

## A peep into the status of small medium enterprises in Uttarakhand, India

Shalini Choudhary<sup>a</sup>, J. P. Singh<sup>b</sup>, Tejvir Singh Tomar<sup>c</sup>

<sup>a</sup> Shri Venkateshwara University, Gajraula, Amroha, (U.P.), India

<sup>b</sup> Dean, Management, Shri Venkateshwara University, Gajraula, Amroha, (U.P.), India

<sup>c</sup> S.M.J.N. (PG) College, Haridwar, India

**Corresponding author:** Shalini Choudhury

### Abstract

Uttarakhand, formerly Uttaranchal, is a small state in the northern part of India. It is often referred to as the Devbhumi due to the many Hindu temples and pilgrimage centers found throughout the state. Uttarakhand is the 27<sup>th</sup> state of the Republic of India. The aim of present review work is to highlight current status and the role of small-scale industrial units in economic development of Uttarakhand. The relevant literatures and secondary data are collected and reviewed. The collected data and the outcome of the review revealed substantial growth in the sector concerned (SMEs) but with the lack of growth in the tourism industry which indirectly influences the results negatively.

**KEYWORDS:** SME, Uttarakhand, small scale industry

### Introduction

Uttarakhand is the 27<sup>th</sup> state of the Republic of India. The state was carved out of the Himalayan and adjoining northwestern districts of Uttar Pradesh on November 9, 2000. It covers an area of about 53483 Sq Kms. The state is divided into two broad parts including Garhwal and Kumaon regions. There are 13 districts in the state which includes 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. Nainital, Haridwar, Dehradun and Udham Singh Nagar are the districts with large area in plains and other districts are mostly hill regions. Most of the developments and industrializations are prominent in the plain areas only leaving behind the hilly regions. The recent scenario in terms of industrialization in the state demonstrated several manufacturing giants establishing their manufacturing units in the plain regions of the state which includes TATA, Bajaj, Hero Honda, Hindustan Liver Ltd, Nestle, Britannia, ITC, Birla Tyres, Asahi Glass and many more. These developing strategies are due to the enforcement of the Special Concessional Industrial Package granted by Government of India. However focus on the small scale industries is still questionable despite of the tremendous endorsement by the central government. The aim of present work is to highlight the current status and role of small-scale industrial units in the region towards the economic and overall development of the Uttarakhand state.

### Types of small medium enterprises (SMEs)

The Micro, Small and Medium Enterprise Development Act (MSMEDA), 2006, defines and elaborates the micro, small and medium enterprises in India as follows:

**Table 1.Types of SMEs**

<b>Manufacturing Sector</b>	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
<b>Service Sector</b>	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

**Source:** Adopted from Ministry of micro, small and medium enterprises ([www.dcsmse.gov.in](http://www.dcsmse.gov.in))[1]

### Small scale industries in Uttrakhand

Uttarakhand has taken a rapid growth for industrialization. Many industrial shops have been provided by the central and state government to grow industrialization in the state. In order to develop the industrial infrastructure in the state many policy initiatives were brought in and private players were also encouraged to invest through public private partnership mode. The industrial policy of the state focuses on the sectors where Uttarakhand has inherent advantage like agro and food processing, floriculture, handloom, hydropower, khadi and village industries and tourism. The industrial policy aims to accelerate industrial development in the industrially backward and remote hill districts of Uttarakhand. It focuses to develop industrial infrastructure to encourage entrepreneurial development through market encouragement and to provide financial support to entrepreneurs in the state. Further, State Infrastructure & Industrial Development Corporation of Uttarakhand Ltd (SIDCUL) has also boosted the development of industrial infrastructure in the state. SIDCUL facilitates implementation and management of various projects[2].

**Table 2. Number and growth rate of registered working enterprises**

	Number of registered Working Enterprises		
	3 <sup>rd</sup> All India Census of SSIs (2001-02)	4 <sup>th</sup> All India Census of SSIs (2006-07)	Annual Compound Growth Rate (%)
<b>Uttarakhand</b>	15,285	23,765	9.23
<b>India</b>	1,374,974	1,563,974	2.61

### Small Scale Industry and Uttarakhand's Economic Development

The role of small scale industries sector is estimated in respect of various performance parameters relating to the sector. The time series data in respect of the Sector on various economic parameters is incorporated in the some following table. The data in the Table 1 refer to micro and small scale industry only. The small scale industries provide estimates in respect of various performance parameters relating to the growth of small scale industries sector. The table 3 showing the time series data on various economic parameters is given below.

**Table 3. District Wise Industrial Scenario of Uttarakhand**

District	Registered units From formation of state (upto 08-11- 2000)			After formation of state (09-11-2000 to March, 2013) Registered MSMEs			Total Registered MSMEs		
Nanital	618	3513	158.36	1836	6856	219.645	2652	10369	378.005
US Nagar	804	4899	233.71	3553	34596	2440.134	4357	39495	2673.844
Almora	904	1846	17.78	2013	3713	27.596	2917	5559	45.376
Pithoragarh	534	1013	5.85	1519	3350	25.873	2053	4363	31.723
Bageshwar	387	607	2.04	630	1296	13.854	1017	1903	15.894
Champawat	147	322	4.95	669	1483	13.737	816	1805	18.687
Dehradun	2321	7232	88.01	3562	27501	709.789	5883	34733	797.799
Pauri	1720	4196	28.39	2330	6391	111.669	4050	10587	140.059
Tihri	1025	2413	1444	2068	5200	65.745	3093	7613	80.185
Chamoli	844	1154	5.45	1509	3117	34.620	2353	4271	40.070
Uttarkashi	1734	2364	10.60	1440	2700	27.375	3174	5064	37.975
Rudraprayag	394	737	7.20	743	1823	22.883	1137	2560	30.083
Haridwar	2533	8213	123.51	4014	41080	2799.050	6547	49293	2922.560
Total	14163	38509	700.29	25886	139106	6511.970	40049	177615	7212.260

Uttarakhand has shown consistent industrial growth since its very inception. The industry sector contributed a share of around 36% in GSDP during 2012-13. In order to promote industrial development in the State, State Infrastructure & Industrial Development Corporation of Uttarakhand Ltd. (SIDCUL) has been incorporated. SIDCUL provides financial assistance in the form of debt, equity and venture capital to facilitate the development of infrastructure in the state. It also provides assistance to private initiative in industry and infrastructure.

Apart from large industries, the MSME sector has a pivotal place in Uttarakhand's economy. The state has ample scope for the MSME sector and as a result there are around 2.2 lakh MSME units in the state. As per the Annual Report 2012-13 of Ministry of micro, small and medium enterprises, the gross output of micro, small and medium enterprises in Uttarakhand stands at around Rs 16188 crores[3].

**Table 4. Estimated number of enterprises and employment of MSME sector [Fourth All India Census of MSME and Economic Census 2005 (EC 2005)]**

	Number of Enterprises (Lakh)			Employment (Lakh)		
	Registered Sector	Unregistered Sector	Total	Registered Sector	Unregistered Sector	Total

		Sampl e	EC05			Sampl e	EC05	
<b>Uttarakhand</b>	0.24	2.00	1.51	3.74	0.80	3.62	2.54	6.96
<b>India</b>	15.64	198.74	147.38	361.76	93.09	408.84	303.31	805.24

**Source: Annual report 2011-12, Ministry of micro, small and medium enterprises.**

In last few years Uttarakhand has grown as one of the most attractive industrial destinations in India. The government is encouraging private participation in all industrial activities. And as a result big players have set up units in the state. The New Industrial Policy announced in 2003 by the state government puts in place the regulatory framework for Uttarakhand's industrialization. The New Industrial Policy indicates that private resources may be tapped while promoting integrated Industrial Estates in Uttarakhand[4].

There are five types of institutions for promoting the products of SME's:

1. Central Government Institutions
2. State Government Institutions
3. Other Agencies
4. Financial Institutions
5. Industry Associations

#### **Promotion of MSMEs**

Uttarakhand should focus on promotion of MSMEs in the plain areas for the growth of economy with their effective, efficient, flexible and innovative entrepreneurial spirit. As MSMEs have major advantage of its employment potential at low capital cost, it will help to encourage steady flow of investments in the state. Further, labour intensity of MSME sector is much higher than that of large enterprises it will play a critical role in providing employment opportunities which people must have lost due to disaster. It will help in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of income and wealth.

The role of MSMEs sector would be crucial in terms of skill development and employment generation in the state going forward. The facilitation of MSMEs would enhance production possibilities and help to achieve higher growth trajectories for the industry sector. MSMEs have potential to play a key role in generating growth, especially pro-poor, more equitable and inclusive growth. Going ahead, MSMEs may emerge as the best vehicle to sustainable industrial growth in the industrial sector of the state and create domestic demand. The state government should provide easy water availability, power connectivity, physical infrastructure and other utilities linkages to boost the growth of MSMEs in the state[5].

#### **Promotion of MSMEs Exports**

The total exports from Uttarakhand as on date are to the tune of Rs 600 crore and are expected to grow upto Rs 1000 crore in the current financial year. Major exports of the state are from the pharmaceutical sector and potential regions of exports are South Africa, Russia and South Asian Countries. Going forward, the focus areas of exports from Uttarakhand lies in the geographical advantages of beautiful terrain suitable for services industry including tourism, organic produce and potential market for the rare spices and herbs. The proper planning and implementation involving industry will be the key to the

development of the states' economy through exports. Infrastructural needs like roads, dry ports and power are vital. Skill development would play an important role in accelerating growth of exports and overall economy[3].

#### **Performance of small scale industry (SSI) with regard to employment**

India is the second most populous and seventh largest country in the world. Our country has plagued with major chronic problem of unemployment. This is due to the agrarian character of our economy base. Mahatma Gandhi had also advocated small scale industry.

#### **Employment and SSIs**

**Table 5. Principal Characteristics of MSME Sector (Fourth All India Census of MSME)**

	<b>Enterprises(lakh)</b>	<b>Employment (lakh)</b>	<b>Market value of fixed assets (Rs. Crore)</b>	<b>Gross Output (Rs. Crore)</b>
<b>Uttarakhand</b>	2.23	4.42	6014.98	16187.64
<b>India</b>	214.38	501.93	689954.86	1077212.86

**Source: Annual report 2011-12, Ministry of micro, small and medium enterprises.**

#### **Role of SMEs in Uttarakhand**

The Small and Medium Enterprises contribute to the economic development in a big way. They offer productivity and quality at par with the large-scale industries. The small and medium scale sector has grown in the country in terms of production, exports quality and is now gearing to accept the new challenges. They also make available to the masses a far wider range of consumer and industrial goods. Small and Medium Scale units are the backbone of the industrial structure in the state of Uttarakhand. These units are manufacturing a variety of goods ranging from tiny needles to sophisticated electronic goods. Market information is a necessary input for successful marketing planning and execution. Information collected from the market helps in the decision making process of the organization and helps the organization to estimate the future consumption patterns and hence, also helps in production planning and operations, procurement of raw material at right time, streamlining of production and distribution processes and deciding on the marketing network. So, the small and medium scale industries should focus on it for further development of this sector[6].

The state has seen strong industrialization since 2003, but that was mainly in the plains, following the special package announced by the Centre in 2003. Thus an Integrated Industrial Development Policy 2008 was launched in February especially for the industrial development of hilly and remote areas in the state. This policy has aimed at the economic development of the hill region. With the objective of inclusive growth, the main concentration is now on the hill districts. This policy aims to celebrate industrial development in the industrially backward and remote hill 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[7].

### **Importance of SME's in growth of economy**

SME's are officially defined and exclusively identified for promotion in the manufacturing sector of most national economies. The most important justification for the exclusive promotion of SME's is their potential for employment intensity. In general, a SME generates more jobs per unit of capital investment than a large enterprise. A SME has many other benefits: it can be started with relatively less capital; it facilitates nurturing of entrepreneurship, which could emerge from within; it can be used as an instrument for alleviating regional disparities in development etc. Further, a SME is flexible in production, has the potential to be a training ground for managerial skills, promotes individual initiatives, and encourages rich personal relations. Therefore, it is often promoted as a source of technological innovations in industrialized economies[8].

### **Facing and addressing the challenges as an SME in Uttarakhand**

These include:

- Regular supply of power
- Reasonable tariff of power
- Development of infrastructure
- Labour / transport union and related issues
- Security and law & order related issues
- Entry tax and other taxes
- Pollution control related issues
- Training of technical manpower

A recent survey has shown striking facts about SMEs in Uttarakhand. Already 7,485 units have closed down due to lack of demand, power shortage and working capital constraints. Out of the 33,565 registered units, 7,485 got permanently closed in the MSME sector and 2,313 are not traceable.

In Uttarakhand, total 226,513 units are found in working condition. Out of these, 23,767 are registered and 202,746 are unregistered. The registered category has 13,439 units in manufacturing and the remaining units are in service sector. The unregistered category has 170,466 units in service sector and the remaining are in manufacturing. The registered category has 35 medium-sized enterprises, 384 small and 23,348 micro enterprises. The Gross output of registered units is Rs 11,839 crore. Self financing is also found prevalent. The registered units have 17,814 self-financed enterprises and the unregistered category has 192,321 self financed units. It is also found that 10 per cent (or 2,434) are run by women entrepreneurs in the registered category. The MSMEs are found to directly employ 400,000 people. The registered category employs 115,629 people out of which 62,915 are in manufacturing and 19,706 in service sector. The unregistered category employs 201,486 people in the service sector. Six to seven percent of women are employed by the MSMEs. Lot of factors goes into the closing down of 7,485 units in Uttarakhand. Problems like power shortage, lack of working capital, labour and market problems, non-availability of raw material are factors that led to the closing down of units. Non- agriculture enterprises has been surveyed in Uttarakhand with 337 villages and 13 towns taken as samples. Industrialization found its momentum during the last three to five years. The last census registered 30,000 MSMEs in the State. The main

objective of such census is to create a database of MSMEs sector-statistics so as to maintain a record of health and employment of MSME sector in the state[9].

### **Conclusion**

SMEs have been focused and known to put significant development towards the economic growth of a region with potential for employment opportunities including low capitalization. Surveys and research already demonstrated SMEs as the significant economic growth indicator for a region or country, thereby endorsing entrepreneurship. The review revealed significant development in the SME sector in Uttarakhand indication potential growth in near future. However the growth and developments are limited to the plain region of the state leaving behind the hilly regions of the state. More new policies need to be devised focusing the hilly regions of the state.

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