

Role of Micro, Small, and Medium Enterprises (MSMEs) in the Industrial Development of Uttarakhand

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Abstract: Industrial development is of great importance for the economic development of a region. Historically, regions with strong industrial development have shown more economic growth and development. Uttarakhand has shown rapid industrial development among Himalayan states since its establishment and its main contributor has been the Micro, Small, and Medium Enterprise (MSME) sector. The MSME sector has been playing a vital role in the state's industrial development, especially in terms of the number of units, employment generation, and capital investment. In two decades, the MSME sector surfaced as Uttarakhand's second largest employment creator, with the first being the agriculture sector. MSMEs now exist in the state's manufacturing, trade, and service sectors, significantly contributing to the state's impressive industrial growth. While MSMEs have excelled over time at utilizing local resources to produce high-quality goods and services, they have also established themselves across the state's key industries and in significant export markets. As the state struggles with a serious problem of migration from the hilly region to the plains due to a lack of employment and business opportunities, the state of Uttarakhand is looking at sustainable and inclusive industrial growth. The bigger state-specific problem is the regional disparity between the state's hill and plain districts in terms of the number of units, job creation, and capital investment. The current study's goals are to examine the part that MSMEs played in Uttarakhand's industrial development and the factors that prevented it. An exploratory study was conducted with the help of secondary data obtained from various sources like the Economic Survey of India, Economic Survey of Uttarakhand, MSME Annual Reports, All India Census Report, Journals, Newspapers, etc. The Secondary data has been taken from all the districts of the state for 15 years and as mentioned above three variables (the number of units, employment generation, and capital investment) were taken for analyzing the role of MSMEs in the industrial development of the state. To study the role of MSMEs in the state's industrial development, the available data has been analyzed with the help of simple linear regression. The study is based on a roomy survey which fundamentally adds to guiding the concerned authorities to go to reasonable lengths for the fast modern improvement of the state. Different intriguing measures for speeding up the development of industrialization and encouraging a modern standpoint have been given in this study.

Key Words: *Micro, Small, and Medium Enterprises (MSMEs), Industrial Development, Economic Development, Employment Generation.*

Introduction:

Building a robust industrial sector is always at the top of the priority list for those in charge of governing the nation. Industries play a major role in employing the nation's youth in addition to producing goods for domestic use and export. When discussing GDP and economic growth, large industries like iron and steel, automobiles, electronics, etc. are in the spotlight. However, a small industry sector also contributes significantly to job creation and product manufacturing but is obscured from view by economists and policymakers. This sector includes micro, small, and medium-sized businesses. Due to their significant contribution to GDP, exports, and the creation of jobs, MSMEs are regarded as the foundation of the Indian economy. The development and expansion of the khadi and coir industries in India, as well as other rural industries, marked the beginning of MSMEs. The food and agriculture industries are home to the majority of micro and small businesses. In the automotive, pharmaceutical, textile, and chemical industries, medium-sized businesses predominate. To develop India's industrial sector, the MSME sector coordinated and collaborated with the pertinent ministries, state governments, and stakeholders. There are reportedly 633.88 million MSMEs in India, 324.88 million of which are based in rural areas and 309 lakhs in urban ones.

In India, the MSME sector significantly boosted the country's economy. The country's population of over 63 million generated 30.5% of India's GDP in the fiscal year 2019 and 30% in the fiscal year 2020. It also generated a large number of job opportunities. According to research done by the Ministry of Statistics & PI between July 2015 and June 2016, 111 million people were employed in the MSME sector. MSMEs contributed to the industrialization of rural areas at a lower capital cost than large-scale businesses. The industry has complemented key industries and made sizable contributions to the socioeconomic development of the nation. MSMEs make up about 40% of India's total exports, 6.11% of its manufacturing-related GDP, and 24.63% of its services-related GDP.

In 2001, Uttarakhand released its initial Industrial Policy. This policy highlighted the relevance of private sector participation in advancing the state's industrialization efforts and assisted in identifying the sectors with the potential for industrial development. Following approval of the Concessional Industrial Package (CIP) by the Government of India, the state government announced a new industrial policy on January 7, 2003. In addition to offering financial incentives, this policy concentrated on fostering an environment that was favorable to investors. The Special Integrated Industrial Development Policy (SIIDP) for the hill regions

was introduced by the state in 2008. Later, a few changes to the SIIDP policy were made in 2011. The goal of Uttarakhand's MSME policy, which was made public in 2015, is to increase investment in this industry. To encourage self-employment, this policy aimed to make use of local resources and create employment opportunities, particularly in hilly areas. The MSME policy of the State is set up to address regional imbalances, especially those between Uttarakhand's hilly and low-lying districts.

Objectives of the Study:

The objectives of the current study are to examine the role that MSMEs played in the industrial development of Uttarakhand and the barriers that prevented it.

Research Methodology:

The study is exploratory and is based on secondary information gathered from a variety of sources, including the Economic Survey of India, the Economic Survey of Uttarakhand, MSME Annual Reports, the All-India Census Report, journals, newspapers, etc. For fifteen years, secondary data from every district in the state was collected. As mentioned above, three variables (the number of units, employment generation, and capital investment) were used to analyze the contribution of MSMEs to the state's industrial development. Simple linear regression has been used to analyze the available data to study the contribution of MSMEs to the state's industrial development.

Analysis and Discussion:

• Total Number of MSME Units:

$$Y = 2083.034 - 4.201X$$

$$R^2 = 0.238$$

Where: Y = Total Number of MSME Units in Uttarakhand

X = Year

The growth of MSME units over 15 years, from 2000-01 to 2014-15, is depicted in Table 1. The time element has a 23.8% impact on the growth in the number of MSME units in Uttarakhand since its establishment, according to the value of R^2 , which is 0.238. As shown in Table 1, the total number of MSMEs increased by 26.99% in 2002-03, the highest growth in 15 years. The New Industrial Policy of Uttarakhand, which was announced on January 7, 2003, was primarily responsible for this growth. The primary objective of the policy was to foster an environment that was welcoming to investors. Units obtaining ISO certificates were eligible for grants up to Rs. 75,000. They were involved in various fields by offering technical advice to help the educated unemployed as much as possible. Residents received 70% of the jobs in industrial units. The global financial crisis in 2008 was the primary factor in the -40.28% decline in the total number of MSMEs from 2007 to 2008.

Table 1: Summary of Number of MSME Units in Uttarakhand (2000-01 to 2014-15)

Year / Districts	Dehradun	Pauri	Almora	Nainital	Tehri	Chamoli	Uttarkashi	Pithoragarh	Haridwar	U.S. Nagar	Rudrapur	Bageshwar	Champawat	Uttarakhand	Yearly Growth (In %)
2000-01	176	243	40	31	229	133	113	34	175	17	60	22	32	1305	----
2001-02	299	241	45	82	217	133	98	30	103	55	60	21	24	1408	7.89
2002-03	294	249	41	77	212	129	115	35	287	216	66	49	18	1788	26.99
2003-04	288	241	40	157	215	145	118	89	266	255	65	50	53	1982	10.85
2004-05	299	277	40	206	237	156	141	147	188	314	84	75	76	2240	13.02
2005-06	291	281	42	150	251	170	157	124	316	378	83	78	76	2397	7.01
2006-07	356	200	155	230	253	185	176	112	453	465	91	55	25	2756	14.98
2007-08	212	127	36	312	115	50	57	68	249	281	45	43	51	1646	-40.28
2008-09	236	126	60	210	88	51	53	62	293	253	46	36	34	1548	-5.95
2009-10	333	167	47	98	96	60	62	71	453	410	50	50	47	1944	25.58

2010-11	300	171	85	143	112	70	70	84	420	394	60	61	57	2027	4.27
2011-12	311	191	96	164	120	80	81	96	129	394	66	66	66	1860	-8.24
2012-13	317	211	92	272	136	90	90	105	464	337	77	75	73	2339	25.75
2013-14	325	230	95	184	146	100	100	116	457	430	90	86	26	2385	1.97
2014-15	334	255	133	201	165	110	110	130	505	464	95	95	90	2687	12.66

• **Employment in MSMEs:**

$$Y = 14184.277 - 600.231X$$

$$R^2 = 0.160$$

Where: Y = Employment in MSMEs in Uttarakhand

X = Year

Table 2 displays annual MSMEs employment as well as employment growth over 14 years, from 2001-02 to 2014-15. If all other factors remained constant, the time element would have an impact on the growth of MSME employment by about 16.0%, according to the value of R^2 , which is 0.160. As shown in Table 2, employment increased by 262.19% in 2006-07, the highest growth in 14 years, and decreased by -41.94% in 2011-12.

Table 2: Summary of Employment in MSMEs in Uttarakhand (2001-02 to 2014-15)

Year / Districts	Dehradun	Pauri	Almora	Nainital	Tehri	Chamoli	Uttarkashi	Pithoragarh	Haridwar	U.S. Nagar	Rudrapur	Bageshwar	Champawat	Uttarakhand	Yearly Growth (In %)
2001-02	786	88	117	265	571	259	164	50	376	227	170	36	64	3173	0.00
2002-03	648	0	101	255	568	264	210	72	574	1106	126	80	36	4040	27.32
2003-04	689	37	85	477	504	296	190	199	781	696	111	77	134	4276	5.84
2004-05	1176	651	81	550	469	336	224	291	540	3399	183	126	183	8209	91.98
2005-06	1407	120	87	325	556	339	243	255	360	2134	176	165	186	6353	-22.61
2006-07	2322	16	62	378	530	331	290	278	2045	16401	197	106	54	23010	262.19
2007-08	3953	338	0	576	276	105	87	207	6751	5419	103	118	138	18071	-21.46
2008-09	3300	400	0	621	311	198	165	171	9065	5919	108	77	88	20423	13.02
2009-10	7000	1211	0	312	322	199	188	242	8882	9454	153	120	167	28250	38.32
2010-11	3381	281	81	734	343	242	247	343	7586	6533	185	163	200	20319	-28.07
2011-12	2340	620	187	974	419	228	296	303	1627	3716	243	632	213	11798	-41.94
2012-13	2373	422	247	1039	515	261	300	335	6718	4561	292	193	177	17433	47.76
2013-14	1305	122	9	1359	437	209	346	366	3524	2734	293	320	91	11115	-36.24
2014-15	1370	366	116	907	570	298	393	333	3282	343	295	247	244	8764	-21.1

- Investment in MSMEs (In Rs. Lakh):**

$$Y = 62894902.76 - 271473.969X$$

$$R^2 = 0.030$$

Where: Y = Investment in MSMEs in Uttarakhand

X = Year

Table 3 displays the annual investment in MSMEs and the growth of that investment over 15 years, from 2000 to 2014. If all other factors remained constant, the time element would have an approximate 3.0% impact on the growth of MSME investment, according to the value of R^2 , which is 0.030. According to Table 3, the investment increased by 370.14% in 2013–14, the highest growth in 15 years, and decreased by -53.37% in 2014–15.

Table 3: Summary of Investment in MSMEs in Uttarakhand (2000-01 to 2014-15)

Year / Districts	Dehradun	Pauri	Almora	Nainital	Tehri	Chamoli	Uttarkashi	Pithoragarh	Haridwar	U.S. Nagar	Rudrapur	Bageshwar	Champawat	Uttarakhand	Yearly Growth (In %)
2000-01	79.69	63.21	6474600	0	62.41	31.08	6507200	138.32	133.13	75.92	49.9	7.06	24.15	12982464.87	0
2001-02	624.09	105	11932600	0	85.84	29.79	6400000	33.95	129.83	243.19	49.51	28.25	23.21	18333952.66	41.22
2002-03	228.69	0	12768000	10	127.49	52.79	8004000	59.88	287.89	3474.84	45.99	50.37	15.89	20776353.83	13.32
2003-04	427.13	197000	7410000	0	138.78	90.19	8454000	78.89	552.77	489.79	47.59	42.87	25.07	16062893.08	-22.69
2004-05	1473.06	519.21	9010000	0	80.61	74.44	13684499	88.75	625.22	12963.57	52.54	62.99	56.6	22710495.99	41.38
2005-06	2199.14	183294.09	10439000	4	190.47	93.21	9731000	145.9	2611.34	7589.32	63.67	81.56	59.12	20366331.82	-10.32
2006-07	5943.96	57000	0	143.34	165.8	146.04	10900000	118.98	5272.75	157310.79	212.09	60.12	22.01	11126395.88	-45.37
2007-08	13510.73	258.44	0	283.14	167.39	66.15	11274000	221.8	47159.79	13537.09	63.4	125.95	51.02	11349444.9	2.00
2008-09	12034.95	616.77	0	2378.49	1470.97	623.9	37100000	162.51	66148.38	60554.44	201.35	62.73	55.39	37244309.88	228.16
2009-10	24791.6	8744.74	31500	460.95	1396.91	382.04	24901000	291.86	66183.39	64551.76	301.59	283.5	117.13	25100005.47	-32.61
2010-11	16625.51	551.66	0	0	1567.61	737.15	53591000	660.27	64828.6	63026.33	387.02	197.68	161.01	53739742.84	114.10
2011-12	10257.3	1398.03	2372150	23	1396.38	742.65	86833000	647.86	15101.81	27636.04	1107.3	15600465.48	116.76	10486404.26	95.13
2012-13	11137.37	21441.15	2721872.97	1067.35	4145.16	864.36	64113000	565.71	47043.97	22786.37	1226	382.72	79.4	66945612.53	-36.16
2013-14	4359.67	484.93	2065000	0	1289.22	555.2	70841002	799.9	241814590	11051.82	1563.56	482.09	180.12	31474135.85	370.14
2014-15	2746.68	606.83	2054200	0	698.73	490.33	119863000	520.87	19704819.53	15504.04	853.5	415.37	5105380.55	14674923.64	-53.37

Factors Affecting Industrial Development in Uttarakhand:

- Credit Unavailability**

Another barrier that limits the potential of this sector is its inability to obtain timely credit at a low rate of interest. Their desire for long-term growth and expansion is diminished as a result. Additionally, MSMEs have been significantly impacted by the COVID-19 pandemic. The outbreak has devastated them because it has used up all of their resources. The majority of MSMEs currently do not have access to enough human resources as a result. The lack of liquidity is one of the most significant issues MSMEs are currently facing.

- **Limited Access to New Technology**

One of the main issues MSMEs are currently dealing with is this. MSMEs are lagging in technological advancements because they do not have adequate access to the most recent information. They frequently lack the skills, education, and knowledge required to run an effective MSME. Obstacles are quite frequent in the rural parts of the state.

- **The Acquisition of Raw Materials**

MSMEs cannot be encouraged to expand in the absence of adequate economic resources. It has been one of the biggest issues in this sector. Due to financial constraints, the majority of small businesses must purchase low-quality raw materials from the neighborhood.

- **Lack of Sufficient Infrastructure Resources**

Due to a lack of infrastructure facilities, SMEs may experience lower productivity and profitability. Access to skilled labor, electricity, and other necessary resources is crucial for MSMEs to maintain their competitiveness. MSMEs are located in either urban, rural, or industrial estates that are impacted by this specific problem.

- **Lack of Skilled Personnel**

Even though our country has an abundance of human resources, MSMEs still have trouble finding skilled workers who can carry out their particular tasks. To improve the quality and output of manufactured goods, MSMEs urgently need to hire skilled labor.

- **A lack of access to the market's potential**

MSMEs in the state have trouble reaching potential markets because of a lack of funding and marketing resources. It consequently makes it more challenging for MSMEs to market their goods to institutions of government. Furthermore, this might lessen their market penetration and make it easier for competitors to make money.

Conclusion:

The results of the current study showed that the MSMEs significantly contribute to the industrial development of Uttarakhand in terms of the number of units, employment, and investment. With an annual growth rate of 23.8% from 2000–2001 to 2014–2015, the state's MSME unit count increased. The state's investment growth rate over the same period was 3.0% annually, which is extremely low given its hilly terrain and dearth of an entrepreneurial culture. Between 2001-02 and 2014-15, the state's MSME sector experienced an average annual growth rate of 16.0% in employment. Whereas the MSME sector is doing well in the state in terms of various metrics such as the number of MSME units, investment, and employment, it still faces many difficulties such as limited access to cutting-edge technology, difficulty obtaining credit, difficulty obtaining raw materials, a lack of adequate infrastructure resources, a lack of skilled labor, and insufficient access to the potential market.

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