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RESEARCH ARTICLE

CONTRIBUTION AND CHALLENGES OF MSMEs: A CASE OF PAURI DISTRICT OF UTTARAKHAND HILLS

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Abstract

MSMEs have been considered as the engine of economic advancement especially for the remote and hilly areas like Uttarakhand which have less scope for heavy industries due to various reasons like infrastructural gap, inadequate capital, problem of raw material, hilly and difficult terrain, limited access to market etc. The MSME sector has an important role to play in Uttarakhand because with rising education and entrepreneurial culture, a growing MSME sector can utilize local youth in creating self-employment in large number at a lower capital cost. Moreover due to limitations in the hills in generating employment, MSMEs can generate sustainable livelihoods for the community in the hills as well as promote entrepreneurship and use local resources which otherwise would have been left idle to boost the economy. This study which is based on primary data collected from 103 MSMEs in Pauri district is an endeavour to study the contribution of MSMEs in employment generation in Pauri district of Uttarakhand as well as examine the issues and challenges faced by MSME sector of the state. Findings of the study reveal that Micro enterprises account for more employment generation both in case of males and females followed by the Small enterprises in Pauri district of Uttarakhand and the major difficulties faced by these MSMEs were lengthy paperwork, high cost of transportation, bad roads, insufficient demand etc.

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Introduction:-

MSME sector plays a crucial role in the socio-economic development of the nation and is considered as the engine of growth for the economy (Bhuyan, 2016). MSME sector contributes 45% to India's manufacturing output, 40% to exports, employs 73 million people and manufactures more than 6000 products (Chandraiah & Vani, 2014). MSMEs have helped in the industrialization of the rural and backward areas of the Indian economy, thereby reducing the regional imbalance and leading to more equitable distribution of national income and wealth thereby eliminating the problem of poverty and unemployment (Naskar, 2019). MSMEs have contributed in fostering entrepreneurship (Chakrabarty, 2016) as well as in generating large scale employment with comparatively lower capital cost, next to agriculture (Pujar, 2014).

MSMEs have not only played an important role in the overall economic development of the nation but have also lead to the economic advancement of remote and hilly areas like Uttarakhand which have less scope for heavy industries due to various reasons like infrastructural gap, inadequate capital, problem of raw material, hilly and

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difficult terrain, limited access to market etc. Like other Himalayan region, there is a huge scope for MSMEs in this mountain state (Pathak & Agrawal, 2016) as with rising education and entrepreneurial culture, a growing MSME sector can utilize local youth in creating self-employment in large number. Moreover due to limitations in the hills in generating employment, MSMEs can generate sustainable livelihoods for the community in the hills as well as promote entrepreneurship and use local resources to boost the economy.

According to a survey report of the PHD Chamber of Commerce and Industry (PHDCCI) Uttarakhand has emerged as one of the most attractive industrial destinations in India and has witnessed remarkable growth of MSMEs over the years which have contributed significantly in employment generation. The state with its vast natural resource base, large forest cover and enormous power potential holds the potential of being one of the most flourishing states in the country. Realizing the future prospects of MSME sector in Uttarakhand in employment generation, rural development and skill development, the Government of Uttarakhand has created a separate department for MSMEs in the state in order to explore the untapped potential for MSMEs as well as taken pro industry initiatives to attract industrial investment and encourage entrepreneurship among people of Uttarakhand(www.phdcci.in). Thus the MSMEs in Uttarakhand have a very significant role to write the growth story of the state. In spite of witnessing spurt in growth of MSMEs in Uttarakhand these small scale industries face various kinds of challenges like lack of capital, lack of skilled labour, lack of infrastructure, lack of proper market information, unavailability of high quality of inputs etc. (Jain & Jain, 2012). Thus proper initiatives taken by the Government and Financial institutions in the MSME sector can help in resolving these issues and hence accelerate economic growth rate.

On the basis of widespread literature available it has been observed that so far all studies in Uttarakhand related to MSMEs were based on secondary data. The present study differs from previous studies as it is based on primary data collected from 103 MSMEs in Pauri district and is an endeavour to study the contribution of MSMEs in employment generation in Pauri district of Uttarakhand as well as examine the issues and challenges faced by MSME sector of the state.

Defining MSMEs

There is no universally accepted definition of MSMEs. MSMEs have been defined on the basis of different parameters which are different for every organization, country, statistical agency etc.

The criteria to define MSMEs in India has also been constantly changing as per the changing need of the economy. Earlier MSMEs were defined in terms of investment in Plant and Machinery for manufacturing sector and investment in equipments for service sector but recently in June 2020 the Government of India has revised the criteria to define MSMEs in order to revive the economy of India amid the COVID-19 pandemic as a part of the Atmanirbhar Bharat Abhiyan relief package(www.prsindia.org). The following measures have been taken by the Government to redefine the MSMEs:

1. Increased investment limit
2. Introduced additional criteria of “annual turnover”
3. Eliminated the difference between manufacturing and service sector.

About study area

Pauri Garhwal, a district of Uttarakhand falls partly in the Gangetic plains and a major part in the Himalayan North. It encompasses an area of 5230 square kilometers. The district is administratively divided into nine tehsils, viz., Pauri, Lansdown, Kotdwar, Thalain, Dhumakot, Srinagar, Satpuli, Dhumakot and Yamkeshwar and fifteen developmental blocks, viz., Kot, Kaljikkhal, Pauri, Pabo, Thalain, Bironkhal, Dwarikkhal, Dugadda, Jaijikkhal, Ekeshwar, Rikhnikkhal, Yamkeswar, Nainidanda, Pokhra and Khirsu. The main occupation of the population is agriculture. Some small industrial units have been established around the district which includes industries of agro based, cotton textile, jute, wooden furniture, paper products, rubber, plastic and petro based products. The region offers main items for export such as light weight concrete blocks, concrete tiles etc. Being diverse in topography, the district offers enormous prospects for sectors like food processing, floriculture, processing of honey, ayurvedic medicine formulation, cold storage etc. Due to the lack of required infrastructure and the geography of the area, there are no major industries in the hilly part of the district. (www.dcmsme.gov.in)

Objectives:-

1. To study the contribution of MSMEs of Pauri district in Employment Generation of male and female locals.
2. To study the challenges faced by MSMEs in Pauri district of Uttarakhand.

Research Methodology:-

1. The present study is based on primary data collected from field survey through structured schedule and is descriptive and analytical in nature.
2. A sample size of 103 MSME units have been studied from 7 blocks of Pauri district in Uttarakhand. The blocks have been selected on the basis of highest concentration of MSMEs. From each block selected, 5% of the total no. of MSMEs (inclusive of both Manufacturing and Services) have been selected proportionately as samples for the purpose of the study.
3. Descriptive statistical tool of frequency analysis has been used to analyse and infer the data using MS-Excel. The data has been analysed with the help of Graphs and tables.

Results and Discussions:-

Contribution of MSMEs in Pauri district in Employment Generation:

Out of a total of 103 MSMEs studied in Pauri district of Uttarakhand there were a total of 96 Micro enterprises (93%), 7 Small enterprises (7%) followed by no Medium enterprises.

The contribution of these 103 MSMEs in Employment generation based on the type of enterprise in Pauri is depicted through the table below.

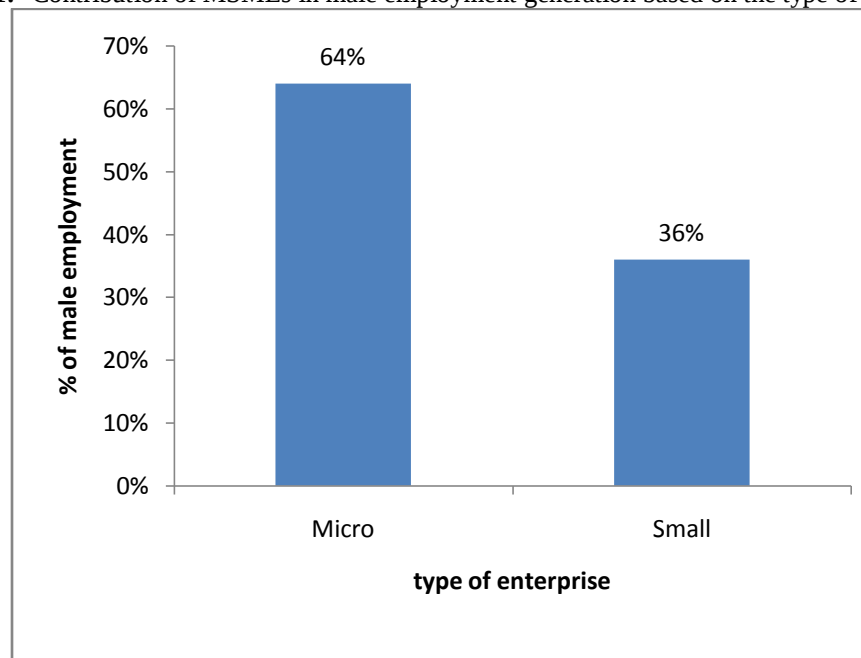
Table 1:- Contribution of MSMEs in Employment Generation based on the type of enterprise.

	No. of male employment	% of male employment	No. of female employment	% of female employment
Micro	134	64%	32	91%
Small	75	36%	3	9%

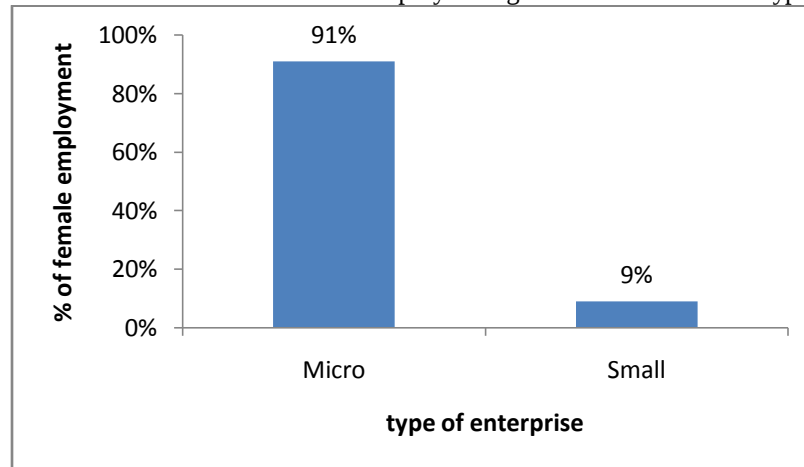
From the table above it can be inferred that the Micro enterprises accounts for 64% of the male employment and 91% of the female employment followed by the Small enterprises which account for 36% of the male employment and 9% of the female employment in Pauri district.

Whereas since there were no medium enterprises found in the hilly areas of Pauri district thus it can be concluded that medium enterprises do not contribute towards employment generation in Pauri district.

Graph 1:- Contribution of MSMEs in male employment generation based on the type of enterprise.



Source: primary data.

Graph 2:- Contribution of MSMEs in female employment generation based on the type of enterprise.

Source: primary data.

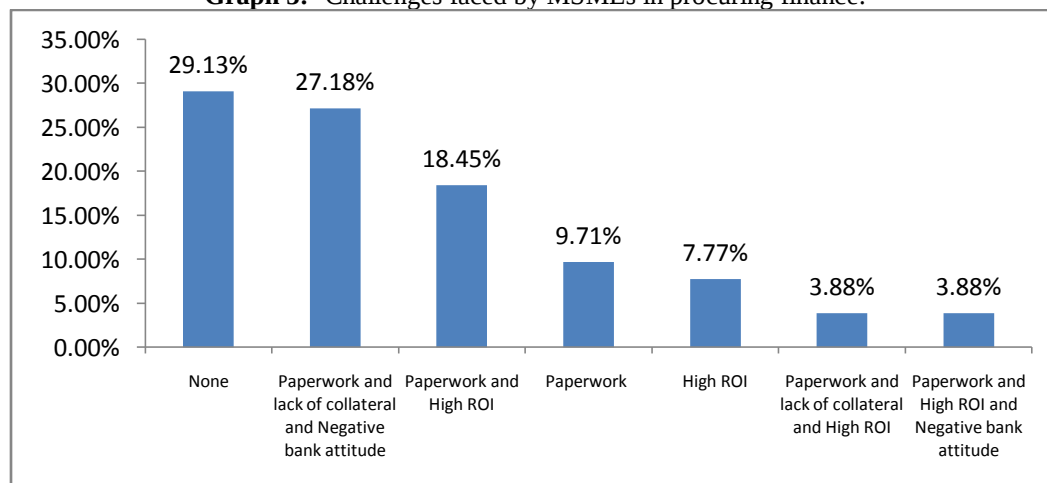
From the analysis above it can be concluded that Micro enterprises account for highest employment contribution both in case of males and females followed by the Small enterprises.

Also both in case of Micro and Small enterprises the total no. of employment is high in case of males as compared to females. Thus it can be said that MSMEs play an important role in employment generation.

Financial challenges faced by MSMEs in Pauri district

One of the biggest challenges faced by the MSME sector in the hilly areas of Uttarakhand is the lack of finance. According to the survey, a large share of the respondents (29.13%) opined that they faced no difficulty in procuring finance but on the other hand (27.18%) of the respondents held lengthy paperwork, lack of collateral and negative attitude of banks as the major financial problems faced by them followed by (18.45%) of the respondents facing paperwork and high rate of interest as a major problem. Another (9.71%) of the respondents opined only lengthy paperwork as the problem faced whereas (7.77%) of the respondents opined only high rate of interest as the problem faced followed by (3.88%) of the respondents facing problems of paperwork, lack of collateral as well as high rate of interest and another (3.88%) opted for problems of paperwork, high rate of interest as well as negative attitude of banks as the problems faced by them in procuring finance.

It can thus be concluded that most of the respondents faced issue in procuring finance due to lengthy paperwork, lack of collateral and negative attitude of the banks towards them

Graph 3:- Challenges faced by MSMEs in procuring finance.

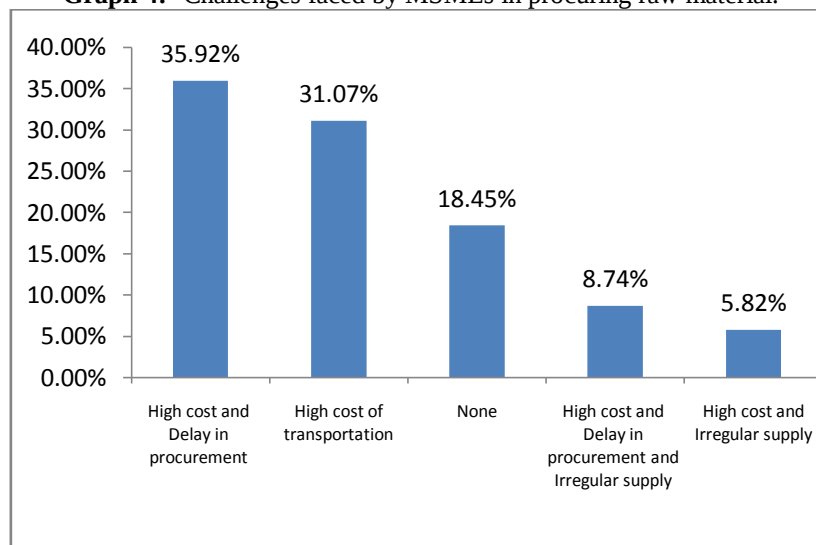
Source: Primary data

Raw material challenges faced by MSMEs in Pauri district

Another hindrance that limits the potential of this sector especially in the hilly areas is their inability to procure raw materials. According to the survey, a large share of the respondents (35.92%) of the respondents opted for high cost of transportation and delay in procurement as the major challenges faced by them in procuring raw materials followed by (31.07%) of the respondents who opted only for high cost of transportation as an issue faced by them. (18.45%) of the respondents faced no difficulty related to procurement of raw materials whereas (8.74%) of the respondents reported high cost of transportation, delay in procurement as well as irregular supply as the major problems faced by them lastly followed by (5.82%) of the respondents who reported high cost of transportation and irregular supply as the problems faced by them in procuring raw materials.

Thus it can be concluded that major issues faced by the people in hilly areas in procuring raw materials was high cost of transportation and delay in procurement due to bad roads and uncertainty of weather conditions.

Graph 4:- Challenges faced by MSMEs in procuring raw material.

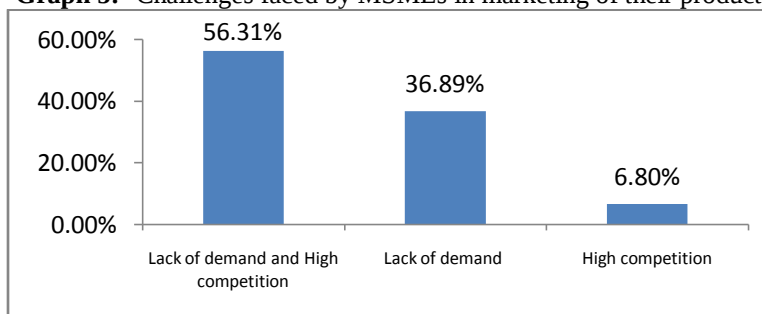


Source: Primary data.

Marketing challenges faced by MSMEs in Pauri district

One of the perennial issues faced by the MSMEs is their inability to have access to wide markets. According to the survey, a large share of the respondents (56.31%) opined that both insufficient demand as well as high competition were the biggest marketing challenges faced by them, followed by (36.89%) of the respondents who reported only insufficient demand as the major challenge faced by them while the (6.8%) of the respondents opted only for high competition as the major issue faced by them. Thus it can be concluded that most of the respondents were faced with the problem of both low demand due to migration from hills as well as rising competition from other big firms in marketing of their goods and services.

Graph 5:- Challenges faced by MSMEs in marketing of their product.

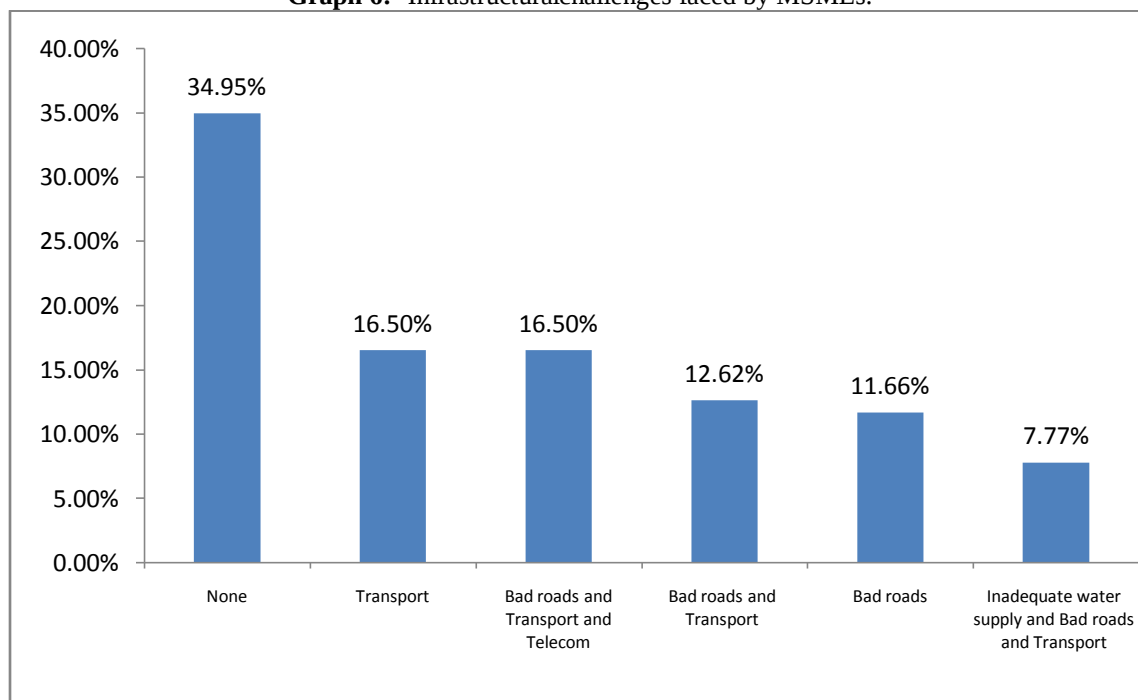


Source: Primary data.

Infrastructural challenges faced by MSMEs in Pauri district

The MSMEs operating in the hilly areas suffer from a serious problem of scarcity of infrastructure facilities which in turn erode their productivity and profitability. According to the survey, a large share of respondents (34.95%) opined that they faced no infrastructure related issue in their business. Whereas (16.5%) of the respondents reported that inadequate transport and telecom facility along with bad roads were the major issues faced by them followed by another (16.5%) of the respondents who reported only inadequate transport facility as a major issue. (12.62%) of the respondents opted for both bad roads and inadequate transport facility as issues faced by them whereas (11.66%) of the respondents opted for only bad roads as the major issue faced by them. Lastly a small percentage of respondents (7.77%) opted for inadequate water supply, transport facility and bad roads as the major infrastructural challenges faced by them. Thus it can be concluded that bad roads along with inadequate transport and telecom facility were the major infrastructural challenges faced by the MSMEs in hilly areas.

Graph 6:- Infrastructural challenges faced by MSMEs.



Source: Primary data.

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Conclusion:-

The MSME sector of the state has emerged as a very crucial sector for the socio-economic development of Uttarakhand. The sector is one of the fastest growing and employment intensive segments in Uttarakhand's economy. As per the findings of the study it can be concluded that MSMEs in Pauri district play an important role in employment generation for both male and female locals. However the findings also reveal that the state is encountered with its own set of problems related to procurement of finance and raw material, poor infrastructure, marketing, lack of labour, inadequate transportation etc.

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