



Development of small and medium scale enterprises in Uttarakhand: Problems and possibilities

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Abstract

The present study was conducted during 2005 to 2010 at Hemwati Nandan Bahuguna University (A Central University) Uttarakhand to study the Entrepreneurship and Small and Medium Scale Enterprises in Uttarakhand with the objectives of to study the role, development status, financial status, growth and performance of small and medium scale industries in Uttarakhand. Micro small and medium enterprises are globally known as engine of economic growth and promoting equitable development. Its potential for generating employment and capability to start enterprise at a lesser cost has given it a primary importance in developed, developing and under developed economies. They play an important role for a nation and regions to thrive by time. The individual's mind needs to identify the entrepreneurial opportunity and convert them into possibility. They today face many challenges like access to affordable and adequate finance, non-availability of skill labour, lack of access to technology, inadequate marketing support and many more. The major problems considered by the research are the changing global environment, in updating their technical knowledge in this fast changing technical era, diminutive role of women entrepreneurs in managing the units, financial assistance and international support system.

Keywords: entrepreneurship, SME, growth, Uttarakhand

1. Introduction

Uttarakhand State was carved out of the state of Uttar Pradesh on November 9, 2000. It is divided into two broad regions-Garhwal and Kumaon. The state is comprised of 13 districts, namely, Chamoli, Pauri, Tehri, Uttarkashi, Dehradun, Haridwar and Rudrapur in the Garhwal region and Nainital, Almora, Pithoragarh, Udham Singh Nagar, Champawat and Bageshwar in the Kumaon region. Of these 13 districts, four districts (Nainital, Haridwar, Dehradun and Udham Singh Nagar) have large areas in the plains, whereas the other nine districts comprise the hill region of the state. The formation of the new state had to fulfill the high expectations of the local people related to development and better living standards. However, within Uttarakhand there is a geographical inequality between the hills and the plains that divides the state critically. The State Infrastructure & Industrial Development Corporation of Uttarakhand Limited (SIDCUL), a government of Uttarakhand enterprise, was incorporated as a limited company in the year 2002 to promote industrial development in the state. It provides financial assistance to promote industries and develop industrial infrastructure in the state of Uttarakhand directly or through Special Purpose Vehicles, Joint Ventures, assisted companies, etc. Most of its major industrial infrastructure has been developed in the plains with limited concentration in the hills. Some of its major projects include the Integrated Industrial Estate at BHEL in Haridwar, the districts of the state, to develop industrial infrastructure, and to encourage entrepreneurial development through market

Encouragement and financial support to entrepreneurs. The creation of employment opportunities along with the removal of economic backwardness is expected to help control the migration of the population towards the plains and other states in search of better livelihoods. This policy targets industries in the manufacturing and services sectors. These steps are in addition to the Industrial Policy, 2003, which aimed to provide a comprehensive framework to enable a facilitative, investor-friendly environment to ensure rapid and sustainable industrial development in Uttarakhand and, through this, to generate additional employment opportunities and to bring about a significant increase in the State Domestic Product and eventual widening of the resource base of the state. The policy looks at providing single-window facilitation in the state to expedite project clearances and to provide an investor-friendly climate. It also looks to provide and facilitate expeditious land availability for setting up industrial ventures and infrastructure projects. The policy aims to provide assured, good quality, uninterrupted and affordable power for industries and to simplify and rationalize labour laws and procedures in line with current requirements while ensuring that workers get their due share in the economic prosperity of the state. For small-scale industries, cottage, khadi and village industries, handicrafts, and the silk and handloom sectors, it will assist them in modernization and technological upgrading and provide necessary common facilities and backward and forward linkages, including product design and marketing support so as to make them globally competitive and remunerative.

Table 1: Total Number of Small and medium Scale Enterprises in Uttarakhand their manufacturing and service

Description	Number	Manufacturing Enterprises	Service Enterprises
Micro Enterprises	>1000000	Up to 25 Lacs	Up to 10 Lacs
Small Enterprises	41216	Above 25 Lacs & up to 5 Carores	Above 10 Lacs & up to 2 Carores
Medium Enterprises	191	Above 5 Carores & up to 10 Carores	Above 2 Carores & up to 5 Carores

Source: Medium and small scale enterprises, 2006, Government of India

2. Problems faced by small and medium scale enterprises

A. Inadequate finance

They require a strong capital base and create a problem regarding the bankability of the business. Also the delay in processes and lengthy paper works for bank loans has become an obstacle for generating adequate finance for the firm. Credit facilities are not easily accepted by the MSME entrepreneurs as they find it a burden and not an effective way of raising funds.

B. Non-availability of skilled labour

There has always been a gap between right person and the right job. This gap can only be covered by a skilled individual for whom the job opportunity is waiting. A reason could be lack of training and development programs which could be given to an individual. One reason could be low employability of graduates. A major part of the youth in today's scenario is focussing on gaining degrees rather than brushing up their skills. The reason could be their lack of focus, improper directions or inability to find their objectives. There are many schools which are providing only theoretical knowledge which reduces the practical exposure of a student as well as lack in having current relevant information and knowledge.

C. Inadequate marketing support

Because of poor capital there is improper and inaccurate research & development activities undertaken so that they could identify the existing market and its conditions. They need to make a shift from traditional marketing to relationship marketing

D. Lack of access to technology

Technology has a great impact on the life of them due to its rapid change and development. Timely upgradation and access to technologies can actually revitalize and revolutionize the MSME and its productivity. They have low level of awareness and capital for technology. They rely on manual technique of doing work.

E. Lack of raw materials

Uttarakhand is unable to make an attractive business environment in the hilly regions. The state is failing in its end eavours in making it a favourable destination for industries because of its remoteness in hills and high transportation expenses even if the raw materials are brought from other states. Majority of the enterprises fall under the rural areas of Uttarakhand. Industries in rural areas find it difficult to integrate with urban areas which are leading to inefficiencies in procuring raw materials and reaching the target market.

F. Lack of management skills

Many of them in Uttarakhand are laid back due to its poor management and leadership skills. They are unable to adopt management best practices like strategic management, adoption of high performance measures and practices, HR practices like constructive decision making, employee training and development programmes and many more.. A single operation is managed by one who performs a number

of functions with no formal training and leads to low productivity and may risk the life of the firm.

G. High customer demand

Because of the rapid change in the tastes and preferences of the customers it has become difficult for the industries to introduce new products or services frequently and meet the need satisfying the customer's expectations. Due to lack of effective technologies also they are not able to meet the customers in volume productivity and also lead to inferior quality of the products and services.

H. Huge competition

As they operate in labour intensive production processes and has poor technologies they face an immense competition by the imported products because of the high production costs. Imported products incur a huge amount of capital in their formation through effective R& D and gain a competitive edge. Large scale units usually have huge resources for their promotion.

I. Lack of land resource

The shortage of industrial land is giving rise to more & more backward operations. Being majorly a hilly destination it is difficult to establish an industry in these areas. The lands that are available in plains are not affordable by them for their establishment and the land that are available are under government control and ownership.

3. Suggestions for improvement in small and medium scale enterprises

A. Redefine /reformulate MSME

Valuating the definitions and other influential factors in different countries it states that investment in capital for defining MSMEs are extremely low and should be increased to some extent.

B. Cost of Credit

Exporters of MSME who makes repayment regularly and on time should be allowed more increased percentage of interest subsidy. Introducing a system through which the foreign currency limits are elevated automatically and undoubtedly in accordance to fall in rupee. The banks should also increase the percentage of export credits.

C. Boost in Marketing

Encouraging enhancement of budget under MDA (Market Development Assistance)/ MAI (Market access initiatives) schemes. MSMEs the should be helped in concentrating on brand development and should be given international platforms to promote themselves and their products. For example: trade fairs. There should be reduction of income tax for marketing expenditure and E-Commerce.

D. Technological up-gradation

Implementation of capital and interest subsidies for timely and fast technological adoption.

E. Enhancement of Productivity

There must be an effective reformation in the labour laws about the overtime by employees in order to enhance productivity. Encouraging more women employment

Opportunities and assuring safety to work in night shifts.

F. Skills training and Development

Allotment of more funds for establishing research Centres, product development and growth Centres. Developing and establishing of more technical institutions and CSIR labs.

G. Improving Infrastructure

Improvement of infrastructure like air cargo, sea ports, rail roads and major highways.

H. Solutions for Sector Specific problems

Effective moves to be under-taken to solve sector oriented problems. For example: handicrafts and leather industries.

I. Improving Institutional structure

Creating development institutions for resolving policy issues and problems related to implementation for the betterment of the sector.

J. Solving Tax issues

In order to reduce costs for MSME exporters different ECGC policy (Export Credit Guarantee Corporation of India) should be implemented. Efforts should be made to reduce various other legal compliances.

4. Previous findings

The review of literature seems to be indispensable, as it provides strong feedback to the present study to strengthen research activities. The some of the important previous research literature covering various dimensions of MSMEs are presented here. Birch (1979) ^[8] argued that small firms are particularly important in job creation. He reports that over the 1970s, firms with fewer than 100 employees generated eight out of ten new jobs in America. However, a wide array of evidence rejects the view that small firms are the engines of job formation. (Dunne, Roberts, and Samuelson, 1989; Leonard, 1986; Brown, Hamilton, and Medoff, 1990) ^[9]. This paper reviews the existing micro-economic evidence on whether MSMEs boost economic growth in India in respect of continuous growth in number of units, production, employment and exports. Morck, Shleifer and Vishny (1988) ^[10], concluded that disciplinary takeovers are likely to be hostile transactions, whereas synergistic takeovers are likely to be friendly transactions. Hostile transactions are acquisitions that go against the wishes of the target company's management. Finnerty (1976) ^[11]. Concluded that the occurrence of profitable insider transactions implies that, "trading on inside information is widespread" and that insider actually do violate security regulations." Keown and Pinkerton (1981) ^[12], provide evidence of excess returns earned by investors in acquired firms prior to the first public announcement of planned mergers. Seyhun (1986) ^[13], examining transactions reported to the SEC, finds that corporate insiders earn excess returns that are on average small. Appasaba I. et. al (2013) analysed the growth and development of the Indian small scale sector from opening of the economy in last few years. Sudha Venkatesh *et al* (2012) ^[15] analyzed the importance of smes in their study and identified the problems of finance, marketing and low quality. Taking into account the enormous potential of the small sector, the entrepreneurs and the policy-makers must act collectively to facilitate growth in this sector. Dr. K. Alamelu and R. Baskaran in the paper discussed msme with regard to the core challenges of msme like inadequate access to credit and working capital, dwindling of a vibrant sector, non-availability of quality raw materials and packaging facilities on a timely basis, insufficient market research, linkages &

design inputs, rehabilitation of sick SSA units, globalization, and technology up-gradation and achieving 'economies of scale'.

5. Conclusion

They being a major contributor to the state of Uttarakhand as well as the whole economy in terms of employment generation, growth and development of the domestic economy must be granted with enough support like providing infrastructure, developing SEZS (Special Economic Zones), developing technology and other relevant assistance. They must operate with skilled workforce that can be trained and brushed up by creating and enhancing networks with other organizations that provide training and development programs. The idea of entrepreneurship must be given more light for the betterment of the sector. The MSMEs of Uttarakhand in order to make their products acceptable in domestic and international market must work on innovations and put more emphasis on up gradation of technologies.

The requirement of the hills are totally different from the requirements of the plains, as the cost involved in the starting and running a business can be just three or four times of what it can be in the plains. This is also the reason why many of the people are migrating from the hills of Uttarakhand, as they don't find any opportunity in the local area. The problem can be overcome, if we introduce some wealth creation centers in the hill areas of the state. These wealth creation centers will provide them in learning various skills to start their own venture, provide them assistance, as guidance to start business, use local resources and man-power. It will also help in generating jobs for many who want to migrate.

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