Dear Editor ,

Dated: 24 /2/ 2020

We have the pleasure of sending you the manuscript entitled **“GROWTH AND PERFORMANCE OF SMALL-SCALE ENTERPRISES IN UTTARAKHAND”** authored by kamal Joshi and Prof. R C Dangwalto be considered for publication as a research article in your prestigious journal. We confirm that paper is containing original research and has not been submitted earlier in any journal and is not being considered for publication elsewhere.

**Author 1: Kamal Joshi**

Research Scholar (CC-17043)

School of Commerce, Chauras Campus

E-mail id: [kamaljoshihnbgu@gmail.com](mailto:kamaljoshihnbgu@gmail.com)

Mobile no: 9568740232

Postal Address: School of Commerce, Chauras Campus

Hemwati Nandan Bahuguna Garhwal University (A Central University)

Srinagar Garhwal- 246174

Uttarakhand

**Author 2: Prof. R C Dangwal**

Dean, School of Commerce, Chauras Campus

E-mail id: [rameshdangwal@hotmail.com](mailto:rameshdangwal@hotmail.com)

Mobile no: 9412079494

**Postal Address**: School of Commerce, Chauras Campus

Hemwati Nandan Bahuguna Garhwal University (A Central University)

Srinagar Garhwal- 246174

Uttarakhand

**GROWTH AND PERFORMANCE OF SMALL-SCALE ENTERPRISES IN UTTARAKHAND**

**Abstract:**

Small-scale enterprises (SSEs) are the backbone of the Indian economy as SSEs, contribute to the economy in terms of production, export, employment, and investment. However, SSEs face enormous challenges, these challenges hamper the growth of SSEs.Growth is an imperative matter of concern for SSEs as the survival and performance depend upon the growth.The purpose of this paper is to evaluate the overall growth and performance of SSEs in the state.For accomplishing the objectives secondary data were collected from Directorate of Industries (DOI), Uttarakhand and various published reports and newspapers. Data have been analysed through Trend analysis, correlation and Regression analysis. The Results reveal that SSEs have grown significantly in the state, investment and employment are positively related. The study further found that the most common factors hindering the growth of SSEs are poor access to finance, lack of marketing support, unavailability of raw material, and skilled labour force.

**Keywords: Small -scale enterprise, Growth, employment, Uttarakhand**

**Introduction:**

Globally small-scale enterprises (SSEs) are recognised for their significant contribution to the economy in terms of gross domestic product, employment, export wealth creation, and entrepreneurship development. India is not an exception to this. SSEs are the backbone of Indian economy. The contribution of SSEs in the socio-economic development of India is remarkable. SMEs sector is the second largest employment generation sector after agriculture. According to Confederation of Indian Industry (CII), with 63.9 million units throughout the country. SMEs contribute around 24.63% of the GDP from the service sector and 6.11% of the manufacturing sectors. It also contributes to 45% of the overall exports of the country. SMEs provides employment to around 120 million people and secured a growth rate of above 10%. Nearly 20% of SMEs are located in rural areas. Therefore, SMEs play a crucial role in sustainable development and industrialisation as well as generating large scale employment, especially in rural areas. Consequently, SMEs have become gradually important for the government, and policymakers. This can be seen easily in policies of the government, in recent years, the focus of the Indian government has been on the promotion of entrepreneurship through several campaigns: Skill India, Make in India, and Start-Up India, Pradhan Mantri MUDRA Yojana (PMMY) are names of few. Uttarakhand is one of the fastest developing states in India; the state is suitable and attractive destinations in the country for small business units. Some of the vigorous reasons, which provide it an edge over other states, are ample amount of natural resources, forest coverage, the potential of power generation, educated workforce, legendary handcraft work, some of the world-renowned tourist destinations, wildlife parks, and pilgrimage places. The state provides immense investment opportunities in both the manufacturing and service sectors. But the state has its own challenges also, eighty-six percent of the state is a hilly area, which, lays challenges in front of the local people, government and entrepreneurs. Basic infrastructure such as roads, communication networks, internet connectivity, education, drinking water, medical facilities, and unemployment are some of the major problems of the state, consequently, huge migration is taking place in hill areas of the state. The most reported reason for migration is the search for employment. Due to hilly area heavy industries cannot set up in the state but small and cottage industries can be promoted for the overall development of the state. Therefore, Small enterprises can be utilised as a weapon to fight with unemployment and migration.

The state was formed in November 2000, since then the state is striving to find out a direction for entrepreneurship development. At the time of formation of the state, there were 14,163 MSMEs registered with Directorate of Industries (DOI), proving employment to 38509 with a total investment of Rs. 700.29 crore. After 18 years, the number of registered units has increased to 59,186, which shows an absolute growth of 318% which is quite impressive. At present 2, 92,033 people are employed in MSMEs with an investment of 12,422.268 crores. Since inception, there is a 600% change in employment and 1673.87 % change in investment. A study conducted by PHD Research Bureau in, 2014 revealed that “MSMEs are significantly contributing to the economic growth of the state.

Keeping in view the requirement and potential of the state, Uttarakhand Government is trying to encourage entrepreneurship in the state through Small enterprises. For developing entrepreneurship government has identified twelve promising sectors which include, Horticulture, and Floriculture, Food Processing, Herbal & Aromatic, Wellness & AYUSH, Pharmaceuticals, Tourism & Hospitality, Automobiles, Natural Fibres, IT, Renewable Energy, Biotechnology and Film Shooting. Further the government has simplified the start-up through an online single window clearance system and many business reforms.

**Growth and performance of Small -scale enterprises in Uttarakhand:**

Growth is an important phenomenon in small enterprises as the survival of the small firm essentially depends upon the growth. Growth has been understood and measured in a variety of ways. Growth can be measured in qualitative and quantitative terms, when one talks of growth in sales, output, export, investment, employment, it is growth in quantitative terms on the other hand if one talks about the improvement in quality it is growth in qualitative terms. In both, the sense growth implies an increase in numbers ‟ Growth refers to a change in size or magnitude from one period of time to another” (Wiklund 1998). The growth of SSIs is indispensable for the economic development of the state. The successful development of MSMEs Sector in an economy can be assessed by data on an opening of new MSMEs; it depicts the conducive environment for opening and growth of such units in an economy as well as shows the high morale of entrepreneurs in the macroeconomics of the economy. The growth of SSIs in Uttarakhand has assessed during the period of 2000-2001 to 2017-2018. Growth is measured in terms of the number of registration of units, employment generation and investment in assets. Some of the previous studies that have used employment, units, and investment as a measure of growth are Subrahmanya (2005), Kumar (2014) and Latha, Madhavaiah & Murthy (2008). We have calculated growth in two senses: absolute and relative terms. For absolute term, the formula is (tf- t0)/ n where tf represents the final value of the variable, t0 represents the initial value of variable and n represents the number of observations. For calculating growth in relative terms, the formula used is (tf- t0)/ t0 where tf represents the final value of a variable, t0 represents the initial value of the variable. The study further calculates Compound AnnualGrowth Rate (CAGR), for this the formula is (final value/initial value) ^ (1/Periods) -1 and Annual Average Growth Rate AAGR, using the formula, Sum of all observations/ number of observations.

**The significance of the study:**

Uttarakhand state was carved out from Uttara Pradesh on the grounds of development of the region especially in the hill areas of the state. At the time of formation of the state some people called the state “zero industry zone”. After eighteen years of formation, where the state stands? How much industrial growth state has achieved? these are some of the prime issues of the state. The present study is significant in many ways. Firstly, it adds to the existing literature because we hardly found literature in context to Uttarakhand. Secondly, it gives an overall picture of the growth of Small -scale sector in the state since inception. Lastly, it analyses the impact of investment on employment generation in the state.

**Literature review:**

Small -scale industries are recognised as the driving force of the economy because of its numerous benefits to the society at large. The small –scale provides employment opportunities to unskilled and semi-skilled workforce at lower cost than large industries. It also helps in the industrialisation of rural and backward areas hence decreases regional imbalance. Due to all these reasons, the Government is also encouraging small-scale enterprises by various means such as start-up friendly infrastructure, policy measures, training and development, and tax exemption marketing and financial support etc. Despite all efforts, small-scale industries are facing many problems during the start-up and operation period of the business. Problems faced by small firms vary from place to place, industry to industry, within the industry and even entrepreneur to entrepreneur Latha & Murthy (2009).

The study conducted by beck and kunt (2006) found that unavailability of finance is an important growth constraint for small businesses. Finance is very important at every stage of business. Another study conducted by Naidu & Chand (2012) in Fiji & Tong classified financial problems faced by MSMEs broadly in three categories, financing problems, operational and administrative problems and sales and debtors related problems. According to Okpara (2011) some of the major problems of small –scale business are low demand for product and services, lack of finance, corruption, lack of financial support, poor infrastructure and insufficient profits. Findings related to corruption and bureaucracy are contradictory. Bitzenis and Nito (2005) found corruption and bureaucracy are not significant barriers in entrepreneurship. Ahmad (2012) found that bureaucracy is one of the major constraint faced by small businesses. Mambula (2002) corruption adversely affect the growth of the small business. Tambunau (2011) lack of financial and marketing difficulties is constraints for small businesses. Singh, Garg, and Deshmukh (2010) cost reduction, quality improvement and delivery in time are major challenges for SSIs in India. Roomi, Harrison & Kerridge (2009) highlighted the problems faced by women entrepreneurs during the growth period in the UK. The study found that control over resource such as financial resource, business premises and production inputs are major growth constraints for women entrepreneurs Low (2006) identified cultural obstacles in setting the business among Singaporeans and found four obstacles, being over complaint, too left-brained, over-pampered and afraid of failing as major obstacles. Bitzenis and Nito (2005) unfair competition change in taxation procedure, financial resources and public order related problems are important obstacles faced by entrepreneurs.

Hassanein & Adly (2008) evaluated that the finance and lack of access to sustainable resources are major problems of Egyptians construction firms. Gill & Biger (2012) lack of finance, regulatory-related issues, and marketing challenges are perceived as the barriers to the growth of the small business. Peter (2005) analysed the leadership and ability of entrepreneurs to motivate young employees in small and medium hotels and found that lack of communication, low motivation and meeting young employees’ job expectation are core growth constraints of small and medium hotels. Singh & Belwal (2008) securing finance, finding market and distribution network, limited government and institutional support, limited opportunities of promotion and managerial and entrepreneurial skills are major problems faced by women entrepreneurs.

Chu, Kara, Zhu & Gok, (2011) found that intense competition, lack of management training and undependable workforce are major problems of Chinese entrepreneurs. The study Serazul Islam (2009) found that in starting and running the small business smoothly shortage of raw material, lack of experience , lack of collateral free loan, reliable employees lack of training are major barriers to growth of small firm . Siddiqui (2012) women entrepreneurs encounters problems such as lack of education , self confidence, low risk bearing capacity, gender inequality ,limited managerial ability, obsolescence of technology and poor access to finance and scepticism of financial institutions . According to the economic survey (2018), availing credit for expansion is a major problem faced by MSME in India. Ahmad & Xavier (2011) found that some of the important obstacles faced by small entrepreneurs in Malaysia are lack of education, entrepreneurial training, bureaucracy, inadequate finance and inconsistency of government policies. Walsh &Lipinski (2009) found marketing function is not developed in small firms in comparison to the large firms.

Another study conducted by Rantso in 2016 in Lesotho found that foreign competition hinders the success of non -farm small businesses. Latha & Murthy (2009) concluded that lack of marketing information, difficulty in marketing the product and high price of raw material are some of the growth constrains. The study further found that competition among small firms and absenteeism of employees also creates problemsfor small entrepreneurs. Small enterprises are often in an adverse situation due to competition from large firms Chen (2006). According to a study “Emerging Contours in the MSME Sector of Uttarakhand”, poor adaptability to changing trends, high cost of credit, lack of access to international markets, lack of skilled manpower, inadequate infrastructure facility and regulatory issues related to taxation, labour laws and low access to new technology are some of the problems faced by SSIs in the state.

Linka and Agrawal (2017) explored the problems of women entrepreneurs during the venture creation in, Uttarakhand and found that inadequate financial support and poor access to market are two prime challenges for women entrepreneurs in the state. Sinha (2016) also found that access to finance and inadequate income generation are the major constraints encountered by women entrepreneurs in Uttarakhand. Swan, Kaushal & Chandwani (2015) revealed that lack of finance, non-availability of skilled workforce and improper marketing support are prime constraints for SMEs in Uttarakhand. “The growth in Uttarakhand all these years remained confined to infrastructure” Hindustan Times (2018). According to the fourth census on MSME, (2006-2007) 24 percent of the Small enterprises were shutdown in Uttarakhand due to shortage of raw material, low demand, shortage of working capital, power supply and labour related issues.

**Research Gap:** The literature review suggests that most of the available studies are in the Indian context. No study was found in the context of Uttarakhand. Studies that are available in the context of Uttarakhand have focused on the problems of entrepreneurship but not in the growth and performance of SSEs. The present study is exclusive in the sense that it focuses on the growth and performance of small-scale enterprises and It is also different from past studies in a way that no previous study has found that has used data beyond ten years, the present study uses eighteen years of data of small -scale enterprises.

**Research questions:**

1. What are the factors that constricting the growth of small-scale units?
2. What is the impact of investment on employment generation?

**OBJECTIVES OF THE STUDY**

The following are the objectives of the study:

1. To identify the factors constricting the growth of Small-scale enterprises,
2. To evaluate the overall growth of SSEs and impact of investment in employment generation.

**Hypotheses of the study:**

**H0 :** There is no significant impact of investment in employment

**Research Methodology:**

**Research Design:** The study has a descriptive research design. Secondary data were collected from the Directorate of Industries (DOI), Uttarakhand, newspapers, and different websites. Literature for the study has identified through an online search using the phrases barriers to small-scale entrepreneurs, challenges to small-scale entrepreneurs and growth barriers to small firms as a keyword in Google scholar. The first objective has been fulfilled by the review of the existing literature. For achieving the second objective secondary data were used. Growth is a time-dependent variable hence the length of the observation period becomes an important factor. The study uses yearly secondary data for a period of 18 years. (November 2000 to November 2018). The eighteen years of the time period was selected because we wanted to analyse the growth of small-scale entrepreneurship since the formation of the state.

**Data Analysis:**

Growth has analysed through Trend Analysis, Compound Annual Growth Rate and Average Annual growth in Microsoft Excel 2016. The relationship among variables, registered units, investment, and employment, has assessed through Karl person’s’ coefficient of correlation. Further, we have also analysed the impact of investment (independent variable) on employment (dependent variable) through simple regression. Both Statistical test correlation and regression was performed with the help of IBM SPSS statistics 21.

**Table -1 Growth of SMEs in terms of registration**

|  |  |  |  |
| --- | --- | --- | --- |
| Years | Number of SMEs registered. | Annual growth in registration (in %) | No. of SMEs (Cumulative) |
| 2000-2001 | 1119 | - | 15282 |
| 2001-2002 | 2183 | 95.08 | 17465 |
| 2002-2003 | 2544 | 16.53 | 20009 |
| 2003-2004 | 2470 | -2.90 | 22479 |
| 2004-2005 | 2815 | 13.96 | 25294 |
| 2005-2006 | 2955 | 4.97 | 28249 |
| 2006-2007 | 2989 | 1.15 | 31238 |
| 2007- 2008 | 1500 | -49.81 | 32738 |
| 2008-2009 | 1346 | -10.26 | 34084 |
| 2009-2010 | 1871 | 39.00 | 35955 |
| 2010-2011 | 1973 | 5.45 | 37928 |
| 2011-2012 | 2121 | 7.50 | 40049 |
| 2012-2013 | 2291 | 8.01 | 42340 |
| 2013-2014 | 2469 | 7.76 | 44809 |
| 2014-2015 | 2669 | 8.10 | 47478 |
| 2015-2016 | 2929 | 9.74 | 50407 |
| 2016-2017 | 3080 | 5.15 | 53487 |
| 2017-2018 | 3339 | 8.40 | 56826 |
| 2018-2019 | 2360 | -29.32 | 59186 |
| CAGR | - | - | 7.38% |
| AAGR | - | 7.69% | - |

Source: DOI, Uttarakhand

**Table 1** exhibit that the CAGR is 7.38 percent and the AAGR is 7.69 percent. The AAGR shows that the average registration rate per annum, while the CAGR shows growth in registration of small-scale units over a specific period of time. There were 14,163, registered SMEs units in the state till November 2000, which have increased to 59,186 units till November 2018. The number of registered units has been increased by 4.1times during the period of 2000-2018. This growth is absolute i.e. growth over a period of time. A year-wise analysis of the table also shows that there is a huge decline of 49.81 percent in the registration of small-scale units in the year 2007- 2008. The reason behind this decline of the SMEs is a troubling business environment of the state during the period. As per the fourth census on MSME, during the stated period, 24 percent of the Small enterprises were shutdown in Uttarakhand due to low demand, shortage of working capital, non-availability of raw material, power supply, labour problems, marketing problems, and management problems. It is obvious that, when the environment is so much adverse and troubling, new entrepreneurs will not enter into the eco-system that is why there is a decline in registrations of small-scale enterprises.

**Figure: 1**

Figure 1 illustrates the registered numbers of SMEs as of 30 November 2018. It is clear from the figure that registration of SMEs shows an upward movement or trend in the state. This indicates the conducive environment for the enterprise set up in the state.

**Figure: 1.2**

The figure1.2 clearly shows that the number of SMEs registered each year keeps on fluctuating. The lowest registration was in the year 2008-2009. The highest drop in registration was 2007-2008.

**Table 2 Growth of SME sector in terms of investment**

|  |  |  |  |
| --- | --- | --- | --- |
| Years | Investment in crore | Annual Growth in Investment (%) | Investment in crore (cumulative) |
| 2000-2001 | 7.1 | - | 707.39 |
| 2001-2002 | 22.16 | 212.11 | 729.55 |
| 2002-2003 | 23.33 | 5.27 | 752.88 |
| 2003-2004 | 31.71 | 35.91 | 784.59 |
| 2004-2005 | 57.98 | 82.84 | 842.57 |
| 2005-2006 | 90.89 | 56.76 | 933.46 |
| 2006-2007 | 329.49 | 262.51 | 1262.95 |
| 2007- 2008 | 844.2 | 156.21 | 2107.15 |
| 2008-2009 | 1191.65 | 41.15 | 3298.8 |
| 2009-2010 | 1556.88 | 30.64 | 4855.68 |
| 2010-2011 | 1424.8 | -8.48 | 6280.48 |
| 2011-2012 | 931.78 | -34.60 | 7212.26 |
| 2012-2013 | 1167.77 | 25.32 | 8380.03 |
| 2013-2014 | 622.75 | -46.67 | 9002.78 |
| 2014-2015 | 533.5 | -14.33 | 9536.28 |
| 2015-2016 | 734.89 | 37.74 | 10271.17 |
| 2016-2017 | 949.96 | 29.26 | 11221.13 |
| 2017-2018 | 728.935 | -23.26 | 11950.065 |
| 2018-2019 | 472.203 | -35.22 | 12422.268 |
| CAGR | - | - | 16.27 % |
| AAGR | - | 45.17% | - |

Source: DOI, Uttarakhand

Table 2 exhibits that investment has increased by 17 times. Investment has an average growth of 45.17 percent per annum and the CAGR is 16.27%. The average annual growth rate shows growth in investment every year and the CAGR shows growth in investment over a period of time. The period during 2013- 2014 shows the highest decline in investment, due to natural disaster faced by the state, according to the Industries Association of Uttarakhand (IAU) around 19,590 business units were devastated. This translated to a total investment loss of over Rs.530 crore. More than 43,000 people have lost their livelihoods. The worst-hit of this decline period was majorly faced by the businesses belongs to Uttarkashi, Rudraprayag, Chamoli, Tehri, Pauri, Almora and Pithoragarh.

**Figure: 2**

Figure 2 shows that investment has an increasing trend over the years which portrays either the existing units are expanding their operations or new firms are entering into the state.

**Figure: 2.1**

Figure: 2.1 illustrates investment during the 18 years from 2000-2001to 2018-2019. It is clear from the figure that trend line shows an upward movement of investment, 2009- 2010 shows high growth in investment but after 2013-2014 it shows continuous drop till 2015- 2016 this is because of the natural disaster of 2013. In 2016-2017 investment rises and in later years it starts declining again.

**Table:3 Growth of SME sector in terms of Employment**

|  |  |  |  |
| --- | --- | --- | --- |
| Years | Employment generated in Nos. | Annual Growth Rate in % | Cumulative Employment |
| 2000-2001 | 2336 | - | 40845 |
| 2001-2002 | 4864 | 108.21 | 45709 |
| 2002-2003 | 5287 | 8.69 | 50996 |
| 2003-2004 | 5735 | 8.47 | 56731 |
| 2004-2005 | 6868 | 19.75 | 63599 |
| 2005-2006 | 9031 | 31.49 | 72630 |
| 2006-2007 | 12058 | 33.51 | 84688 |
| 2007- 2008 | 16032 | 32.95 | 100720 |
| 2008-2009 | 18195 | 13.49 | 118915 |
| 2009-2010 | 23865 | 31.16 | 142780 |
| 2010-2011 | 19673 | -17.56 | 162453 |
| 2011-2012 | 15162 | -22.92 | 177615 |
| 2012-2013 | 18389 | 21.28 | 196004 |
| 2013-2014 | 12842 | -30.16 | 208846 |
| 2014-2015 | 12034 | -6.29 | 220880 |
| 2015-2016 | 17471 | 45.18 | 238351 |
| 2016-2017 | 22065 | 26.29 | 260416 |
| 2017-2018 | 19547 | -11.41 | 279963 |
| 2018-2019 | 12070 | -38.25 | 292033 |
| CAGR | - | - | 10.90% |
| AAGR | - | 17.10% | - |

Source: DOI, Uttarakhand

Table 3 exhibits that the average growth of employment in the SME sector is 17.10 percent per annum. CAGR is 10.90 %. There were 38,509 people employed in the SSEs in November 2000, while, in November 2018-2019 there were 2,92,033, people employed in this sector so it can be said that the employment has gone up by 7.5 times. Although we can trace a decline in employment from 2017 to 2019. This might be due to Demonetisation and GST implementation. According to a report published on the website of Reserve Bank of India GST and demonetisation have negatively affected the small -scale businesses. GST has negatively impacted the exports of small-scale enterprises; it is significant as it holds around 46% of total exports of the country. Whereas demonetisation has affected the liquidity of the small-scale enterprises, many of the small-scale enterprises were not able to sustain the employees during demonetisation as small enterprises primarily deal in cash. Small- scale enterprises also claim that they were unable to cope up with GST and they lost their sales. This reduction in sales led to either shutdown or they had to go for downsizing.

**Figure: 3**

Figure: 3 illustrate the employment as on 30 November 2018, employment shows an upward trend since inception.

**Figure: 3.1**

Figure 3.1 illustrates the employment generation from 2000-2001 to 2018- 2019. Employment shows an upward trend till 2009-2010 after that it shows a decline and again rises from 2014-2015 and later on again declines from 2016-2017.

Mead & Liedholm, (1998) “Employment in small business expands as a result of new enterprises starting up in the business and through an expansion of existing enterprises”. In both, cases investment is inseparable so we argue that increase in investment will lead to an increase in employment. One of the basic assumptions of correlation and regression is linearity. So before applying the test linearity has assessed linearity through scatter chart. Most of the values are near to the straight line therefore, the data is linear. Hence further correlation and regression can be performed.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Case Processing Summary** | | | | | | | |
|  | Cases | | | | | | |
| Valid | | Missing | | Total | | |
| N | Percent | N | Percent | | N | Percent |
| Employment | 19 | 100.0% | 0 | 0.0% | | 19 | 100.0% |
| Investment | 19 | 100.0% | 0 | 0.0% | | 19 | 100.0% |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Descriptive Statistics** | | | | | |
|  | N | Minimum | Maximum | Mean | Std. Deviation |
| Units Setup | 19 | 1119.0 | 3339.0 | 2369.632 | 610.0467 |
| Investment In Crore | 19 | 7.10 | 1556.88 | 616.9462 | 504.32745 |
| Employments | 19 | 2336.0 | 23865.0 | 13343.368 | 6339.9600 |
| Valid N (listwise) | 19 |  |  |  |  |

Descriptive analysis shows that the minimum investment in the state is Rs. 7.10 crore while the maximum investment is Rs. 1556.88 crore and the average investment in the state is Rs. 616.94 crore. On the other side, the minimum employment is 2336.00, maximum employment is 23865.00 and the average employment is 13343.36.

**Tests of Normality**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Kolmogorov-Smirnova | | | Shapiro-Wilk | | |
| Statistic | Df | Sig. | Statistic | Df | Sig. |
| Employment | .111 | 19 | .200\* | .959 | 19 | .547 |
| Investment | .167 | 19 | .169 | .922 | 19 | .124 |

Data were tested for normality; we have used the Shapiro-Wilk test for testing normality because it is a widely used test and a sound measure of normality. The P-value for investment and employment is .124, .547, respectively, which is greater than the alpha value 0.05, so we have enough evidence to reject the null hypothesis and we can say data is normally distributed.

|  |  |  |  |
| --- | --- | --- | --- |
| **Correlations** | | | |
|  | | Investment | Employment |
| Investment | Pearson Correlation | 1 | .927\*\* |
| Sig. (2-tailed) |  | .000 |
| N | 19 | 19 |
| Employment | Pearson Correlation | .927\*\* | 1 |
| Sig. (2-tailed) | .000 |  |
| N | 19 | 19 |
| \*\*. Correlation is significant at the 0.01 level (2-tailed). | | | |

The above table shows the result of Karl Pearson’s coefficient correlation test between the dependent variable (employment with the independent variable (investment). The results show the strong correlations between dependent and independents variables there is a significant positive relationship between investment and employment as the r (17) =.927, P =0.01.

**Regression Analysis:**

The simple regression analysis has been used to test whether the investment significantly predicted employment generation on not.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model Summary b** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .927a | .860 | .852 | 2439.081 |

|  |
| --- |
| a. Predictors: (Constant), Investment |
| b. Dependent Variable: Employment |

The results of the regression analysis reveal that the value of R-Square is .860, which means the independent variable (investment) explains 86% variability independent variable (employment). The significant P-value is .000, which is less than alpha (.05) hence the model is significant and the null hypothesis is rejected. Hence, we can say that the investment significantly impacts employment.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ANOVAa** | | | | | | |
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 622376668.162 | 1 | 622376668.162 | 104.617 | .000b |
| Residual | 101134994.259 | 17 | 5949117.309 |  |  |
| Total | 723511662.421 | 18 |  |  |  |
| a. Dependent Variable: Employment | | | | | | |
| b. Predictors: (Constant), Investment | | | | | | |

ANOVA test has been used to check the model fit that is how accurately the independent variable predicts the dependent variable the results found the model is significant. The P-value (.000) is less than alpha (0.05) hence the model is significant. Therefore, we can say that the predictor variable, investment is a good predictor of the output variable, employment.

**Findings:**

The analysis of existing literature indicates that the small enterprises are facing multiple problems, most of the studies found access to finance, poor management, lack of training and experience, poor infrastructure, corruption and bureaucracy ,marketing difficulties ,cost reduction, quality improvement ,unfair competition, regulatory-related issues, leadership skills and entrepreneur’s ability, difficulties in planning limited government and institutional support, unreliable/undependable employees as major problems faced by SSI.

The second objective of the study is to analyse the growth and performance of small- scale enterprises in the state, for achieving this objective Trend analysis was used. We have taken three parameters for measuring the growth and performance, these parameters are the number of registered units of small- scale units, employment, and investment. Results of trend analysis reveal that there is a significant growth in the registration of small -scale units. It is evident from the results that the annual growth rate of registration is 7.69 % and the CAGR of registration is 7.38%. The CAGR value shows the growth of small-scale units over 18 years. We can clearly see in figure1 there is an upward movement in the registration of small -scale units in the state. Figure 1.2 evidently demonstrations that Year-wise analysis of data also shows a mounting trend except in the years 2007-2008 and 2008-2009.The results of the trend analysis for the second variable, investment also show an upward movement. Figure 2 clearly depicts an increase in investment over the years. The average annual growth rate of investment has been 45.17 percent .and the CAGR has been 16.27 percent. The third variable is employment. Figure 3 shows that employment has also grown up and it also shows an upward movement. The annual average growth rate has been 17.10 percent and the CAGR has been 10.90 percent. From the results it can be said that all the performance variables are showing growth hence we can claim that small enterprises are growing in the state.

The study also examined the relationship between investment and employment. The relationship between employment and investment is significant as the Correlation value is (.927) at 0.01 level, which shows that investment and employment are closely and positively related to each other. The study further assessed the impact of investment on employment assuming that with investment, employment also increases. Results of Regression analysis depicts that, there is a significant impact of investment in employment because the significant P-value is less than .05. Hence it can be said that investment has an impact on employment.

**Conclusion**:

SMEs are in the core of economic development, exclusively in hill areas as they provide employment and industrialise the rural and backward regions. On the basis of extensive literature, the study identifies, fourteen major challenges faced by small-scale enterprises. The challenges faced by small enterprises are multidimensional and severely impact the survival and growth of Small-scale enterprises. The study further examined the growth of small-scale enterprises in the state since inception. This is evident from the results of the trend analysis that investment, employment, and the number of registered units have increasing trends. The study also examined the relationship between investment in Small-scale enterprises and employment generation and the impact of investment on employment generation. The study found that both investment and employment are positively and highly correlated and investment has a significant impact on employment.

**Limitation:**

The registration of the small business units is voluntary therefore, some unregistered units may not be covered in the study. For achieving the first objective we have gone through a literature review on problems of SSIs but a few studies were available in the context of Uttarakhand so only primary data can address and validate the problems faced by SSIs in the state. The study explored how much growth has achieved in the registration of SMEs but does not provide any evidence on shutdown units in the state.

**References:**

**A. Articles:**

Ahmad, S. Z. (2012). Micro, small and medium‐sized enterprises development in the Kingdom of Saudi Arabia. *World Journal of Entrepreneurship, Management and Sustainable Development,8*(4), 217-232.

Ahmad, S. Z., & Xavier, S. R. (2012). Entrepreneurial environments and growth: Evidence from Malaysia GEM data. *Journal of Chinese Entrepreneurship,4*(1), 50-69.

Becchetti, L., &Trovato, G. (2002). The determinants of growth for small and medium sized firms*Small Business Economics,19*(4), 291-306.

Beck, T., &Demirguc-Kunt, A. (2006). Small and medium-size enterprises: Access to finance as a growth constraint. *Journal of Banking & Finance,30*(11), 2931-2943.

Bitzenis, A., &Nito, E. (2005). Obstacles to entrepreneurship in a transition business environment: The case of Albania. *Journal of Small Business and Enterprise Development,12*(4), 564-578.

Chen, J. (2006). Development of Chinese small and medium‐sized enterprises. *Journal of Small Business and Enterprise Development,13*(2), 140-147.

Chu, H. M., Kara, O., Zhu, X., &Gok, K. (2011). Chinese entrepreneurs. *Journal of Chinese Entrepreneurship,3*(2), 84-111.

Coad, A., &Tamvada, J. P. (2011). Firm growth and barriers to growth among small firms in India. *Small Business Economics,39*(2), 383-400.

Davidsson, P., & Wiklund, J. (2006). Conceptual and empirical challenges in the study of firm growth. *Entrepreneurship and the Growth of Firms*, *1*(1), 39-61.

Dobbs, M., & Hamilton, R. (2007). Small business growth: Recent evidence and new directions. *International Journal of Entrepreneurial Behavior& Research,13*(5), 296-322.

Gade, S.(2018). MSMEs’ Role in Economic Growth – a Study on India’s Perspective. *International Journal of Pure and Applied Mathematics,* 118 (18), 1727–1741.

Gill, A., & Biger, N. (2012). Barriers to small business growth in Canada. *Journal of Small Business and Enterprise Development,19*(4), 656-668.

Gnyawali, D. R., & Fogel, D. S. (1994). Environments for Entrepreneurship Development: Key Dimensions and Research Implications. *Entrepreneurship Theory and Practice,18*(4), 43-62.

Hassanein, A. A., & Adly, S. W. (2008). Issues Facing Small Egyptian Construction Firms: The Financing Barrier. *Journal of Small Business & Entrepreneurship,21*(3), 363-376.

Islam, S. (2009). Start‐up and growth constraints on small‐scale trading in Bangladesh. *Journal of Chinese Entrepreneurship,1*(3), 227-239.

Kumar, P. (2014).An Empirical Study on Performance of Indian MSME. *Asia-Pacific Journal of Management Research and Innovation*, 10 (4), 367–375.

Latha, K. L., & Murthy, B. (2009). Problems of small‐scale entrepreneurs in Nellore District. *Journal of Chinese Entrepreneurship,1*(3), 268-278.

Lenka, U., & Agarwal, S. (2017). Role of women entrepreneurs and NGOs in promoting entrepreneurship: Case studies from Uttarakhand, India. *Journal of Asia Business Studies,11*(4), 451-465.

Low, K. C. (2006). Cultural obstacles in growing entrepreneurship: A study in Singapore. *Journal of Management Development,25*(2), 169-182.

Machado, H. P. (2016). Crescimento de pequenasempresas: Revisão de literatura e perspectivas de estudos. *Gestão& Produção,23*(2), 419-432. doi:10.1590/0104-530x1759-14

Mcpherson, M. A. (1996). Growth of micro and small enterprises in southern Africa. *Journal of Development Economics,48*(2), 253-277.

Mead, D. C., &Liedholm, C. (1998). The dynamics of micro and small enterprises in developing countries. *World Development,26*(1), 61-74.

Naidu, S., & Chand, A. (2012). A comparative study of the financial problems faced by micro, small and medium enterprises in the manufacturing sector of Fiji and Tonga. *International Journal of Emerging Markets,7*(3), 245-262.

Nichter, S., & Goldmark, L. (2009). Small Firm Growth in Developing Countries. *World Development,37*(9), 1453-1464.

Okpara, J. O. (2011). Factors constraining the growth and survival of SMEs in Nigeria. *Management Research Review,34*(2), 156-171.

Peters, M. (2005). Entrepreneurial skills in leadership and human resource management evaluated by apprentices in small tourism businesses. *Education Training,47*(8/9), 575-591.

Rantšo, T. A. (2016). Factors affecting performance/success of small-scale rural non-farm enterprises in Lesotho. *Journal of Enterprising Communities: People and Places in the Global Economy,10*(3), 226-248.

Roomi, M. A., Harrison, P., & Beaumont‐Kerridge, J. (2009). Women‐owned small and medium enterprises in England. *Journal of Small Business and Enterprise Development,16*(2), 270-288.

Siddiqui, A. B. (2012). Problems Encountered by Women Entrepreneurs in India. *International Journal of Applied Research & Studies*, I, (II).

Singh, G., & Belwal, R. (2008). Entrepreneurship and SMEs in Ethiopia. *Gender in Management: An International Journal,23*(2), 120-136.

Singh, R. K., Garg, S. K., & Deshmukh, S. (2010). Strategy development by small scale industries in India. *Industrial Management & Data Systems,110*(7), 1073-1093.

Tambunan, T. T. (2011). Development of small and medium enterprises in a developing country. *Journal of Enterprising Communities: People and Places in the Global Economy,5*(1), 68-82.

Wiklund, J. (1998). Small Firm Growth and Performance: Entrepreneurship and Beyond (PhD dissertation). InternationellaHandelshögskolan, Jönköping.

**B. Web Sources:**

Jose, T. (2018, May 15). What is the new Classification of MSMEs? – Indian Economy. Retrieved February 28, 2019, from https://www.indianeconomy.net/splclassroom/new-classification-msmes/

Online, F. (2018, September 27). 30 acres area and Rs 500 cr investments! Uttarakhand to set up aroma park in Kumaon – What firms need to know. Retrieved February 10, 2019, from https://www.extendoffice.com/documents/excel/2596-excel-average-compound-growth-rate.html#cagr1

Joshi, D. (2018, November 9). 18 years since formation, hill-centric development remains a dream for Uttarakhand. *Hindustan Times ,Dehradun*. Retrieved April 1, 2019, from <https://www.hindustantimes.com/dehradun/18-years-since-formation-hill-centric>development-remains-a-dream-for-uttarakhand/story-RlOTBavBDgWu2sGrqV7CsN.html