



Student Name: Amandeep kaur

Student ID : 2106102

Module name : Dissertation Proposal

Supervisor Name: Gladius David Kulothungon

Submission Date : 21 July 2022

**EXPLORING THE RELATIONSHIP BETWEEN EXTERNAL
ENVIRONMENT AND SME PERFORMANCE: A CASE STUDY
FROM PUNJAB**

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Introduction

Background

SMEs in India have been largely developing due to the role of the external environment such as the political and economical facilities in India. In the context of Punjab, it can be seen that the development of SMEs is highly integrated with the assistance of technological feasibility and economies of scale.

Year	Punjab GDP
2018-2019	5.18 lakh crore
2017-2018	4.76 lakh crore
2016-2017	4.30 lakh crore
2015-2016	3.90 lakh crore
2014-2015	3.55 lakh crore

Figure 1: GDP of Punjab

(Source: Punjab Data, 2019)

The above figure depicts that the growth of Punjab's economy from 4.76 to 51.8 lakh crore depicts that this can contribute well to the growth of the SMEs and developing varieties of manufacturing plants in the state.

Rationale

The growth of the business particularly SMEs has been considerably influenced by the assistance of the external environment. However, in this context, it can be seen that the growth of SMEs has been hampered due to the delay in their paddy cultivation (Thehindu, 2022). The other problems that can be found with the development of the MSMEs are also challenged due to the loss of their per capita income. The country has fallen from the first rank to the tenth in terms of its per capita income (Hindustan times, 2022). This implies that the country's SMEs and the different business organisations have been neglected and decreasing.

The consequence has been due to the impact of the external environment because the external utilisation of the chemical fertilisers in the soil has been degrading the soil for the SMEs who are

integrated with agricultural business. The development of the SMEs in Punjab is initiated with energy consumption and the increasing energy demand and inefficient energy procurement have led companies to be considerably impacted by their development (Punenvis, 2021).

It can be found with the development of the technological facilities in the country, the inflation rate of Punjab in terms of resources has been adversely increasing (Indianexpress, 2020). Therefore, it can be seen that the city SMEs development has been highly impacted due to the changing feasibility of the inflation rate in Punjab. Another major problem that has impacted the development of SMEs has been the high illiteracy rate in Punjab. It can be found that the literacy rate of the Punjab has been only 75.84% which can be depicted from the given below figure of a different district in Punjab:

Punjab Literacy Rate

S.No.	District Name	Population	Literates	Literacy
1.	Hoshiarpur	1,586,625	1,199,699	84.59%
2.	Mohali	994,628	736,575	83.80%
3.	Jalandhar	2,193,590	1,622,537	82.48%
4.	Ludhiana	3,498,739	2,560,225	82.20%
5.	Rupnagar	684,627	502,731	82.19%
6.	Gurdaspur	2,298,323	1,634,719	79.95%
7.	Shahid Bhagat Singh Nagar	612,310	438,459	79.78%
8.	Fatehgarh Sahib	600,163	426,033	79.35%
9.	Kapurthala	815,168	576,567	79.07%
10.	Amritsar	2,490,656	1,684,770	76.27%
11.	Patiala	1,895,686	1,266,791	75.28%
12.	Moga	995,746	627,889	70.68%
13.	Faridkot	617,508	381,285	69.55%
14.	Firozpur	2,029,074	1,227,511	68.92%
15.	Bathinda	1,388,525	844,868	68.28%
16.	Sangrur	1,655,169	1,002,077	67.99%
17.	Barnala	595,527	359,831	67.82%
18.	Tarn Taran	1,119,627	666,162	67.81%
19.	Muktsar	901,896	524,848	65.81%
20.	Mansa	769,751	423,560	61.83%
Literacy rate in Punjab				75.84%

Figure 2: Punjab literacy rate

(Source: India census, 2022)

Aims and Objectives

Aim

The research will aim at understanding the impact of the external environment on the performance of SMEs in Punjab. In this context, it can be said that the research will also aim at developing the potential consideration that can help SMEs to associate the external environment with their development.

Objectives

- To understand the role of the external environment in the development of SMEs in Punjab.
- To understand the challenges that is being faced by the SMEs in Punjab because of the external environment.
- To implement different strategies that can be associated with the SMEs in terms of the external environment of Punjab.

Significance of the study

The entire research is developed to understand the role of the external environment towards the benefits and the influence they make towards the growth of the SMEs. In this context, the research will focus on developing the impact that can benefits the SMEs of Punjab.

Literature Review

External environmental factors related to the growth of SMEs

Small and medium-sized companies have been influenced significantly by their external environmental factors effectively. In the context of SMEs in India, the high political stability of the country has been beneficial for the economic growth of the companies.

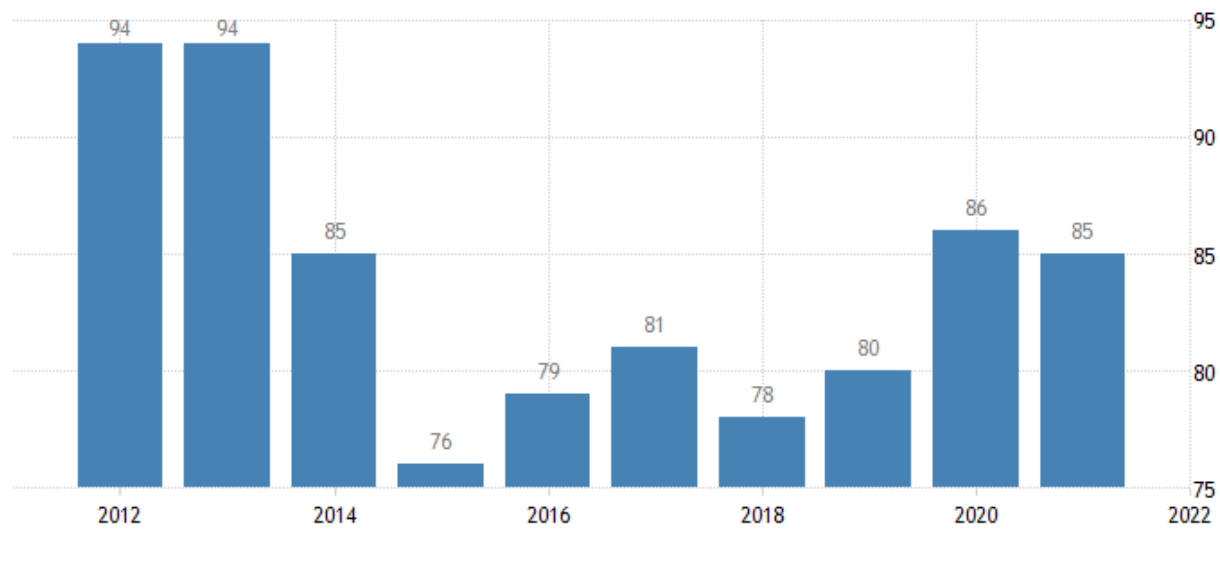


Figure 3: Corruption perception index of India

(Source: Trading Economics, 2022)

The figure above has shown that the corruption perception index of India in 2022 is 85 (Trading Economics, 2022). The high political stability of the country has helped to grow the performance of SMEs in the state of Punjab effectively.

Challenges faced by SMEs in their external environment

Despite having an array of advantages, the SMEs in Punjab have faced detrimental issues in terms of increasing their growth in their external environment. Sabir and Shoukat (2021) have identified that the increasing rate of Covid-19 widespread in Punjab has weakened the financial performance of companies in their respective market areas. On the other hand, the unrest of farmers' protests in Punjab has also created a risky situation for SMEs to increase their financial growth. As of October 2021, 600 farmers in Punjab have committed suicide due to getting no support from the government (Times of India, 2021). The above-stated aspect has also been a pivotal challenge for SMEs in Punjab.

Strategies to overcome identified challenges for SMEs

In terms of reducing the aforementioned issues, the SMEs in Punjab can be benefited from the implementation of worker safety protocols to reduce the widespread of Coronavirus disease in the workplace. Choudhari (2020) has identified that effective mental health support to employees can be beneficial for maintaining their health aspects during the adverse situation of the pandemic. In

the context of SMEs' financial growth in Punjab, the issues regarding the Covid-19 pandemic and farmers' protests can be effectively reduced by mental support providence for the workers.

Theoretical Discussion

Environmentally Responsible Behaviour model

The growth of SMEs in Punjab in terms of financial aspects can be significantly influenced by the usage of the environmentally responsible behaviour model for workers. Su *et al.* (2018) have stated that the environmentally responsible behaviour model can influence the social responsibility of individuals to increase their behavioural aspects effectively.

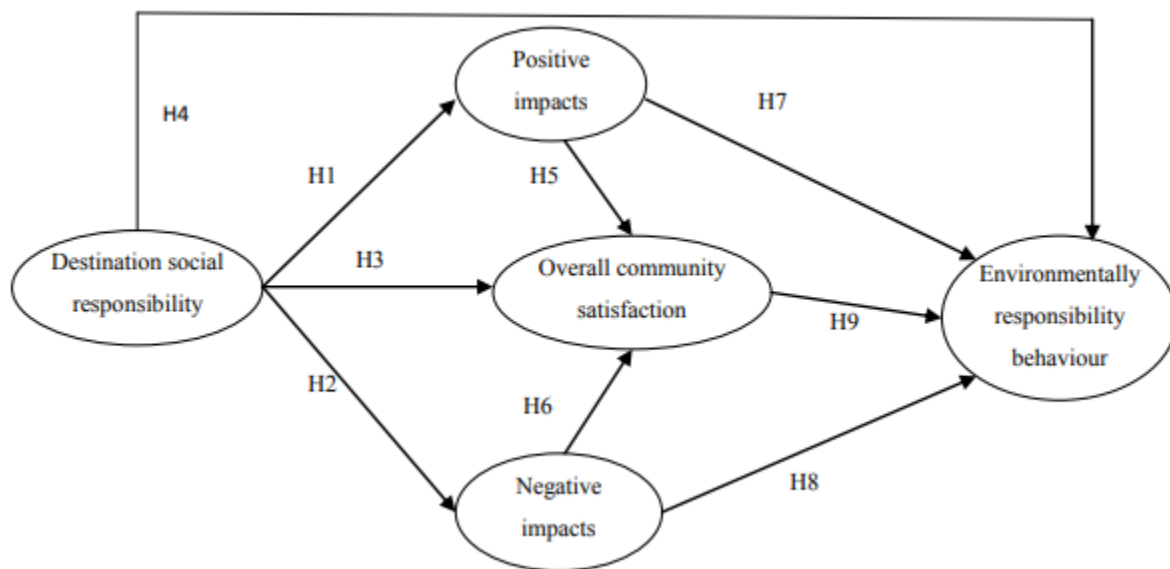


Figure 4: Environmentally responsible behaviour model

(Source: Su *et al.* 2018)

The above figure has shown that the social responsibility of individuals helps to analyse the positive and negative impacts of their actions and understand the satisfaction of the community to enhance their environmentally responsible behaviour (Su *et al.* 2018). The context of SMEs in Punjab can be influenced by workers' environmentally responsible behaviour model to conduct their actions effectively for enhancing their growth financially.

Greiner's Model of Organisational Growth

In terms of increasing their organisational growth, SMEs in Punjab can be benefited from the implication of Greiner's model of organisational growth. Mosca *et al.* (2021) have stated that Greiner's model of organisational growth helps companies to disseminate their life cycle into five phases to increase their growth aspects.

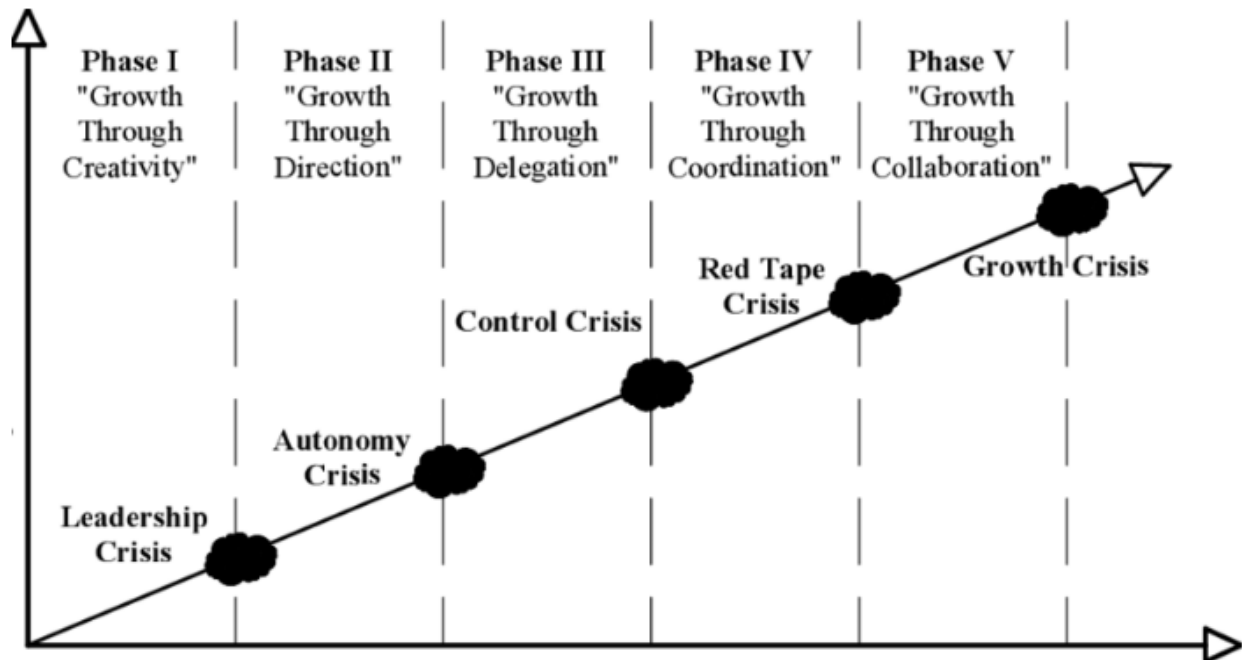


Figure 5: Greiner's model of organisational growth

(Source: Mosca *et al.* 2021)

The above-shown illustration has identified that the five phases of Greiner's model can help to increase companies' growth through mitigating crises regarding leadership, autonomy, control, red tape and growth (Mosca *et al.* 2018). In the context of SMEs in Punjab, the financial growth of the organisations can be effectively influenced by the implication of Greiner's model, as it can help to induce the growth of the companies through creativity, direction, delegation, coordination and collaboration. Moreover, the concerned model can help companies to reduce their external environmental threats effectively.

Literature Gap

The literature review section of this study has effectively analysed the variables of the study. The section has analysed the positive and negative impacts of the external environmental factors on the growth of SMEs in India. However, the literature review section has seen a significant gap in studies, where the strategies that can induce the growth of SMEs in India, especially in Punjab were not effectively analysed. Through the current research study, the researcher will aim to fulfil the literature gap by analysing and recommending the strategies that can increase the growth of SMEs in Punjab.

Methodology

Research Paradigm

Methodology mainly refers to the process that the researcher has used for conducting a study with proper resources and materials. In this context, there are several layers such as philosophy, approach, design, strategy, and methods through which the researcher can reach the specific aim of the study (Saunders *et al.* 2019). In order to explore the significant relationship between the independent variable of the external environment and the dependent variable of SME performance, *interpretivism philosophy and deductive approach* will be considered. As commented by Davies and Hughes (2014), *interpretivism philosophy* reflects the human interest in the study where multiple methods considering qualitative data have been interpreted thoroughly with the concerned philosophy. A deductive approach will also help in signifying the causal relationship among the variables. Hence, the importance of using interpretivism philosophy with a *deductive approach* can be useful for generalising the relationship among these variables. In addition, the *descriptive design* will be considered in this aspect as descriptive studies are closely associated with case studies and observations.

Data Collection

The data will be collected by utilising a mixed method strategy which defines the use of both primary and secondary data for the research. In this context, the researcher will consider only qualitative data which will be collected through primary semi-structured interviews and secondary authentic sources. *5 managers from the SMEs in Punjab* will be interviewed with *3 open-ended questions* for gathering primary data which provides real-life information relating to the relationship between the external environment and SMEs' performance **[Refer to Appendix]**. Secondary data will be collected from *20 authentic secondary sources* including Google Scholar, government websites, different online websites, and company websites.

Sampling

Then random probability sampling procedure will aim to be considered to gather specific cases of elements from a large population (Snyder, 2019). In this context, the random sampling method will help the researcher in deriving the particular sample useful for the research from a large sample size. In consideration of the random sampling process, 12 authentic sources will be selected from the total population of 20 sources for gathering recent data which provide specific phenomena for generalising findings.

Data Analysis

The collected primary data from the semi-structured interview will be analysed by following the narrative data analytical tool considering the transcript. It helps in evaluating the perceptions of the managers of SMEs in the context of the impact of the external environment in their organisation. In addition, the secondary data will be analysed through a thematic analysis process where the researcher will make 6 themes considering the collected data.

Validity and Reliability

The validity will be measured by assessing the suitability of the measurement tool used in conducting the study whereas reliability indicates the potential similarities of the research outcomes derived from any researchers under similar circumstances (Pandey and Pandey, 2021). In this context, authentic sources will be maintained to collect data for producing a valid and reliable outcome.

Ethical Consideration

The researcher will send consent to the managers prior to taking the interviews and maintain confidentiality throughout the research. In addition, the collected data will be secured and protected following Data Protection Act 2018.

Expected Outcomes

It is expected by analysing the concerning approaches considered in the study that the researcher can reach the aim and evaluate the necessary outcomes. In this context, it can be aimed that the significant relationship between SMEs' performance growth and environmental factors can be explored throughout the research. The interview results will indicate real-life perceptions of the SMEs' managers whereas secondary research findings will provide in-depth knowledge by exploring the recent data.

Timeline

Name	Duration	Start	Finish	Predecessors
Identify Research Rationale	5 days	7/18/22 8:00 AM	7/22/22 5:00 PM	
Identifying the relationship between external environment and SMEs' growth	10 days	7/25/22 8:00 AM	8/5/22 5:00 PM	1
Developing Research Aim and Objectives	3 days	8/8/22 8:00 AM	8/10/22 5:00 PM	1;2
Reviewing Literature for understanding the impact of external environment on SMEs' performance	15 days	8/11/22 8:00 AM	8/31/22 5:00 PM	3
Choosing Research Methods	2 days	9/1/22 8:00 AM	9/2/22 5:00 PM	4
Primary data collect through interview	15 days	9/5/22 8:00 AM	9/23/22 5:00 PM	4;5
Secondary data collect through secondary sources	5 days	9/26/22 8:00 AM	9/30/22 5:00 PM	6
Analysing the collected data	6 days	10/3/22 8:00 AM	10/10/22 5:00 PM	7
Linking to the findings with objectives	4 days	10/11/22 8:00 AM	10/14/22 5:00 PM	8
Conclude the research	2 days	10/17/22 8:00 AM	10/18/22 5:00 PM	8;9

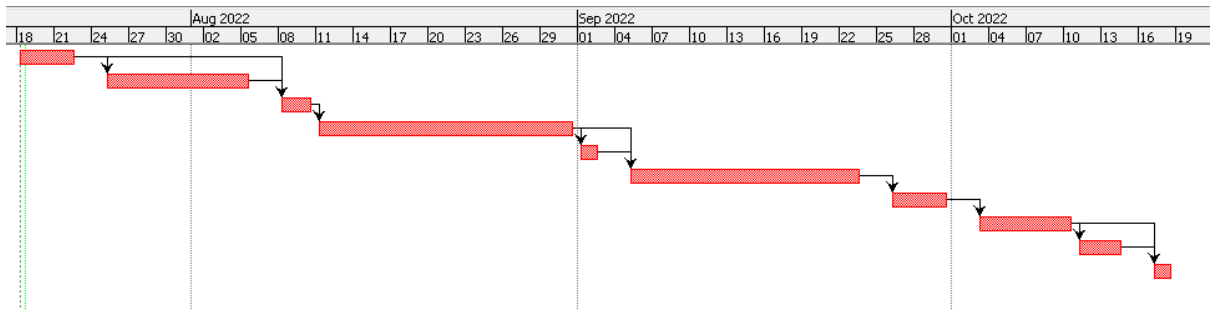


Figure 6: Gantt chart
(Source: Self Developed)

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Appendix: Interview Questions

- What do you think regarding the role of external environment in developing SMEs' performance in Punjab?
- According to you, what are the challenges that have faced by your organisation in Punjab for external environment issues?
- What do you think about the strategies that can be adopted for enhancing SME's growth in Punjab?