

# Innovation and growth of engineering SMEs in Bangalore: Why do only some innovate and only some grow faster?

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## Abstract

This paper probes two research questions by ascertaining the factors which distinguish (i) innovative SMEs from those which are not, and (ii) SMEs which experienced a higher sales growth from those which experienced a lower sales growth, with reference to 197 engineering industry SMEs in Bangalore city. The differentiating factors between innovative and non-innovative SMEs brought out that SMEs must have “own resources and capabilities” in the form of internal strength and definite internal strategy if they have to innovate successfully. Younger and smaller firms which are “entrepreneurial” in nature and which are innovative contributed to higher sales growth of SMEs compared to older and larger firms which are “salary-substitute firms” in nature and which are not innovative.

## Keywords

- Innovations;
- SMEs;
- Growth;
- Bangalore;
- India

## JEL classification

- L5;
- O3