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**“ANALYSIS OF ENTREPRENEURSHIP DEVELOPMENT IN SMALL AND MEDIUM SCALE INDUSTRIE**

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**ABSTRACT**

This study will focus on entrepreneurship development within the, Small and Medium Enterprise (SME) sector in the . The SME sector has often been termed the ‘engine of growth’ for developing economies. Over the last few years, there have been major policy changes at the Central and state level aimed at consolidating and developing this sector. The SME Development Act of 2006 is perhaps the most crucial of these recent policy changes. In this regard entrepreneurship development in small and medium scale industries in Uttarakhand The study further covers the Development of SMEs in Uttarakhand especially it is focused on Industrial Policy, Industrial profile of Uttarakhand and Small-Scale Industries and employment.

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**Key Words: Entrepreneurship, SME, Employment,**  
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**INTRODUCTION**

State of India. Its importance for study is not inimical and there has been various rebates an encouragement from the State Government. This lead to attract many entrepreneurs from the various parts .Consequently number of units were established here. Uttrakhand is comparatively In recent years, Uttarakhand has emerged as one of the most attractive industrial destinations in India. The government is encouraging private participation in all industrial activities and as a result big players such as HUL and Dabur have set up units in the state. The New Industrial Policy announced in 2003 by the state government puts in place the regulatory framework for Uttarakhand's industrialisation. The New Industrial Policy indicates that private resources may be tapped while promoting integrated Industrial Estates in Uttarakhand. State Uttaranchal is a land of scenic beauty, temples,

lakes, mountains, glaciers and green lush meadows. Therefore the main industry of this state is tourism industry and it had almost 80% of U.P.'s tourism centres in it before it became a separate state. But the tourism industry of Uttaranchal is lagging behind in the lack of good infrastructure and facilities. The govt. has also not given proper attention to this sector. We hope the state Govt. will take appropriate action to boost this sector and one day Uttaranchal will become a major tourist destination in all over India. Although some other revenue earning sectors of state Uttaranchal are:

### **Industrial sector**

- Sugar Mills
- Cloth Mills
- Paper Mills
- Flour and Rice Mills
- Pharmaceuticals
- Menthe Oil Units
- Stone Rolling Mill
- **Agricultural Sector s**
  
- Dairy Products
- Production Of Rice And Wheat
- Fish Farming
- Poultry Farming
- Floriculture
- Horticulture
- Pickle and Sauce Industry

### **Tourism Industry**

- Hotel Industry
- Travelling Agency etc.
- All Hospitality Related Business

Uttaranchal is 27th State (Birth November 9, 2000). It covers an area of about 54483 Sq Kms. The State has population of 84.809 approx. The literacy rate is 72% . The city is beautifully surrounded with 70% land under forest. The GDP is INR 126593.3 Millions. The NDP is INR 113420 Millions. The state has an unique Ecosystems diverse Flora and Fauna, Sanctuaries, Wildlife Parks etc. There are roughly 56 banks with 1036 branches.

### **Reasons to invest in Uttarakhand:**

- **UDYOG MITRA** - State level facilitation body set up under the Chairmanship of Hon'ble CM.
- New Industrial Policy with wide range of physical and non-physical incentives.
- Concessional Industrial Package Announced.

- **Land Bank** - A dedicated land bank being created to provide land for projects across the table.
- Peaceful and Secure Industrial Environment.
- **Hydro Power Resource** - Potential powerhouse of the Nation. Only 9% of the total hydro power potential has been tapped till now.
- **Tourism Potential Unmatched** - Mountain, leisure, Spiritual, Adventure, Religious, Eco-traditional and high-end tourism along with related services.
- **Good Quality of Life** - Healthy climate and Pollution free environment.
- Major Climate Zones in close Geographical proximity.
- 175 species of Medicinal Herbs found in Uttaranchal.
- Proactive Government.

## REVIEW OF LITRATURE

**Easwaran (1994)** study focused on “Entry strategies for success: small business in the post liberalization”. The study suggested that the immediate impact of the new economic policy has not been very favorable for small units which are robust and have planned for growth will be an important factor in success of these units.

**Jamwar (1992)** Study focused on present position and problems of small scale and cottage industry with special reference to factors causing industrial sickness. The study traced lack of marketing attention as one such reason causing industrial sickness.

**Sengupta Senkar and Debnath suraj (2000)** his study is based on rural/village small scale industries in Indian scenario measures under taken for their promotion. He pointed out that the small scale industries play strategic role in the economic development and progress of the nation. These industries ensure equitable distribution of nations income and wealth. Rural India can draw the benefit of industrialisation through the proper functioning of industries.

**Todor Balabanov (2002)** This paper makes an overview of the status and prospects of the most important support service for the private Small and Medium Enterprises (SME’s), namely their financing. The analysis is targeted at opportunities that may be realisable under the new political and economic climate. As a result of successive international programmes for the development of Business Support Institutions, a number of Non-Governmental Agencies have been created and their staff trained to provide support services to local business communities.

**Lado and Vozikis (1996)** in their paper, “Transfer of Technology to Promote Entrepreneurship in Developing Countries: An Integration and Proposed Framework” tried to explore the role of technology transfer to promote entrepreneurship in the LDCs. They argue that entrepreneurial development depends, among other things, on the technology content and context, mode of technology transfer, the recipient country’s level of economic development, and the absorptive capacity of local firms.

**Pandit (1984)** Conducted a study of industrial development in Punjab. The study showed that identification of factors influencing or shaping the development and location of foot

loose industries would be relatively an easier task in a region where such industries have developed recently.

**Balabanov (2002)** This paper makes an overview of the status and prospects of the most important support service for the private Small Enterprises, namely their financing. The analysis is targeted at opportunities that may be realisable under the new political and economic climate. As a result of successive international programmes for the development of Business Support Institutions, a number of Non-Governmental Agencies have been created and their staff trained to provide support services to local business communities.

## **RESEARCH METHODOLOGY**

The study is based both the primary and secondary data.. The secondary data was collected from published and unpublished records and reports of the central Government and Government of Uttarakhand. For this purpose, personal visits were made to several organizations of which the following are important:

## **OBJECTIVE OF STUDY**

- 1) To study the industrial policy of Uttarakhand.
- 2) To study the industrial profile of Uttarakhand.
- 3) To study the growth of employment in small and medium scale industries in Uttarakhand.

## **DEVELOPMENT OF SMES**

### **Industrial Policy**

Uttarakhand has seen strong industrialization during the past five years, 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 accelerate 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.

The State Infrastructure & Industrial Development Corporation of Uttarakhand Limited<sup>21</sup> (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, 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.

### **Industrial Scenario of Uttarakhand**

Against this background, this section of the paper examines the status of industrialization and employment in the state of Uttarakhand and hill districts of the state. Table 21 presents the overall comparison of the state of industrialization in Uttarakhand and 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 per cent and 15 per cent, 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.

**Table 1 : 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
Small-scale Industry units	106484	137618	10521190	12843774
Registered	15285	30268	1374974	2031910

Un-registered	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.*

**Table 2 : Factories (registered under Factories Act 2M I and 2M II Act, 1948)**

*(Units: Value Rs. in Lakhs & Others in Number)*

	Uttarakhand	India	Uttarakhand	India	Uttarakhand	India
	<b>2001-02</b>		<b>2004-05</b>		<b>Per cent increase</b>	
No. of factories	698	128549	752	136353	7.18	5.72
No of workers	27317	5857848	35349	6599298	22.72	11.24
Total persons engaged	40880	7750366	51762	8453624	21.02	8.32
Net Value Added	82468	14430212	194801	25990686	57.67	44.48
Gross fixed capital formation	22028	7015145	77726	7458995	71.66	71.66
Profits	2439	3488385	105677	14460199	97.69	75.88

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.*

Similarly, **Table 2** shows that the relative improvement in industrialisation in Uttarakhand has been much better than in the country over the period 2001-04. In Uttarakhand over the periods 2001-02 and 2004-05 the number of factories increased by 7.2 per cent with an increase in workers of about 23 per cent. Gross fixed capital formation increased by 72 per cent and profits by 98 per cent. This shows a very positive impact on the employment status in the state as a result of industrialisation.

**Table 3** shows the status of industrialisation in the districts of Uttarakhand. Table 24 shows these numbers as a percentage of the total for Uttarakhand. It is clear from the table that industrialisation took place in the plains of Uttarakhand much before it did in the hill regions. Dehradun, Haridwar, Nainital and Udham Singh Nagar have about 89 per cent of the factories set up in Uttarakhand. Also of all the workers engaged in Uttarakhand, 94 per cent are employed in the plains. Many of these workers have migrated from the hill districts or even from neighbouring states. Among the hill regions it is only Almora that has set up small-scale industries and Khadi/ Gram Udyogs. Almora has about 31.3 per cent of the state's small-scale industries, which is similar to that in Haridwar and also about 13.7 per cent of the Khadi and Gram Udyogs. The number of employees of khadi units and SSIs in Almora are about 9.8 per cent and 38.9 per cent, respectively. Pithoragarh has shown a relatively better setting up of Khadi and Gram Udyogs in relation to other hill districts. Bageshwar, Champawat, Rudraprayag and Uttarkashi are the least industrialised hill districts, where even the setting up of Khadi and Gram Udyogs is almost negligible. It is expected that the new industrial policy will focus on these districts.

**Table 3 : Status of industrialisation in districts of Uttarakhand, 2004**

District	Khadi/ Gram Udyog units	Small- Scale Industries (SSIs)	Total employees of khadi units	Total employees of SSIs Factories act	No. of factories	No. of workers
Almora	1608	3463	2154	14906	9	486
Bageshwar	47	614	104	823	5	375
Chamoli	1299	185	1305	364		
Champawat	190	422	400	985	7	33
Pauri Garhwal	1523	542	1759	1175	49	3189
Pithoragarh	1689	1106	2637	1660	2	94
Rudraprayag	72	289	143	627		
Tehri Garhwal	1129	254	2162	613	34	780
Uttarkashi		155		231	1	160
Dehradun	2529	346	8651	1353	171	22156
Hardwar	1608	3463	2154	14906	127	14654
Nainital	18	152	80	486	118	8875
US Nagar	42	76	375	208	438	27490

**Table 4 : Per cent share in industrialisation of districts in Uttarakhand, 2004**

District	Khadi/ Gram Udyog units	Small- Scale Industries (SSIs)	Total employees of khadi units	Total employees of SSIs Factories act	No. of factories	No. of workers
Almora	13.7	31.3	9.8	38.9	0.9	0.6
Bageshwar	0.4	5.5	0.5	2.1	0.5	0.5
Chamoli	11.1	1.7	6.0	0.9		
Champawat	1.6	3.8	1.8	2.6	.7 00.0	00.0
Pauri Garhwal	13.0	4.9	8.0	3.1	5.1	4.1
Pithoragarh	14.4	10.0	12.0	4.3	0.2	0.1
Rudraprayag	0.6	2.6	0.7	1.6		
Tehri Garhwal	9.6	2.3	9.9	1.6	3.5	1.0
Uttarkashi		1.4		0.6	0.1	0.2
Dehradun	21.5	3.1	39.5	3.5	17.8	28.3
Hardwar	13.7	31.3	9.8	38.9	13.2	18.7
Nainital	0.2	1.4	0.4	1.3	12.3	11.3
US Nagar	0.4	0.7	1.7	0.5	45.6	35.1

The public sector has remained the major source of employment in the organized sector for Uttarakhand as well as for India. It is evident from Table 25 that employment in the state public sector has registered a negative growth rate between the periods 2001 to 2005. However, the state private sector has reported positive employment growth.

**Table 5: Employment in Organized sector**

(Unit: employment in '000)

Year	Uttarakhand			India		
	Public	Private	Total	Public	Private	Total
2001-02	228.4	36.9	265.3	18773.4	8432.1	27205.5
2002-03	214.6	32.3	246.9	18449	26983.2	26983.2
2003-04	220.8	36.8	257.6	18196.7	8246	26442.7
2004-05	224.0	37.3	261.3	18006.6	8451.1	26457.7



<b>-0.3</b>	<b>1.64</b>	<b>-0.03</b>	<b>-1.38</b>	<b>-0.28</b>	<b>-1.03</b>
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Source: *Indiastat* ([www.indiastat.com](http://www.indiastat.com)). Outsourced from Ministry of Labor and Employment.

### 3. Small and medium Scale Industries and employment

Industrialization is an opportunity for people of the hill regions and it is not only production but also activities related to tourism and agriculture that can be given the status of industries. For successful industrialization, participation of women and in-house employment need to be given importance. For the development of the hill regions, creation of feasible employment opportunities is very important. Industrial activity in the hill regions can be tapped in local agro-based industries (e.g. herbs, fruits, frozen tulsi, fruit juices, and jams) and handicraft industries (e.g., shawls which are warmer than quilts). There is a need to provide the latest technology and easy accessibility to raw materials in order to improve the output. At the local level it is necessary to create cooperatives of small-scale industries, as well as good artisan cooperatives that will coordinate with an external marketing agency to sell the products.

Most crucial for the development of any business is the development of entrepreneurial skills. Since in the hill regions men have migrated towards the plains and it is the women who are engaged in various activities, it is important to develop the entrepreneurial skills of women. There are a number of alternative economic activities that women can engage in but these petty businesses are unable to yield reasonable levels of income to the households. This is due to various constraints like raw materials and services in the case of dairy farming, lack of technical guidance and marketing in bee-keeping, and lack of awareness and marketing facilities in the case of mushroom cultivation. Households engaged in petty business mainly face credit problems. Here the role of micro-credit institutions becomes very important. In the case of small home-processed food products, marketing facilities pose a major bottleneck. The government should adopt successful models like “lizzat papad” to

make some of these activities economically viable. The study by Sekhar, 2007 showed that development of entrepreneurship levels in women helps provide them with a level of income that is higher than poverty line income (Table 26). Although there is potential for income generation in the case of mushroom cultivation and beekeeping, it remained untapped mainly because of constraints and indicates that certain corrective action should be taken (Table 7). A case study of Rural Litigation and Entitlement Kendra (RLEK) shows how creating awareness and training can also help in the development of entrepreneurial skills.

**Table 6 : Proportion of total household income by category of entrepreneurship**  
(Unit in per cent)

<b>Activity</b>	<b>Farm income</b>	<b>Entrepreneurial income</b>	<b>Wage income</b>
Dairy farming	74	23	3

Poultry farming	40	58	3
Papad-making	0	86	14
Mushroom cultivation	100	0	0
Bee-keeping	80	20	0
Quilt-making	59	13	28
Petty business	19	70	12

Source: IEG Working paper, C.S.C. Sekhar.

**Table 7 : Summary of constraints and proposed corrective action**

Activity	Problems/Constraints	Suggested Action	Corrective
Dairy farming	Feed/fodder, animal health services	Provision of health-care facilities	
Papad-making	Availability of finance, marketing facilities	Credit provision through rural banks, SHGs and thrift groups, collectivizing marketing through co-operatives	
Mushroom cultivation	Technical guidance and marketing facilities	Provision of training and developing marketing	
Bee-keeping	Technical guidance and marketing facilities	Provision of training and developing marketing	
Quilt- making	Inadequate payment by contractors, health problems Ensure timely and adequate payment, provision of health-care	Ensure timely and adequate payment, provision of health-care	
Petty business	Availability of finance	Credit provision through rural banks, development of SHGs and thrift groups	

Source: Sekhar (2007).

## CONCLUSION

Industrial policy of Uttarakhand provides a wide range of financial incentives to the industries. Many industrial estates have been setup in the state. The aim of the policy is to provide a comprehensive framework to enable a facilitating, investor friendly environment for ensuring rapid and sustainable industrial development in Uttarakhand and, through this, 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.

Infrastructure development is a thrust area of the state government. Power is available in surplus to both domestic and industrial segments.

Thus from the above study we conclude (Table 3) that there has been an impressive increase cent in SSI units in Uttarakhand as well as overall India. 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. Industrialisation in Uttarakhand has been the major source of employment for Uttarakhand as well as for India.

## **RECOMMENDATIONS**

The hill regions are lacking behind in terms of infrastructure, i.e., electricity, roads and irrigation facilities. The inter-regions inequality in infrastructure leads to increasing disparity in terms of income and livelihood. Thus, it is essential to adopt different approach for the development of backward hill areas. The vast natural resources add to the state's attractiveness as an investment destination, especially for tourism, agro-processing and forest-based industries. The state has managed to get good industrial investments during the last few years. There is a lot of scope to accelerate the investment volumes, going forward. However, the state should provide investment facilitation policies such as providing single-window facilitation to investors. Lacks of credit and marketing facilities make the situation worse for agriculture in this state.

An integrated approach should be adopted to facilitate development of agriculture & food processing industry in the state. Development of farm mandis and creating linkages between producers and buyers will boost the farm output growth. Special focus on seasonal fruits like Litchi, Apple, Plum, Peach, high-value herbal, medicinal and aromatic plantation etc, will help in improving income of the farmers.

There is huge potential for tourism in this state, with demand emanating from both the domestic and international tourists. The main challenge to the tourism sector in the state is lack of proper infrastructure facilities. Thus, tourist zones needs to be connected by formal and informal links in the form of roads, rails, and airports

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