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## Analysis of entrepreneurship development and agro-based industries in Uttarakhand

**Ritesh Upadhyay, Surendra Prasad Kala and Manoj Kumar Shukla**

### Abstract

A comparative study entitled Small and medium scale Enterprises in Uttarakhand was conducted during 2005 to 2010 at Hemwati Nandan Bahuguna University (A Central University) Uttarakhand. The study was laid out in stratified random sampling technique with 300 small and medium scale unit. The analysis in term of different product groups (Handloom, Handicrafts, Khadi and Agro-products) further adds to the analytical value of the discussion. The Universe of study is 41216 unit in Uttarakhand. The entire Universe include small and medium scale industries manufacturing concentrating on the Handloom, Handicrafts, Woolen, Khadi and Agro-product. Dehradun, Pauri, Chamoli, Almora, Udham Singh Nagar and Pithoragarh for Sampling purposes. The data is based on Primary and secondary data. The primary data was collected on the basis of questionnaires and secondary data was collected from published and unpublished data. The Small and medium scale Enterprises 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 Small and medium scale Enterprises 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 Small and medium scale Enterprises in Uttarakhand especially it is focused on Industrial Policy, Industrial profile of Uttarakhand and Small-Scale Industries and employment.

**Keywords:** Entrepreneurship, Small and medium scale Enterprises, Growth, Agro-based Industries, Uttarakhand

### Introduction

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. 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:

#### A. Industrial sector

1. Sugar Mills
2. Cloth Mills
3. Paper Mills
4. Flour and Rice Mills
5. Pharmaceuticals
6. Menthe Oil Units
7. Stone Rolling Mill

**B. Agricultural Sectors**

1. Dairy Products
2. Production Of Rice And Wheat
3. Fish Farming
4. Poultry Farming
5. Floriculture
6. Horticulture
7. Pickle and Sauce Industry

**C. Tourism Industry**

1. Hotel Industry
2. Travelling Agency etc.
3. All Hospitality Related Business

**Review of Literature**

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 realizable 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 primary data was collected on the basis of questionnaires administered to various small and medium scale units. 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:

1. Uttarakhand Small Industries and Export Corporation
2. Uttarakhand State Industrial Development Corporation
3. Labour Commission Uttarakhand
4. Economics and Statistics Organization Uttarakhand
5. Directorate of Industries Uttarakhand
6. Uttarakhand Small Industries and Export Cooperation and
7. Economics and Statistics Organization Uttarakhand

The study was laid out in stratified random sampling technique with 300 small and medium scale unit. The analysis in term of different product groups (Handloom, Handicrafts, Khadi and Agro-products) further adds to the analytical value of the discussion. The Universe of study is 41216 unit in Uttarakhand. The entire Universe include small and medium scale industries manufacturing concentrating on the Handloom, Handicrafts, Woolen, Khadi and Agro-product. Dehradun, Pauri, Chamoli, Almora, Udham Singh Nagar and Pithoragarh for sampling purposes.

**Objective of study**

1. To study the role of small and medium scale entrepreneurs in the changing scenario of the newly born state Uttarakhand.
2. To study the role of finance and promotional enterprises in promoting small and medium scale enterprises.
3. To understand the developmental growth and performance of Agro-based industries.

**Experimental finding****Industrial Scenario of Uttarakhand**

Table 1 presents the total number of unit and sample size of the study; and also shows the total number of Handloom, Handicrafts, Woolen, Khadi and Agro-product in Dehradun, Pauri, Chamoli, Almora, Udham Singh Nagar and Pithoragarh. There has been an impressive increase in Agro-based Industries in Uttarakhand from 2005 to 2010. Out of 3570 Medium and Small scale industries the total number of Handicraft was 71, Khadi Industries was 809 and Agro-based industries was 2690 and it covers the sample size of the study was 06, 68, 226 respectively. However, all the sample size was arrange in scientific manner and its cover 8.4% size of the study.

**Table 1:** Total number of small and medium scale enterprises of Uttarakhand

| Type of Unit          | Total number of Unit | Sample size of the study |
|-----------------------|----------------------|--------------------------|
| Handicrafts           | 71                   | 06 (8.4%)                |
| Khadi/ Handlooms      | 809                  | 68 (8.4%)                |
| Agro-based Industries | 2690                 | 226 (8.4%)               |
| Total                 | 3570                 | 300 (8.4%)               |

**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. 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 2:** Proportion of total household income by category of entrepreneurship (unit in %)

| Activity             | Farm income | Entrepreneurial income | Wage income |
|----------------------|-------------|------------------------|-------------|
| 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 3:** Summary of constraints and proposed corrective action

| Activity             | Problems/Constraints   | Suggested Corrective Action  |
|----------------------|--|--|
| Dairy farming        | Feed/fodder, animal health services  | Provision of health-care facilities  |
| Poultry farming      | Availability of finance, marketing facilities  | Credit provision through Rural banks, SHGs and thrift groups, collectivizing marketing through co-operatives |
| Papad-making         | Technical guidance and marketing facilities  | Provision of training and developing marketing   |
| 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<br>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                                  |

**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. From the above study we conclude that there has been an impressive incensement in small and medium scale units; and agro-based industries 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. Industrialization 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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