

Entrepreneurship and Micro small Medium Enterprises in Uttarakhand: Issues and Possibilities

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Abstract—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 plays 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. Uttarakhand has been a popular and attractive destination for industrial set-ups. Development of Them will help in its long term sustainability. They will contribute in developing the hilly and remote districts of the state and create livelihoods, but if compared with other state, the performance of MSME is lacking. This paper enlightens, the current status of MSME in Uttarakhand with problems faced by them and suggestion to improve its performance on the basis of literature review, as certain problems are different from many of the states as maximum geographical areas of Uttarakhand falls in hills.

Keywords: Entrepreneurship, MSME, Growth, Uttarakhand

1. INTRODUCTION

The MSMED act, 2006 defines the micro, small and medium enterprises based

- (i) On the investment in plant and machinery for those engaged in manufacturing or production, processing or preservation of goods and
- (ii) On the investment in equipment for enterprises engaged in providing or rendering of services.

MSME (micro, small and medium enterprises) works as an engine for an economy to grow and develop especially for the countries like India where the people believe in labour intensive work with less capital investment. They are significant source of employment generation and plays an important role in eliminating poverty, sustainable development

of a country as well as a particular region and creating a link between abundant labour and scarce capital.

Uttarakhand is one of the most popular and attractive destinations in the country for industrial setups due to its natural resources, forest coverage, potential of power generation etc. the state has a huge potential of generating employment through forest resource. But there are certain challenges that are faced by them to survive and establish in the state due to which the state is unable to minimize the migration of people to other states in search of their livelihoods, improving lifestyles and income generations. The paper enlightens all these factors that influence the survival of MSME in Uttarakhand and why localities are unable to find employment opportunities.

Description	Manufacturing	Service
Micro	upto 25 lacs	Upto 10 lakhs
Small	Above 25 lakhs &	Above 10 lakhs &
		upto 2 crores
Medium	Above 5 crores & upto 10 crores	Above 2 crores & upto 5 crores
Source: MSME 2006, Govt. of India		

The above table describes the amount of investment required by all the three kinds of enterprises i.e., micro, small and medium enterprise. Micro enterprise that operates in manufacturing sector involves an investment up to rs25lakhs and in services sector it involves investment up to rs10lakhs. For small enterprise that operates in manufacturing requires investment above rs25lakhs and in services above rs10lakhs. For medium enterprises that operates in manufacturing

includes investment from rs5cr. To rs10cr. And for services it includes investment above rs2cr. To rs5cr.

2. REVIEW OF LITERATURE

The research is a continuous process. 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) 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). 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), 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) 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), provide evidence of excess returns earned by investors in acquired firms prior to the first public announcement of planned mergers. Seyhun (1986), 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. SudhaVenkateshet.al(2012) 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 msmes 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'.

3. CHALLENGES FACED BY MSMES

1. 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.

2. 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.

3. 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

4. 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.

5. Lack of raw materials

Uttarakhand is unable to make an attractive business environment in the hilly regions. The state is failing in its endeavours 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.

6. 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.

7. 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.

8. 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.

9. 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.

4. CURRENT STATUS OF MSME IN UTTARAKHAND

There is consistAccording to the data given by the government of uttarakhand it there is a consistent growth of MSMEs in Uttarakhand till date since inception in the year 2000. The above table shows the current status of MSMEs. In the FY2014-2015 the total no. of MSMEs was 2669 and investment made in them was rs534crores. Total employment generated by these firms was 12034. As of now total MSMEs in Uttarakhand are 16875 and total investment involved is rs8425crores that has generated total number of employment of 1, 39,227.

	Enterprise s 2014-15		Investment s (in crores)		Employment	
	Man ufact uring	Serv ices	Man ufac turin g	Servi ces	Manuf acturin g	Servi ces
Micro	1294	1192	97.3	60.5	5386	3283
Small	126	44	187	65.3	2232	679
Medium	12	1	121	2.1	409	45
Total	1432	1237	406	128	8027	4007
Till date since inception						
	9674	7201	7630	795	110093	29134

Source : MSME Uttarakhand

Suggestions for improvement in MSMEs.

On the basis of literature available, following points can be introduced for the betterment of the MSME in Uttarakhand state

1. 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.

2. 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.

3. 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.

4. Technological up-gradation

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

5. 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.

6. 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.

7. Improving Infrastructure

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

8. Solutions for Sector Specific problems

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

9. Improving Institutional structure

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

10. 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.

5. CONCLUSIONS

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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