

## **A STUDY & SCOPE OF SME'S IN UTTARAKHAND AND PROBLEMS FACED BY THEM**

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### **ABSTRACT**

Uttarakhand State was carved out of the state of Uttar Pradesh in the year 2000. 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. An Integrated Industrial Development Policy 2008 was launched for the industrial development of hilly and remote areas in the state. 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. This paper explores the challenges and opportunities faced by SMEs of Uttarakhand State.

## **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 Rudraprayag 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 Integrated Industrial Estate at Pantnagar, and an IT Park in Dehradun, Pharma City in Selaqui, Dehradun, the Growth Centre at Pauri, and the Integrated Industrial Estate at Sitarganj. SIDCUL enables industrial projects to be set up in a short time. The Corporation administers all promotional schemes of the government for industries and uses the single-window system. 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. 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.

By SME business, we mean small and medium enterprises that maintain revenues or a number of employees below a certain standard. Every country has its own definition of what is considered as a small and medium-sized enterprise. In India, an industrial undertaking that has investments in fixed assets which do not exceed more than **Rs.10 million** falls under the category of small business. A small-sized enterprise is a company with less than **50 employees** while a medium-sized enterprise is one with fewer than **250 employees**.

Enterprises qualify as micro, small and medium-sized enterprises (SMEs) if they fulfill the criteria laid down in the recommendation which are summarized in the table below. In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both.

<b>Enterprise category</b>	<b>Headcount</b>	<b>Turnover</b>	<b>or</b>	<b>Balance sheet total</b>
Medium-sized	< 250	≤ €50 million	≤ €43 million	
Small	< 50	≤ €10 million	≤ €10 million	
Micro	< 10	≤ €2 million	≤ €2 million	

### **Introduction to SMEs in India**

India has nearly 3 million SMEs, which account for almost 50 percent industrial output and 42 percent of India's total export. They constitute the most important employment generating sector and an effective tool for balanced regional development. They account for 50 percent of private sector employment and 30-40 percent of value addition in manufacturing. They produce a diverse range of products (about 8000) including consumer items, and capital and intermediate goods.

Indian SMEs have been passing through a transitional period, keeping competitive spirit high, with a willingness to restructure themselves, facing the challenges and come out with shining colours and contribute to Indian economy.

### **Types of SMEs**

According to the Micro, Small and Medium Enterprise Development Act (MSMEDA), 2006, the micro, small and medium enterprises in India are defined as follows:

<b>Nature of the Enterprise</b>	<b>Micro Enterprise</b>	<b>Small Enterprise</b>	<b>Medium Enterprise</b>
<b>Manufacturing Sector</b>	Investment in plant & machinery does not exceed INR 2.5 million (USD 62.5 Thousand)	Investment in plant & machinery more than INR 2.5 million (USD 62.5 thousand) but does not exceed INR 50 million (USD 1.25 million)	Investment in plant & machinery more than INR 50 million (USD 1.25 million) but does not exceed INR 100 million (USD 2.5 million)
<b>Service Sector</b>	Investment in equipment does not exceed INR 1.0 million (USD 25 Thousand)	Investment in equipment is more than INR 1.0 million (USD 25 thousand) but does not exceed INR 20 million (USD 500 thousand)	Investment in equipment more than INR 20 million (USD 500 thousand) but does not exceed INR 50 million (USD 1.25 million)

SME's are facing many problem in world –wide market. There are a so many hurdles & internal hindrance in the Indian SME's. But they want to be succeeding for the better economic development of India & lesson economic dissimilarity in the economy. Depression is punctured growth of Indian SME's & encourage to more investment & building competitiveness. Government help entrepreneurs should understand the worldwide changes & try change self for adjust in the changing world

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

The recent political & social a brisk conflict in India have added an additional layer of challenges to the Indian business community, the SME sector being one of the bad to the greatest extent impression on unlike big business that have cash reserves that help them weather the storm, the SME sector commonly to work on working capital & day-to-day cash, the reserve that is there is primarily used to pay bills & source of new business. The plan based on positive growth in certain key sectors, multiple choice for example betting on BPO sector but this plan have been unfavorable affected the point that some business are thinking twice about keeping their door open. The first thing they want to do is come together to highlight the issues that they are facing & dialogues about possible solution to those problems when people came together under a common interest, many “giant” problem seem small. The financial sector should also be brought into assist the SME’s by coming up with financial reserve packages which can easier to bear the problem while providing a solid foundation for growth. The financial sector is also have an influence by the situation in Kenya & as such any assistance they give heads to sufficient strength itself & came up with a solid solution that can be implemented when the business environment has been unfavorable affected.

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

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**Table**

**Number of small-scale industrial units in India and Uttarakhand (2001-02 and 2006-07)**

Type of Industry	Uttarakhand		India	
	2001-02	2006-07	2001-02	2006-07
<b>Small-Scale Industry Units</b>	106484	137618	10521190	12843774
<b>Registered</b>	15285	30268	1374974	2031910
<b>Un-registered</b>	91199	107350	9146216	10811864

*Source: Indiastat (www.indiastat.com). Outsourced from Annual Report 2001-02, 2003-04 Ministry of SSI, Govt. of India and various Annual Surveys of India.*

There has been an impressive increase of 18 per cent in SSI units in India from 2001-02 to 2006-07 and in Uttarakhand this increase is 22.8 per cent. Of these SSIs registered units showed an increase of about 50 per cent and unregistered of about 15 per cent in Uttarakhand, whereas the figures for India are 32 percent and 15 percent, respectively. This increase in scale of SSIs in Uttarakhand can be attributed to the industrial policy of 2003. Thus, after the industrial policy of 2008 is implemented, the industrialization process is expected to strengthen even in the hill regions.



Knowing the importance of Small and Medium Enterprises (SMEs), Uttarakhand appears headed for another push to their growth through a new industrial policy. The government has contemplated a move to bring in a new policy for industrial growth in the year 2010 for further growth of SMEs in the state.

### **Importance of SMEs in Global Economy**

Global economic integration is changing the competitive paradigm in which all businesses operate, requiring an international expansion strategy to positively impact long-term growth and survival (Karagozoglu and Lindell, 1998). The small business sector has become more important as they emerge as a dominant force impacting the growth of national economies (Shridhar, 2006). There are a number of disadvantages inherently faced by SMEs as they transition into international environments (Chen and Huang, 2004). Managers of non-exporting SMEs perceive the international environment as being risky, unprofitable and unmanageable, due primarily to misinformation and lack of experience with global business (Malekzadeh and Nahavandi, 1985). SMEs, due to their size limitations, often have limited financial capital and a lack of necessary human resources. Many operators of small businesses lack experience in developing an international strategy (Tesar and Moini, 1998). There are also disadvantages related to a lack of competitive power as a consequence of the size of the organization. SMEs have difficulty in influencing global pricing as they rely on a small customer base, and are limited in expansion due to minimal access to financial resources (Kalantaridis, 2004).

Even though faced with the need to overcome significant weaknesses, the strategic importance of SMEs has been identified as the following:

They are responsible for growing employment at a faster rate than larger organizations;

They increase the competitive intensity of the market and reduce the monopolistic positions of large organizations; and

They encourage the development of entrepreneurial skills and innovation.

### **Reasons behind growth in SMEs**

There are various reasons due to which the small scale business in India has witnessed a spurt of growth like:

- Import substitution
- High contribution to domestic production
- Low investment requirements
- Significant export earnings
- Capacities to develop appropriate indigenous technology
- Operational flexibility
- Contribution towards defense production
- Technology - oriented industries
- Location wise mobility
- Low intensive imports
- Competitiveness in the domestic market
- Competitiveness in the export markets

### **Limitations of SMEs**

Inspite of making significant contribution towards global economy, SMEs face a lot of limitations in their growth and performance. Some of them are:

- Low capital base
- Low utilization of installed capacity
- Problem of specialized training and skilled management
- Unavailability of high quality of inputs
- Less innovation actions
- Lack of proper market information

- Low level of research & development
- Lack of awareness of global trade laws
- Inadequate accession to the monetary institutions
- Less exposure to international environment
- Lack of Professionalism

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