises in emerging economies. *Benchmarking: An International Journal*, 27(2), 781-816.
- [11] Sawaeen, F., & Ali, K. (2020). The impact of entrepreneurial leadership and learning orientation on organizational performance of SMEs: The mediating role of innovation capacity. *Management Science Letters*, 10(2), 369-380.
- [12] Surie, G. (2017). Creating the innovation ecosystem for renewable energy via social entrepreneurship: Insights from India. *Technological Forecasting and Social Change*, 121, 184-195.