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# A STUDY OF IMPACT OF MICRO, SMALL AND MEDIUM ENTERPRISES IN ECONOMIC DEVELOPMENT OF UTTARAKHAND



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## Abstract

Micro, small and medium enterprises are globally considered as promoter of economic growth. It has huge potential for generating employment, generator of low cost products and innovator of new technology and have major contribution in GDP growth. But they have to face challenges like inadequate finance, skilled labour and inadequate marketing support and many more other challenge. Since maximum geographical region of Uttarakhand is lying in the hill regions. But MSMEs development is restricted to maximum in plain regions. This paper is based secondary data taken from the government of Uttarakhand and highlights the current status of MSMEs in Uttarakhand and problem faced by them.

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**Introduction:**

The small and medium size enterprises play an important role in the economic development of Uttarakhand. They have vital role in reducing the unemployment and poverty elevation, controlling migration and economic development of the country. National development and reform commission (2007) state that EMEs majour contributor in technical innovation and new product development. Small and medium enterprises are having less than 250 employees but Small enterprises have 50 employees. SMEs enterprises have vital importance for the promotion of economic growth. In India, since last many decades, the MSME's are means of main recognized sector in the field of production and service rendering with limited utilization of resources. The effectiveness of MSME's sector is found due to limited utilization of resources, greater operation flexibility, higher innovation and low investment. In European Union and USA, 80% to 99% enterprises are lying under this sector. Even in India too, these sector can have much potential in regional development by optimum utilization of scare resources. This is clear worldwide that more than 90% units belong to MSME sector and these sector produced 45% products. The contributions of MSMEs are greater towards investment, GDP, employment generation, production. Though being a small state, Uttarakhand has certain key characteristics that make it distinct from other state of the country and highlights its greater potential for development. Though, the development has predominantly been seen in the plane region. Due to sustain livelihood, migration and a remittance economy operate in the hill districts. Uttarakhand is unable to minimize migration through local employment and income generation. The positive feature of hills state is that there is large scope of tourism promotion, agriculture diversification, poultry and wool based livelihoods and SMEs can do

better in this development. In this paper, we will try to identify the influence of MSMEs on economic development in Uttarakhand.

**Literature Review:** This study is based on scope of SME'S in Uttarakhand and problems faced by them. Uttarakhand state was carved out of the state of Uttar Pradesh in the year 2000. The purpose of formation of new state had to fulfill the high expectation of the local people to development and better living standard. However, there is a geographical inequality between hills and plans regions which divide the state critically. The State Infrastructure and industrial development corporation was incorporated to remove the disparity between hills and plans region. This article explores the challenges and opportunities faced by SMEs in Uttarakhand. An integrated policy was launched in the state to job creation and removal of economic backwardness in the state (V. Jain and A. Jain2012).

This study states that women entrepreneurs are concentrated only in the state of Tamil Nadu, Kerala, Maharashtra, West Bengal and Andhra Pradesh( Tiwari, Neha2017) There are very low Women entrepreneurs in the India. The study is an attempt to understand the concept, profile and dynamical characteristic of Women entrepreneurship India. The sex disaggregated databases was published by government of India and huge gap was found on employment of women entrepreneurship in all over the country.

This article focuses on factors influencing industrial performance in Uttarakhand in the development of MSMEs (Patra, S. & Choubey, D.S.2014). These factors are skilled labour, socio-cultural environment, market limitation. So the effort should be to remove these issues to fulfill the hope people in the state. In this paper an attempt has been made to look the

MSMEs problem on the basis of latest statistical data available from the fourth all India census on MSME sector. This paper make an attempt to explain conceptual issues and the various definition involve in different data sets of MSMEs (G. Sajeevan, 2012).

Small and medium enterprises have significant contribution in manufacturing, services, exports and employment, and hence provide growth in GDP (Bhatnagar, V. (2013). This research has been done to find out the risk factor involve to develop MSMEs and what measures entrepreneurs are taking to be away from going to the crises. Considering about the growth of SME in India, the Indian government have implemented a lot of policies and program also advised to public sector banks to achieve a minimum 20% growth yearly in financing SME units. So for the continuous growth of the unit and prevention of risks, it is very important for the entrepreneurs to know about the various risks involved as well have plans to fight them.

This research has been done to understand the cause of growth and sickness of SSI's in India. The present data available shows that the SSI accounts for 95% of the country's industrial units and 40% and above in the manufacturing sector which shares 36% of the country's total export and contribute 9.5% GDP growth, employs nearly 9 lakhs per annum, registering a sectoral growth rate of 9.20% as against 7.5% of the country's over-all industrial growth rate during 2011-12 (Chopade, B. 2013).

This paper tries to analyze the situation and current scenario of production in Haryana and tried to analyze the problems particularly relating to skilled labour. raw material and marketing. Small Scale Enterprises have been playing important role in the economic development in India (A. Malik, 2013). These Enterprises are helping to increase product in the economy and generate employment

opportunities, incomes, investments and savings of the people in the country. These enterprises help in reducing the poverty, unemployment poverty, socio economic inequality etc.

This paper focuses on the identification of institutional non financial support to MSME in Delhi. The importance of Micro, Small and Medium Enterprises (MSME) sectors are well recognized from its significant contribution to the socio-economic objectives of growth in generation of employment, output, exports and fostering entrepreneurship (S. Ilahi (2014).

This research reviewed to understand the growth and development of MSME's in India. With the introduction of reform in India since 1991, the Government has withdrawn many protective policies for the MSMEs. Micro, Small and Medium enterprises have introduced promotional policies to bring the competition in these sectors. But MSMEs faced with problem of superior technology to compete with MNCs in the market (Rao, K. and Noorinasab, A. , 2014).

This paper is reviewed to understand problems faced By Micro, Small and Medium Enterprises i.e Small Entrepreneurs in Visakhapatnam. Small business always faces a variety of problems related to their size. A frequent cause of MSMES is under capitalization (Aruna, N. 2015). The majour cause of this problem is due poor planning rather than economic conditions. MSMES faces number of problems like banking facilities, unavailability of latest technology, lack of skilled manpower, ineffective marketing technique etc. But these type of problems are uncommon for large enterprises and MNCs.

The present study is an in-depth attempt to analyze whether internal or external environmental factors determine business success and failure of small scale industry. Research shows types of factor determining the success and failure of

small scale industries in India. Small scale industries (SSI) play a vital role in the growth of national economy (Katait, S. 2016). There are so many crucial important factors which determine success and failure of the business which mainly consists of internal and external environmental factors. Internal environmental factors mainly consist of human resources, marketing, finance, production, distribution, and stiff competition whereas external environmental factors are suppliers, creditors, consumers and government.

This paper highlights issues and challenges faced by SME's in India. This study state that SME's are facing many challenges related to lack of finance, lack of infrastructure, lack of network, lack of information, lack of production facilities etc. SME's contribution towards Indian economy development is at large. Government of India has made develop many industrial estates, industrial parks, special economic zones for enhancing MSME's status. They formed many associations, chambers and supporting trade unions which were formed for

discussing and solving SME's issues and challenges (Ms. Syamala Devi Bhoganadam, Dr.Nune Srinivasa Rao and Dr.Dasaraju Srinivasa Rao 2017).

The paper examined and categorized all recent facts of MSMEs under five area such as definitions, global opportunities, Innovation and R&D, Internationalization, Failures & Constraints of the SMEs. The research finding provides stock of Knowledge on MSMEs development and its constraints to improve their knowledge. The study also provide current trend in cross boarder marketing through internationalization and competitive advantage in the competitive markets (Sanatha Divakara & Surangi, H.A.K.N.s Surangi 201

#### Objective of Study:

1. To know the present Status of MSMES in Uttarakhand
2. To know the condition of MSMEs in Uttarakhand
3. To study the problem and solution of MSMEs in Uttarakhand

**Table 1:** Gross State Domestic Product 2011–12 to 2017–18 (at constant 2011–12 prices)

Item	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Gross state domestic products (in Rs.)	115328	123710	134182	141278	151894	162451	173444
Growth in GSDPs in Previous Year		7.27	8.47	5.29	7.52	6.95	6.77

Source: Government of Uttarakhand

Table: The preset result reveals that GSDP(Gross state domestic products) have been sustainably growing from 2011 – 12 to 2017-18. While GDPS is growing is highest 2013-14 after that it fluctuating in nature.

Table 2: Sectoral Shares (%) in Gross Value Added of Uttarakhand (at current prices)

S. No.	Items	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	Primary	14	14.08	13.86	12.28	11.53	11.19
2	Secondary	52.13	52.01	50.59	50.52	50.99	50.40
3	Industry	53.84	53.67	53.15	52.10	52.44	51.89
4	Tertiary	33.88	33.91	35.54	37.19	37.47	38.41

Source: Government of Uttarakhand

Result2: The result shows that the performance of primary sector, secondary sector and industries are continuously declining from 2011-12 to 2016-17. But the tertiary sectors are performing better within six year.

Table 3: Sectoral Indicators for Vision 2020 for the MSME Sector

Indicators	2018-19	2019-20	% Change Aprox
No. of MSMEs Unit established	53000	68000	28.30
Capital Investment in Rs. Crore	10960	14000	27.73
No. of Employment Generation	258000	320000	24.03

Source: Government of Uttarakhand

Table3: The result shows that the number of MSMEs unit established in 2018-19 is 53000 and expected to increase 68000 in 2019-20. The capital investment in 2018-19 is Rs. 10960 and expected to increase 14000. Similarly the number of employment generated in 2018-19 is 258000 and expected to increase 320000 in 2019-20.

Table4: Contribution MSMEs in country's Economy

Year	(Figures in Rs. Crores adjusted for FISIM at current prices)				
	MSME (GVA)	Growth(%)	Total (GVA)	Share of MSME in GVA	Share of MSME in GDP( in %)
2011-12	2583263	-	8106946	31.86	29.57
2012-13	2977623	15.27	9202692	32.36	29.94
2013-14	3343009	12.27	10363153	32.26	29.76
2014-15	3658196	9.43	11481794	31.86	29.39
2015-16	3936788	7.62	12458642	31.60	28.77

Source: Government of Uttarakhand

Table4: The result shows that the contribution of MSMEs in country's economy increases in fluctuating nature. The first two year increases then its decreases and increases either GDP, GVA. But the growth rate of MSMEs in the country is continuously decreasing.

Table5: Distribution of Enterprise Category Wise

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49

Source: Government of Uttarakhand

Table 5: The result shows the distribution of enterprises in the Uttarakhand in rural area is 51% and in urban area is 49%. It is comparatively same in both regions.

Table6: Percentage Distribution of Enterprises in rural and Urban areas

Category	Male	Female
Rural	77.76	22.24
Urban	81.58	18.42

Source: Government of Uttarakhand

Table6: The result shows that the gender wise percentage distribution of enterprises in Uttarakhand is rural area is male 77.76% and female 22.24% and urban area is male 81.58% and 18.42%.

Table7: Percentage Distribution of Enterprises by Gender-wise

Category	Male	Female
Micro	79.56	20.44
Small	94.74	5.26
Medium	97.33	2.67

Source: Government of Uttarakhand

Table 7: The result shows that percentage distribution of micro enterprises is male 79.56% and female 20.44%, small enterprise is male 94.74% and female 5.26% and medium enterprises is male 93.33% and female 2.67%.

Table8: Distribution Estimated Number of Employees (in Lakh) in Uttarakhand

Category	Male	Female
Uttarakhand	5.91	0.69

Table 8: The result shows that the no. of male employee is 5.91 Lakh and female employee is 0.69 lakh. This shows that there is big scope to increase the contribution of female employee in the country.

Table9: District-wise distribution of number of UAM filed by the MSMEs in Uttarakhand-State during 2015-17:

S.NO	Name of Districts	Udyog Adhar Registered	Micro	Small	Medium
1	ALMORA	229	183	42	4
2	BAGESHWAR	180	170	10	0
3	CHAMOLI	181	176	5	0
4	CHAMPAWAT	166	150	16	0
5	DEHARADUN	937	745	182	10
6	HARIDWAR	1709	983	651	75
7	NAINITAL	485	343	125	17
8	PAURI GARHWAL	417	349	64	4
9	PITHORAGARH	242	236	4	2
10	RUDRAPRAYAG	132	130	2	0
11	TEHRI GARHWAL	261	226	34	1
12	UDHAM SINGH NAGAR	1670	1175	466	29
13	UTTARHASHI	211	198	13	0
	TOTAL	6820	5064	1614	142

**Table 9:** The result shows that there is highest registered MSMEs unit in Udham Singh Nagar(1670), Haridwar(1709) and Deharadun(485) which is plane region. There is big opportunities to develop MSMEs in hill region.

Table10: Distribution of UAM filed by Manufacturing and Service Enterprises-2016-17

S.NO	Name of Districts	Udyog Adhar Registered		Micro		Small		Medium	
		Manufacturing	service	M	S	M	S	M	S
1	ALMORA	111	126	104	82	6	40	1	4
2	BAGESHWAR	101	82	96	77	5	5	0	0
3	CHAMOLI	96	99	96	93	0	6	0	0
4	CHAMPAWAT	100	77	89	69	11	8	0	0
5	DEHARADUN	470	646	328	555	134	86	8	5
6	HARIDWAR	1217	501	604	384	543	110	70	7
7	NAINITAL	331	217	223	158	102	44	6	15
8	PAURI GARHWAL	194	229	144	208	47	20	3	1
9	PITHOURAGARH	181	97	170	89	7	6	4	2
10	RUDRAPRAYAG	70	61	70	61	2	0	0	0
11	TEHARI GARHWAL	172	107	145	93	27	13	0	1
12	UDHAM SINGH NAGAR	1123	553	725	453	374	95	24	5
13	UTTARHASHI	75	188	72	175	3	13	0	0
13	TOTAL	4243	2983	2866	2497	1261	446	116	40

Result 8: The result shows that manufacturing units registered in Deharadun, Haridwar and Nainital is highest. Similarly the service sector unit in highest in Deharadun, Haridwar, Nainital and Pauri Garhwal is highest but other state lagging behind. There are much opportunities to promote MSMEs in this region.

**Table 11: Follow-up action of previous Entrepreneurship Development Programmes-year 2016-17**

S.N.	YEAR	No. of trainee trained
1	2011-12	2234
2	2012-13	2265
3	2013-14	2234
4	2014-15	504
5	2015-16	926
6	2016-17	414

Table 11: The result shows that the Entrepreneurship training development programme are sustainably declining from year 2011-12 to 2016-17. So MSME' S role to develop hilly region is far behind.

**Table 12: YEAR WISE TREND OF UNITS REGISTERED**

Districts	No. of Registered Unit from-2001-2011	Employment	Investment (in Lakh)
Tehari	1819	5002	5302.92
Haridwar	4131	279875.28	41311
Deharadun	3044	24828	57887.25
Nainital	1552	8478	33501.65
Pithoragarh	1096	2679	2273.11
Bageshwar	356	1207	850.24
Udham singh Nagar	781	28688	281304
Rudra Prayag	758	2366.13	1771
Champawat	530	1173	1258.33
Chamoli	1229	3396.42	2527

Source: Uttrakhand Government

Table12: The result shows that the number of units registered, Employment generation and Investment in MSMEs from 2001-2011 are highest in plane regions but hill districts are lagging behind in the MSMEs development.



**Conclusions:**

The Micro Small and Medium enterprises are major contributor of economic development in state in the world. They help in employment generation and skill development and provide enough support to training and development programme. They also support to infrastructure development. There are huge opportunities to do investment, provide training, develop skilled entrepreneurs in the Uttarakhand state. In order to make products globally acceptable, the MSMEs of Uttarakhand have to innovation in new technology. There is wide difference MSMEs development in plain and hill regions. The GDP growth in Uttarakhand is still declining in the successively different year. There is less contribution of female in MSMEs development in country as well as Uttarakhand. The distribution of enterprises in the Uttarakhand in rural area as well as in urban area is same. The growth rate of MSMEs in the country is continuously decreasing.

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