

# An Evaluation of Challenges Faced By Micro, Small and Medium Enterprises in The Uttarakhand

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## Abstract

In the whole world, MSMEs have been accepted as the engine of economic growth and for promoting equitable development. The growth of India is also depending on the success of MSMEs. This sector contributes around 30% of India's GDP and employs more than 50% of Industrial workers. In India there are various challenges faced MSME sector e.g. Absence of adequate and timely supply of bank finance, Non-availability of highly skilled labour at affordable cost, Limited capital and knowledge etc. The policies of Government also effected MSMEs badly. When Government of India brings demonetisation, this sector suffers a huge deficit because this sector works with cash and due to demonetisation whole country is out of cash. On that time many of the MSMEs are shut down and some had work on very less capacity. Lot of persons had to left over their jobs. After this when government announced GST this is also affected adversely to MSMEs, because they were not ready to compliances so much rules. Although he Government intentions were very good and support was excellent but this sector was affected negatively. In the last of 2019 Coronavirus crisis has affected the growth of whole world badly. To fight against COVID-19 the whole world imposing lockdown and social distancing Indian Government also have no other solution, so in March 2020, the Government of India also imposed Lockdown. This COVID-19 pandemic has battered all sectors of the economy, with the micro, small and medium enterprises (MSMEs) among the worst-hit. Because of this Covid-19 and lockdown the operations of these MSMEs due to their dependence on the cash-economy that is severely hit by the lockdown, the physical non-availability of workers, and restrictions in the availability of raw materials and transport infrastructure. In this research paper we have discussed the various challenges faced by MSME in Uttarakhand. Along with this MSME have also faced the challenges due to COVID-19. The purpose of this paper is to comprehensively analyse the challenges faced by MSMEs Pre- Covid and post- Covid and various steps taken by Government to boost MSMEs.

**Keywords:** MSMEs, COVID-19, Lockdown

## Introduction

MSMEs continue to be the backbone of the economy for countries like India where the problem of unemployment is steadily escalating and the agriculture land holdings continue to shrink. In India MSMEs play a crucial role in the growth of Indian Economy. Along with huge employment opportunities these also help in the process of industrialization in rural areas. They are also reducing the unequal income distribution among the residents of India. The MSMEs contribute significantly in the development of Indian economy through huge export production, great amount of domestic production, very low investment requirements, huge operational flexibility and adequate amount of technology-oriented enterprises etc. The State of Uttarakhand in India is looking at sustainable and inclusive industrial growth as it faces an acute problem of migration of people from the hilly terrain to the plains due to lack of employment and business opportunities. This Lockdown also creates the challenges for MSMEs not only for India but for the entire world. Due to coronavirus crisis we are also dealing with the economic ramifications. For governments around the whole world there was no option other than imposing lockdown and social

## Sonia

Research Scholar  
Dept. of Commerce,  
S.M.P. Govt. Girls P.G.  
College, Meerut,  
Uttar Pradesh, India

## Arvind Kumar Yadav

H.O.D.  
Faculty of Commerce,  
KMGGPGC, Badalpur,  
G.B. Nagar, Uttar Pradesh, India

distancing. This is becoming the new norm, for post-pandemic world to wake and starts a new trading culture.

#### **Objective of The Study**

1. To evaluate the various challenges faced by MSMEs in Uttarakhand,
2. To study Important steps to be taken for the betterment of MSME's in Uttarakhand State,
3. To evaluate the new challenges arises due to pandemic (COVID-19),

#### **Methodology**

In this research paper I have used both primary and secondary data. For primary data I have visited to different MSMEs and collect information about outsourcing. Secondary data is taken from books, internet, various research papers and reports of Government.

#### **Review of Litratione**

Keown and Pinkerton (1981), provide evidence of excess returns earned by investors in acquired firms prior to the first public announcement of planned mergers.

Seyhun (1986), examining transactions reported to the SEC, finds that corporate insiders earn excess returns that are on average small.

Appasaba I. et. Al(2013) analysed the growth and development of the Indian small-scale sector from opening of the economy in last few years.

SudhaVenkateshet.al (2012) analysed the importance of smes in their study and identified the problems of finance, marketing and low quality. Taking into account the enormous potential of the small sector, the entrepreneurs and the policymakers must act collectively to facilitate growth in this sector.

Dr. Gisha P. Mathai (2015) conducts an exploratory study to analyse the major challenges of the Indian MSME sector and also provide valuable suggestions for improvement. The author claims that the SME sector is like the spine of the nation providing the second largest employment opportunities. Some of the major problems are related to lack of bank credit, competition from MNCs, poor infrastructure, unavailability of raw materials, lack of advanced technologies, lack of marketing channels, lack of skill development program and complex labor laws. The author suggests that mutual supply of technologies, the constitution of a panel of consultants, determination of technological needs, awareness programs, sufficient availability of credit and relaxation in labor laws can lead to growth and development of Indian MSMEs.

Dr.K. Alamelu and R. Baskaran(2018) in the paper discussed msme with regard to the core challenges of msme like inadequate access to credit and working capital, dwindling of a vibrant sector, non-availability of quality raw materials and packaging facilities on a timely basis, insufficient market research, linkages & design inputs, rehabilitation of sick SSA units, globalization, and technology up-gradation and achieving 'economies of scale'.

#### **Challenges Faced By MSMEs in Uttarakhand**

In our Country Uttarakhand is one of the most popular and attractive destinations for industrial setups. It is just because of its rich natural resources,

nice forest coverage and a very good amount of potential of power generation etc. The Uttarakhand state has a great potential of generating employment through its forest resource. Developing Jim Corbett is a very good example of using forest resources in a very good manner. At the same time there are certain challenges which were faced by Uttarakhand to survive and establish. Uttarakhand also works on establishing MSMEs for minimize the migration of people to other states in search of their livelihoods, improving lifestyles and income generations but that was not the sufficient. So this beautiful state has to understand the challenges first. Some challenges Faced by MSMEs in Uttarakhand are as follows:

1. Absence of adequate and timely supply of bank finance,
2. Non-availability of highly skilled labour at affordable cost,
3. Limited capital and knowledge,
4. Low quality inputs,
5. Non-availability of suitable technology,
6. Lack of management skills,
7. Lack of access to technology,
8. Low production capacity,
9. Ineffective marketing strategies,
10. Inadequate marketing support
11. Huge competition,
12. Identification of new markets,
13. Lack of land resource,
14. Lack of adequate warehousing,
15. Constraints in modernisation and expansions,
16. Transportation problems,
17. Lack of raw materials,
18. Lack of information,
19. High customer demand,
20. Lack of training,
21. Tax Issues.

#### **Important Steps to Be Taken For The Betterment of Msme In Uttarakhand State**

There is consist According to the data given by the government of Uttarakhand it there is a consistent growth of MSMEs in Uttarakhand till date since inception in the year 2000. On the basis of literature available, following points can be introduced for the betterment of the MSME in Uttarakhand state.

#### **Reformulation Of MSME**

Valuating the definitions and other influential factors in different countries it states that investment in capital for defining MSMEs are extremely low and should be increased to some extent.

#### **Export Credit for Timily Payments**

This is very important step that who makes repayment regularly and on time should be allowed more increased percentage of interest subsidy. Introducing a system through which the foreign currency limits are elevated automatically and undoubtedly in accordance to fall in rupee. The banks should also increase the percentage of export credits.

#### **Moremarketing Booster Schemes Should Be Introduced**

Encouraging enhancement of budget under MDA (Market Development Assistance)/ MAI (Market access initiatives) schemes. MSMEs they should be helped in concentrating on brand development and

should be given international platforms to promote themselves and their products. For example: trade fairs. There should be reduction of income tax for marketing expenditure and E-Commerce.

#### **Upgradation of Technologies**

Implementation of capital and interest subsidies for timely and fast technological adoption.

#### **Productivity Enhancement**

There must be an effective reformation in the labour laws about the overtime by employees in order to enhance productivity. Encouraging more women employment opportunities and assuring safety to work in night shifts.

#### **Training and Development Skills**

Allotment of more funds for establishing research centres, product development and growth centres. Developing and establishing of more technical institutions and CSIR labs.

#### **Improvement of Infrastructure**

Improvement of infrastructure like air cargo, sea ports, rail roads and major highways.

#### **Effective Steps for Sector Specific Problems**

Effective moves to be under-taken to solve sector-oriented problems. For example: handicrafts and leather industries.

#### **Institutional Structure Should Be Improved**

Creating development institutions for resolving policy issues and problems related to implementation for the betterment of the sector.

#### **Tax Issues**

In order to reduce costs for MSME exporters different ECGC policy (Export Credit Guarantee Corporation of India) should be implemented.

#### **Challenges Due To COVID-19 in MSME**

Our country is a developing country. Medium Small and Medium Enterprises are the lifeline for the Indian economy. But it was hit badly due to the blows of demonetisation and GST implementation. However, India shows signs of improvement, the pandemic outbreak ushered in a new set of challenges, leaving many companies due to the pandemic outbreak and the consequent lockdown. Some other factors like credit deficit, shortage of working capital, and a decrease in demand for non-essential goods paint a grim picture. Despite the fact that the government is taking countermeasures to combat the loss incurred due to the pandemic, MSMEs are struggling for stability as sales and revenue remain at a halt. Sale of most of the big company falls very low e.g. auto manufacturers like Maruti Suzuki said the production for April was 'zero,' whereas, during February, the company produced 1,40,933 cars. This is the plight across the manufacturing industries, including textiles, chemicals, among others. What makes the situation worse is that with a decrease in demand, and no possible rebound in the future, it may get increasingly challenging for most of the businesses to adhere to their obligations. According to TransUnion CIBIL, loans to Medium, Small and Medium worth Rs.2.30 lakh crore are at a huge risk and gone to non-performing units. Further, the need for working capital will increase as payment cycles are likely to be extended, generating cashflow issues. This situation is expected to prevail, even as the government relaxes

#### **Conclusion**

MSMEs being a major contributor to the state of Uttarakhand as well as the whole economy in terms of employment generation, growth and development of the domestic economy must be granted with enough support like providing infrastructure, developing SEZs (Special Economic Zones), developing technology and other relevant assistance. In spite of various challenges, they are operating business with skilled workforce that can be trained and brushed up by creating and enhancing networks with other organizations that provide training and development programs but the requirement of the hills is totally different from the requirements of the plains, as the cost involved in the starting and running a business can be just three or four times of what it can be in the plains. MSMEs have faced already various challenges but this COVID-19 has broken the backbone of this sector. This has created a high degree of uncertainty in all aspects of the business in particular to avoid further spread of COVID-19 in the workplace or through the movement of people and materials, which may result in further restrictions and potential return to lock down. The Government of India has already appealed to MSMEs producing medical and other essential products to register and sell in the Government's e-marketplace. This should be expanded to other sectors as well with co-ordination across different states to meet local supply and demand requirements. While Indian policymakers face the tough task of containing a public health pandemic as well as formulating swift policies to protect the most vulnerable from its adverse economic effect, a committed response to support the MSMEs is essential, imminent and key to easing the impact of the crisis for these entrepreneurs, their employees and the Indian economy as a whole. There are significant sources of employment generation and plays an important role in eliminating poverty, sustainable development of a country as well as a particular region and creating a link between abundant labour and scarce capital. So, Government of Uttarakhand have to take some more positive steps for minimise the effect of Lockdown.

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