



Industrial Growth of Manufacturing Sector in Uttarakhand (Micro, Small and Medium Enterprises)

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Abstract

The micro, small and medium enterprises have played a very important role in the development of country. MSME occupies a position of prominence and constitute an essential ingredient in the development of Indian economy. In the state of Uttarakhand, the MSME has emerged as a dynamic segment. This Paper aims to measure the growth pattern, capital invested and employment generation through micro, small and medium enterprises in Uttarakhand. The research is purely based on secondary data and carried out in all the 13 districts of Uttarakhand. 8 year's data has been taken for this paper from 2008 to 2015 of manufacturing sector. Three hypotheses were formulated and tested using T-test. The empirical results indicate that there is a growth in the number of enterprises established, capital invested and employment generated. But the pace of growth is not constant and declined during some years from the studied time period and to overcome this issue promotion of microfinance is required and it could be sufficient to help them get over the level of poverty under the national standard.

Keywords: Growth, Micro, Small, Medium, Capital, Employment

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1. INTRODUCTION

The term micro, small and medium enterprises (MSME), vary from country to country, at the international level, SMEs is defined in term of the number of employees, total net assets, sales and investment level but if employment is the criterion to define, then there exists variation in defining the upper and lower size limit of a MSME. There are some limitations for the SSE'S according to the census of Micro, Small and Medium enterprises (2010-11). Investment for enterprises and number of employees is to be classified as micro, small and medium enterprises are as follows:

Classification	Manufacturing	Service
Micro	Rs.2.5 million/ Rs. 25 lakh	Rs. 1 million/ Rs. 10 lakh
Small	Rs.50 million/ Rs. 5 crore	Rs. 20 million/ Rs. 2 crore
Medium	Rs.100 million/ Rs. 10 crore	Rs. 50 million/ Rs. 5 crore

Number of Employees

Industry Type	Manufacturing/Service
Self employed	0-1 person
Micro	2-9 employees
Small	10-49 employees
Medium	50-249 employees
Large	250 and above employees

In India, the MSME emerged as a vibrant and dynamic segment and has a lot of important contributions such as employment, innovation and areas of marketing etc., in the economic development of the country also has a direct impact on the balanced growth of the developing area. As a development agent, MSME create the force of changes and utilize the same in extent the socio economic value addition through, resource utilization, employment generation, capital accumulation and industrialization. In addition to the direct economic effects such as making new service products available and creating employment, the MSME has several equally important effects on the functioning of transitional societies that move through indirect channels and to slowing down the restructuring process, the failure to develop the MSME may increase the volume of required transfer payments for unemployment, early retirement and other programmes and (under certain fiscal policy assumptions) crowd-out investment and other employment creating expenditures.

2. ROLE OF MSME IN THE ECONOMIC DEVELOPMENT IN UTTRAKHAND

Uttarakhand State was carved out of the state of Uttar Pradesh on November 9, 2000. It is divided into two 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 industrial potentiality. In spite of being a small state i.e. Uttarakhand has certain key features and full of natural resources that distinct it from other states of the country.

The State Infrastructure & Industrial Development Corporation of Uttarakhand Limited (SIDCUL), a government of Uttarakhand enterprise, was incorporated 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 either directly or through Special Purpose Vehicles, Joint Ventures, assisted companies, etc. Most of its major industrial infrastructure has been developed in the plains whereas limited concentration is given in the hilly areas. 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 in setting up the industrial projects in a short span of time in Uttarakhand state. Since 2003 onwards the state has observed a strong wave of industrialization; but that was mainly in the plains, following the special package announced by the Centre in 2003. Uttarakhand state has only four districts in plains and nine other districts are in hilly area, for the industrial development of hilly and remote areas an Integrated Industrial Development Policy 2008 was launched. To achieve the objective of inclusive growth, now the focus has shifted to the industrial development of the hilly districts. The policy aims to celebrate industrial development in the industrially backward and remote hilly districts of the state, to develop industrial infrastructure, control migration problem 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 control the migration of the population towards the plains and other states in search of better livelihoods. So, the policy targeted industries such as manufacturing and services sectors and in addition to these steps Industrial Policy 2003, also 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. Through this policy state enjoys single-window facilitation in order to expedite project clearances, healthy investor-friendly climate, good quality, uninterrupted and affordable power for industries and to simplify and rationalize labor 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.

2. REVIEW OF LITERATURE

2.1 Uttarakhand Studies

Dangwal, R.C. (2005) focused on the recent trends and implications of Women entrepreneurship in Uttarakhand by studying the Chamoli district of Uttarakhand. The fundamental objectives are to analyze the economic activity wise performance of women entrepreneurs and to evaluate the factors influencing and the attitude of women towards entrepreneurship. The results exhibits that the hill part of Uttarakhand state has a very little scope for establishment of large and medium scale industries and it is also good enough to attract women entrepreneurs.

Jain, Vipul and Jain, Arvind (2012) explore the present situation and future scope of SME's in Uttarakhand. The results founds that high contribution to domestic production are main reasons of growth and low capital base and low utilization are the main limitations of SME's.

2.2 Indian Studies

Ghatak, Shambu(n.d.) examine the role of MSME's in the growth of the economy and policy structure for promoting MSME's changed from "protectionism" during the pre 1990's to "export orientation" during the post 1990's in India. The results reveal that there are two main constraints faced by the MSME's including access to credit and technology. **Kumar, Gulshan (2008)** focused on the Growth of Small-Scale Enterprises in Punjab during Liberalization and Pre liberalization period and the results explores that the Small-Scale Industries has been one of the major planks of India's economic development strategy since independence and liberalization has affected the growth of small-scale industries of Punjab. **P.T. Dinesha, Jayasheela and Hans, V. Basil (2008)** analyze the performance, problems and challenges of MSMEs in India and found that it constitutes an indispensable segment of the Indian economy in terms of its contribution to the country's industrial production, exports, employment and creation of the broad entrepreneurial bases. It is essential for both industry association and government agencies to change their attitudes and to instill confidence in the small units. **Shamika (2009)** explore the overview of MSME sector in India and critically analyzed its main achievements as well as the remaining challenges and found that specific policies that are aimed at the MSME sector have basically, no significant impact or the growth of this sector more general development policies such as expenditure on infrastructure and access to finances have significantly positive impact on growth of the MSME sector in India over the least 15 years. **Bargal, Hitendra, Dashmishra, Mansranjan and Sharma, Ashish (2009)** evaluate the performance of the small-scale industries based on the parameters like productivity, employment generation and export in India and found that annual average growth rate of different parameters of SSI's have declined in the period of nineties but at present the small-scale sector is not significantly contributing to the overall GDP. **Doddamani, Chandrashekhar and Leelawathi, D.S. (2011)** focused on the schemes available for the development of micro enterprises in India and stated that the first generation and growth oriented micro entrepreneurs find a difficulty to make use of the programmes and schemes available, because of non-availability of grass root level functionaries but micro enterprises have a very special place in employment creation and poverty alleviation in India. **Singh, Ram, Verma, O.P. and Anjum, Bimal (2012)** examined the growth and performance of SSE's in India and found that in India the small scale sector has emerged as a vibrant segment of the economy. **Nagraj (2012)** examined the rate pattern and characteristics of the growth of small-scale industries in India with the help of all India survey conducted by the Reserve Bank of India and the national small industries corporation respectively. First survey identified the based trends in the growth in number of small enterprises and some characteristics of the structure of this sector. Second, survey indicated some other aspects of the SSE's sector marketing of output, nature of competitive etc. **Sethi, et al.** evaluated the survival and growth of small-scale industry in India by considering the foundry, glass and brick manufacture sectors and found that the factories in the small-scale sector are generally less efficient in process and resource utilization as compared to medium and large enterprise as well as poor energy and environmental performance is directly

related to the lack of technical capacity in these enterprises to identify better technologies and operating system. **Vibhute, P. E. and Bembalge, Mahendra M.** evaluate the development of small and medium scale industries by focused on the growth in the supply of manufactured goods, promotion of capital formation, development of entrepreneurial skills & abilities and the creation of employment opportunities and results exhibits that socio-economic goals as the decentralization of manufacturing activities from the metropolitan to the rural area, the reduction of regional economic variance within a country and the dispersal of entrepreneurial and management talents as well as of technology throughout India.

2.3 Foreign Studies

Junejo et. al. (2008) analyzed the growth, efficiency and causes of sickness of small-scale industries by considered the educational background of entrepreneurs and its impact on the growth of sales in the every year and found that owners of small industries units are family concern and having a low educational background results in under utilization of capacity and low growth of units established and also found that there is low growth of small-scale industries in the Larkana due to the lack of proper motivation. **Arabi (2009)** ascertained the industrial growth in developing countries by a survey of industrial cluster approaches and policy implications. The results exhibits that the cluster of world class firms in industries is the important customer in the economy. **Ogechukwo, Daniel Ayozie (2011)** analyzed the historical development and orientation of SME's and the role of the Nigeria government as a regulator both legally and politically in the growth of SME's and found that the role of SME's in Nigeria's development and growth. This study concluded by clearly specifying the role of marketing to the survived of SME's in Nigeria. **Odebiyi and Olaoye (2012)** ascertain the development of small and medium scale agricultural industries in Ogun state of Nigeria. The study revealed a positive impact of MF bank loan on small and medium industries and revenue of the farmers reduced rural urban migration and increased overall productivity (yield) and even generates employment opportunities.

2.4 Research Gap

On the basis of above reviews of literature, it has been found that the most of the studies in India are focused on the growth, performance and achievements of small and micro enterprises by considering manufacturing or service industry only and also covered most of the state of India as a research area. But still, there is no research available on the growth of micro, small and medium enterprises on manufacturing sector. This paper aims of finding out the growth of industries, capital investment and employment generation through micro, small and medium enterprises in Uttarakhand. All three types micro, small and medium enterprises but only manufacturing sector have been employed with the study.

3. OBJECTIVES OF THE STUDY

- To ascertain the growth of number of units of micro, small and medium enterprises in manufacturing industries of Uttarakhand.
- To explore the growth of capital investment of micro, small and medium enterprises in manufacturing industries of Uttarakhand.
- To examine the level of employment generation by micro, small and medium enterprises in manufacturing industries of Uttarakhand.

4. HYPOTHESES

H₁ - There is significant difference in the growth of number of units of micro, small and medium enterprises.

H₂ - There is significant difference in the growth of capital investment of micro, small and medium enterprises.

H₃- There is significant difference in the growth of employment generated through micro, small and medium enterprises.

5. RESEARCH METHODOLOGY

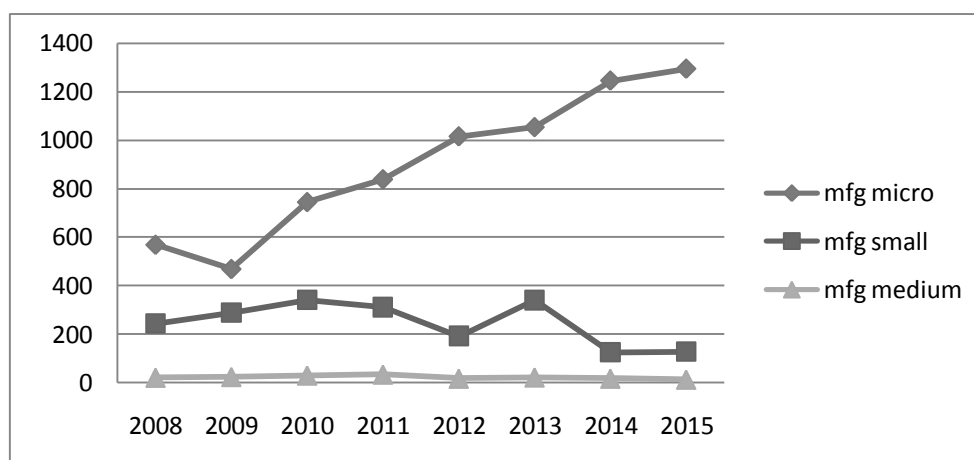
This study was empirical in nature and based on secondary data, collected through various journals, officials' websites, newspaper, magazines, existing literature, reports and also relevant secondary data was obtained from District Industries Centre Dehradun. All the three types of enterprises i.e., Micro, small and medium and all 13 district of Uttarakhand have been utilized in the study. Eight year's information have been gathered from 2008 to 2015 and only manufacturing sector involve in the study. The collected data have been presented in tables and graphs and mathematical and statistical tools like percentage, t-test have been employed along with the SPSS 21 used for the interpretation of the data.

Growth of micro, small and medium scale manufacturing and service industries with regard to number of units, capital investment and employment generation.

Table 1: Number of Industrial Units (Manufacturing)

Year	Micro			Small			Medium		
	Units	Growth	% in Growth	Units	Growth	% in Growth	Units	Growth	% in Growth
2008	568	-	-	243	-	-	20	-	-
2009	468	(100)	(17.60)	288	45	18.51	23	3	15
2010	744	276	58.97	340	52	18.05	29	6	26.08
2011	838	94	12.63	310	(30)	(8.82)	33	4	13.79
2012	1015	177	21.12	191	(119)	(38.38)	16	(17)	(51.51)
2013	1053	38	3.74	339	248	77.48	21	5	31.25
2014	1245	192	18.23	124	(215)	(63.42)	16	(5)	(23.80)
2015	1294	49	3.94	126	2	1.61	12	(4)	(25)

Source:- District Industries Centre Dehradun August 2015 Report.

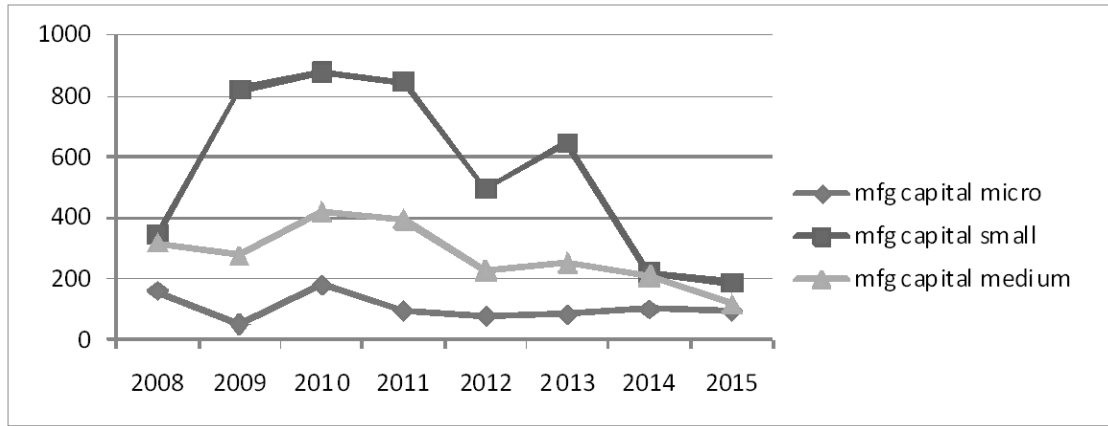


It is shown in the table 1 that the no. of manufacturing micro industries decreased by 17.60% in 2009 but after that there is not any reduction in micro industries. Small industries showed very low increment in two years followed by the high reduction almost every year. Medium enterprises also showed the low increment in three years but in 2012 decrease by 51.51% and reduction were continue after that too.

Table 2:- Capital Investment in Manufacturing Industries (In Crore)

Year	Micro			Small			Medium		
	Capital	Growth	% in Growth	Capital	Growth	% in Growth	Capital	Growth	% in Growth
2008	160.35	-	-	348.03	-	-	319.82	-	-
2009	52.58	(107.77)	(67.20)	819.97	471.94	135.60	276.29	(43.53)	(13.61)
2010	179.28	126.7	240.96	875.30	55.33	6.74	419.04	142.75	51.66
2011	96.07	(83.21)	(46.41)	845.91	(29.39)	(3.36)	397.14	(21.9)	(5.23)
2012	78.22	(17.85)	(18.58)	494.47	(351.44)	(41.54)	227.72	(169.42)	(42.66)
2013	84.59	6.37	8.14	644.71	150.24	30.38	252.88	25.16	11.04
2014	102.14	17.55	20.74	217.78	(426.93)	(66.22)	209.77	(43.11)	(17.04)
2015	97.32	(4.82)	(2.68)	187.46	(30.32)	(13.92)	120.80	(88.97)	(42.41)

Source:- District Industries Centre Dehradun August 2015 Report.

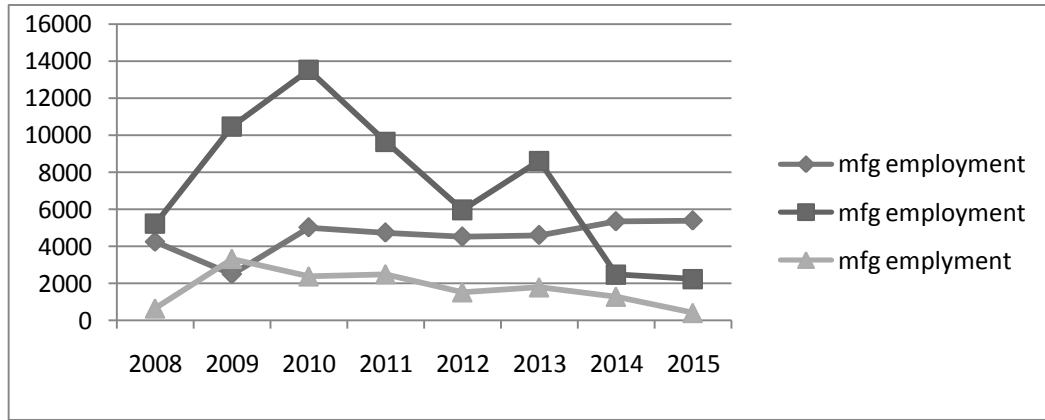


It is shown in the Table 2 that the capital invested in manufacturing units of micro industries decrements in many years but maximum in 2009 by 67.20%. Small industries also revealed very low increment in three years and high reduction in four years. Highest reduction in 2012 is 41.54% and 66.22% in 2014. Medium enterprises also showed the low increment in only in two years 2010 and 2013 but reduction were continue after that too.

Table 3:- Employment Generation in Manufacturing Industries (In Thousands)

Year	Micro			Small			Medium		
	Emp.	Growth	% in Growth	Emp.	Growth	% in Growth	Emp.	Growth	% in Growth
2008	4235	-	-	5211	-	-	652	-	-
2009	2483	(1752)	(41.36)	10462	5251	100.76	3319	2667	409.04
2010	5016	2533	102.01	13513	3051	29.16	2379	(940)	(28.32)
2011	4733	(283)	(5.64)	9632	(3881)	(28.72)	2496	117	4.91
2012	4513	(220)	(4.64)	5966	(3666)	(38.06)	1524	(972)	(38.94)
2013	4599	86	1.90	8608	2642	44.28	1789	265	17.38
2014	5341	742	16.13	2471	(6137)	(71.29)	1285	(504)	(28.17)
2015	5386	45	.85	2232	(239)	(9.67)	409	(876)	(68.17)

Source:- District Industries Centre Dehradun August 2015 Report.



It is revealed in the Table 3 that highest decrement in no. of employees of manufacturing micro industries by 41.36% in 2009 and increment by 102.01% in 2010. Again high decrement in 2014 by 71.29% and increment of 100.76% in 2013 has shown in the table. Medium enterprises also showed the highest increment in 2009 by 409.04% but there is a slight reduction in employment generation in another four years.

Table 4:- Number of Industrial Units as on 31 march 2015

Industry	Micro	Small	Medium	Total
Manufacturing	1294	126	12	1432
Service	1192	44	1	1237
Total	2486	170	13	2669
%age share of manufacturing units	48.48%	4.72%	.44%	53.65%
%age share of service units	44.66%	1.64%	.037%	46.35%
%age distribution of total units	93.14%	6.39%	.487%	100%

Source:- District Industries Centre, Dehradun August 2015 Report.

It can be witnessed from the Table 4 that the contribution of total manufacturing sector is 48.48% and the micro scale sector covered the major part of overall industrial units in Uttarakhand that is 93.14%.

Table 5:- Capital Invested as on 31 March 2015

Industry	Micro	Small	Medium	Total
Manufacturing	97.32	187.46	120.80	405.58
Service	60.51	65.32	2.10	127.92
Total	157.83	252.77	122.90	533.50

%age share of manufacturing capital investment	18.24%	35.14%	22.64%	76.02%
%age share of service capital investment	11.35%	12.24%	.39%	23.98%
%age distribution of total capital investment	29.59%	47.38%	23.03%	100%

Source:- District Industries Centre, Dehradun August 2015 Report.

It is revealed from the Table 5 that the highest contribution in capital investment is of small enterprises to overall investment of capital that is 35.14% and again the share of manufacturing sector is bigger than service sector that is 97.32% and 60.51% respectively.

Table 6:- Employment Generation as on 31 March 2015

Industry	Micro	Small	Medium	Total
Manufacturing	5386	2232	409	8027
Service	3283	679	45	4007
Total	8669	2911	454	12034
%age share of manufacturing employment	44.76%	18.55%	3.39%	66.70%
%age share of service employment	27.28%	5.64%	.38%	33.30%
%age share of distribution of total employment	72.04%	24.19	3.77	100%

Source:- District Industries Centre, Dehradun August 2015 Report.

Table 6 exhibits that the contribution of manufacturing industries again higher than service sector in employment generation that is 66.70%. In manufacturing micro scale enterprise has a biggest involvement in overall employment that is 44.76%.

One-Sample Test						
	Test Value = 0					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
mfg1	5.383	7	.001	3.125	1.75	4.50
mfg2	5.000	7	.002	2.500	1.32	3.68
mfg3	6.177	7	.000	1.625	1.00	2.25
mfg4	4.771	7	.002	2.375	1.20	3.55
mfg5	5.245	7	.001	3.250	1.78	4.72
mfg6	7.333	7	.000	2.375	1.61	3.14
mfg7	8.919	7	.000	3.125	2.30	3.95
mfg8	5.020	7	.002	3.000	1.59	4.41
mfg9	6.000	7	.001	3.000	1.82	4.18

6. HYPOTHESES TESTING

H₁- There is significant difference in the growth of no. of units of micro, small and medium enterprises.

The above table shows that the value of two tailed significance is smaller than 0.05. The output indicates that there is a significant difference in the growth of no. of units of micro, small and medium enterprises in the previous as well as in the current year but in small manufacturing industries the two tailed significance value is 0.002 which is least significant in comparison to others.

H₂- There is significant difference in the growth of capital investment of micro, small and medium enterprises.

The above table shows that the value of two tailed significance is smaller than 0.05 and the output indicated that there is a significant difference in the growth of capital investment of micro, small and medium enterprises and in the medium manufacturing industries has the maximum significant difference.

H₃- There is significant difference in the growth of employment generated through micro, small and medium enterprises.

The above table shows that the value of two tailed significance is smaller than 0.05. The output exhibits that there is a significant difference in the growth of employment generated through micro, small and medium enterprises. But micro manufacturing industries has shown a highly significant difference whereas small manufacturing industry shown a least significant difference.

7. FINDINGS

The MSME i.e. Micro, Small and Medium Enterprises is an important part of the economy which contribute in the growth and development by creation of job opportunities, developing industrial infrastructure and encourage entrepreneurial development through market encouragement and financial support to entrepreneurs. A growth pattern has seen in employment generation, capital investment and establishment of number of units in last 8 years (2008 to 2015) but the pace of growth is not steady and it fluctuates every year and in some of the interval it even significantly declined. It is shown in the study that the contribution of manufacturing industries higher than service sector in the growth of enterprises established, capital invested and employment generation.

8. CONCLUSION AND SUGGESTIONS

Micro, small and medium enterprises in India have shown a considerable development in the recent years. Manufacturing industry has a biggest involvement in overall growth of the Uttarakhand, therefore, development of manufacturing sector is essential to create the political and social 'environmental conditions' necessary to allow desirable changes to occur elsewhere in the system. The increment and reduction in number of industries established, capital invested into those industries and employment generation rate have been shown in the study. It is found that all the three parameters selected for the research to study the growth pattern shows a significant difference which means there is positive growth but not in same constant percentage every year and to deal with the issue financial institutions need to expand on the specification

type of loans and introduce loan for innovative purposes. Interest rate on loan should be reevaluated by the financial institution. Extra focus should be given on underdeveloped units.

9. LIMITATIONS OF THE STUDY

The major limitation is the insufficient database of micro, small and medium-scale industries, selection of Uttarakhand state as a sample and 8 years of data has been taken into consideration whereas district-wise classification and primary data are also not shown in this study. Only manufacturing sector employment generation in micro small and medium scale industries the study.

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