



Problems And Issues Of Micro Small & Medium Enterprises (Msmes) In Garhwal District Of Uttarakhand, India

Divyanshu Panwar^{1*}, M.C. Sati², Pradeep Mamgain³, Shivank Negi⁴

^{1*3} Department of Business Management, HNB Garhwal University, Srinagar, Uttarakhand- 249161, India

²Department of Economics, HNB Garhwal University, Srinagar, Uttarakhand- 246174, India

⁴B.Tech (Computer Science)

***Corresponding Author:** Divyanshu Panwar

*Email : divyanshupanwar24@yahoo.com

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economic development of Garhwal district in Uttarakhand, India. However, these enterprises face numerous challenges that hinder their growth and sustainability. The abstract highlights the key problems and issues confronting MSMEs in the region, drawing from existing literature and empirical evidence. The identified challenges include inadequate access to finance, infrastructural deficiencies, limited market linkages, regulatory complexities, skill shortages, technological obsolescence, and environmental concerns. Addressing these issues requires concerted efforts from policymakers, financial institutions, industry associations, and other stakeholders to create an enabling environment conducive to the growth of MSMEs in Garhwal district. By understanding and addressing these challenges, the region can harness the full potential of its MSME sector, driving economic growth, employment generation, and poverty alleviation in Uttarakhand.

Keywords: MSMEs, challenges, finance, infrastructure, market linkages, skills, technology.

Introduction

MSMEs play a vital role in driving economic growth, fostering innovation, and creating employment opportunities in both developed and developing economies. In Garhwal district of Uttarakhand, MSMEs constitute a significant portion of the industrial landscape, contributing substantially to the local economy. However, despite their importance, MSMEs in the region grapple with a myriad of challenges that hinder their growth trajectory and overall sustainability. This research article aims to delve into the problems and issues faced by MSMEs in Garhwal district, shedding light on their implications and proposing actionable recommendations for improvement.

In the intricate tapestry of India's economic landscape, MSMEs play a pivotal role, serving as the backbone of the nation's economy. With their significant contribution to GDP, employment generation, and industrial growth, MSMEs form an indispensable part of India's socio-economic fabric. However, despite their undeniable importance, these enterprises encounter a myriad of challenges and hurdles, particularly in regions like Garhwal District in the state of Uttarakhand. This introduction aims to delve into the complex array of problems and issues plaguing MSMEs in Garhwal District, unravelling the intricacies of their struggles and exploring potential avenues for improvement.

Situated amidst the serene Himalayan ranges, Garhwal District epitomizes the natural beauty and cultural richness of Uttarakhand. Yet, beneath its picturesque facade lies a multitude of economic challenges, particularly for MSMEs striving to thrive in a competitive business environment. As we embark on an exploration of the problems confronting these enterprises, it becomes evident that a combination of systemic, infrastructural, and regulatory issues hampers their growth and sustainability.

One of the primary challenges faced by MSMEs in Garhwal District pertains to inadequate access to finance. Despite being the lifeblood of entrepreneurial ventures, access to timely and affordable credit remains a distant dream for many MSMEs in the region. Traditional financial institutions often exhibit reluctance in extending credit to these enterprises, citing reasons such as lack of collateral, inadequate credit history, and perceived high-risk profiles. Consequently, MSMEs are compelled to resort to informal sources of finance, such as moneylenders, at exorbitant interest rates, further exacerbating their financial woes.

Moreover, the absence of dedicated financial institutions catering to the unique needs of MSMEs in Garhwal District exacerbates the problem. Unlike their counterparts in urban centres, MSMEs in rural and semi-urban areas struggle to access specialized financial services tailored to their requirements. This glaring gap in financial infrastructure stifles the growth prospects of MSMEs, relegating them to perpetual financial vulnerability and hindering their ability to invest in technology, innovation, and expansion.

In addition to financial constraints, MSMEs in Garhwal District grapple with infrastructural inadequacies that impede their operational efficiency and competitiveness. Despite being endowed with abundant natural resources and scenic landscapes, the region lags behind in critical infrastructure essential for the smooth functioning of enterprises. Inadequate transportation networks, erratic power supply, and deficient telecommunications infrastructure pose significant hurdles for MSMEs, hindering their ability to procure raw materials, reach markets, and engage with customers effectively.

The rugged terrain and geographical remoteness further compound the infrastructural challenges, as connectivity issues and logistical constraints hamper the seamless flow of goods and services. Consequently, MSMEs incur higher transportation costs, experience delays in delivery schedules, and struggle to maintain just-in-time inventory management practices, thereby diminishing their overall competitiveness in the market. Furthermore, regulatory bottlenecks emerge as a major impediment to the growth and sustenance of MSMEs in Garhwal District. Despite the government's concerted efforts to streamline regulatory processes and promote ease of doing business, bureaucratic red tape continues to plague MSMEs, stifling their entrepreneurial spirit and impeding their growth trajectory. Cumbersome procedures for obtaining licenses, permits, and clearances not only consume valuable time and resources but also deter prospective entrepreneurs from venturing into business activities.

Additionally, compliance with labour laws, environmental regulations, and taxation norms poses significant challenges for MSMEs, particularly for those with limited administrative and legal capabilities. Navigating the labyrinth of regulatory requirements often proves to be daunting for MSMEs, exposing them to the risk of penalties, fines, and legal disputes. Consequently, many enterprises opt for informalization or operate under the radar, further exacerbating the problem of regulatory non-compliance and undermining the government's efforts to formalize the economy.

The digital technologies offer immense opportunities for enhancing productivity, expanding market reach, and fostering innovation, many MSMEs in the region lack the requisite digital infrastructure, skills, and awareness to leverage these technologies effectively. The digital divide, exacerbated by disparities in internet penetration and technological literacy, further marginalizes MSMEs, relegating them to the fringes of the digital economy. Consequently, these enterprises struggle to adopt modern business practices, integrate digital solutions into their operations, and capitalize on emerging opportunities in e-commerce, digital marketing, and online platforms.

Furthermore, the absence of adequate support mechanisms for skill development, technology adoption, and innovation exacerbates the problem, perpetuating a cycle of technological stagnation and economic marginalization among MSMEs in Garhwal District. Without concerted efforts to bridge the digital divide and facilitate technology transfer, MSMEs risk being left behind in the fast-paced digital age, unable to compete effectively in domestic and global markets. In conclusion, the problems and issues confronting MSMEs in Garhwal District are multifaceted and complex, spanning financial, infrastructural, regulatory, and technological dimensions. Addressing these challenges requires a holistic approach, encompassing policy reforms, institutional support, infrastructure development, and capacity-building initiatives tailored to the unique needs and circumstances of MSMEs in the region. By acknowledging and addressing these issues, stakeholders can unlock the full potential of MSMEs as engines of economic growth, job creation, and social development in Garhwal District and beyond.

Methodology

This research adopts a mixed-method approach, combining both qualitative and quantitative techniques to gather comprehensive data on the challenges faced by MSMEs in Garhwal district. Primary data collection involves structured interviews, surveys, and focus group discussions with MSME owners, industry experts, policymakers, and other relevant stakeholders. Secondary data sources such as government reports, academic literature, and industry publications are also utilized to complement the primary findings. The data collected are analysed using qualitative content analysis and statistical techniques to identify patterns, trends, and relationships among different variables.

Research Gap

There has been lot of research done on the problems and perspectives of MSMEs in India as well as Uttarakhand. The researchers focussed on financial and marketing related issues. But the problems MSMEs are facing are unique in some way. The problem of food processing units is different from exports and different from textile and tobacco. So, the current study is specified to Garhwal, Uttarakhand, India.

Literature Review

Previous studies on MSMEs have identified various challenges prevalent in similar contexts, including limited access to finance, infrastructural deficiencies, regulatory hurdles, market constraints, skills shortages, technological barriers, and environmental concerns. While these challenges are widely acknowledged, their specific manifestations and impacts may vary across different geographical locations and industrial sectors. In the context of Garhwal district, however, there is a paucity of research focusing explicitly on the challenges confronting MSMEs. This research aims to fill this gap by providing empirical insights into the unique problems faced by MSMEs in the region.

MSMEs play a crucial role in fostering economic growth, promoting innovation, generating employment, and reducing regional disparities in developing economies like India, *Sharath et al (2020)*. However, despite their significance, MSMEs encounter various challenges that hinder their growth and sustainability. This literature review explores the specific problems and issues faced by MSMEs in the Garhwal district of Uttarakhand, shedding light on the unique socio-economic context of the region and providing insights into potential interventions for fostering the growth of these enterprises.

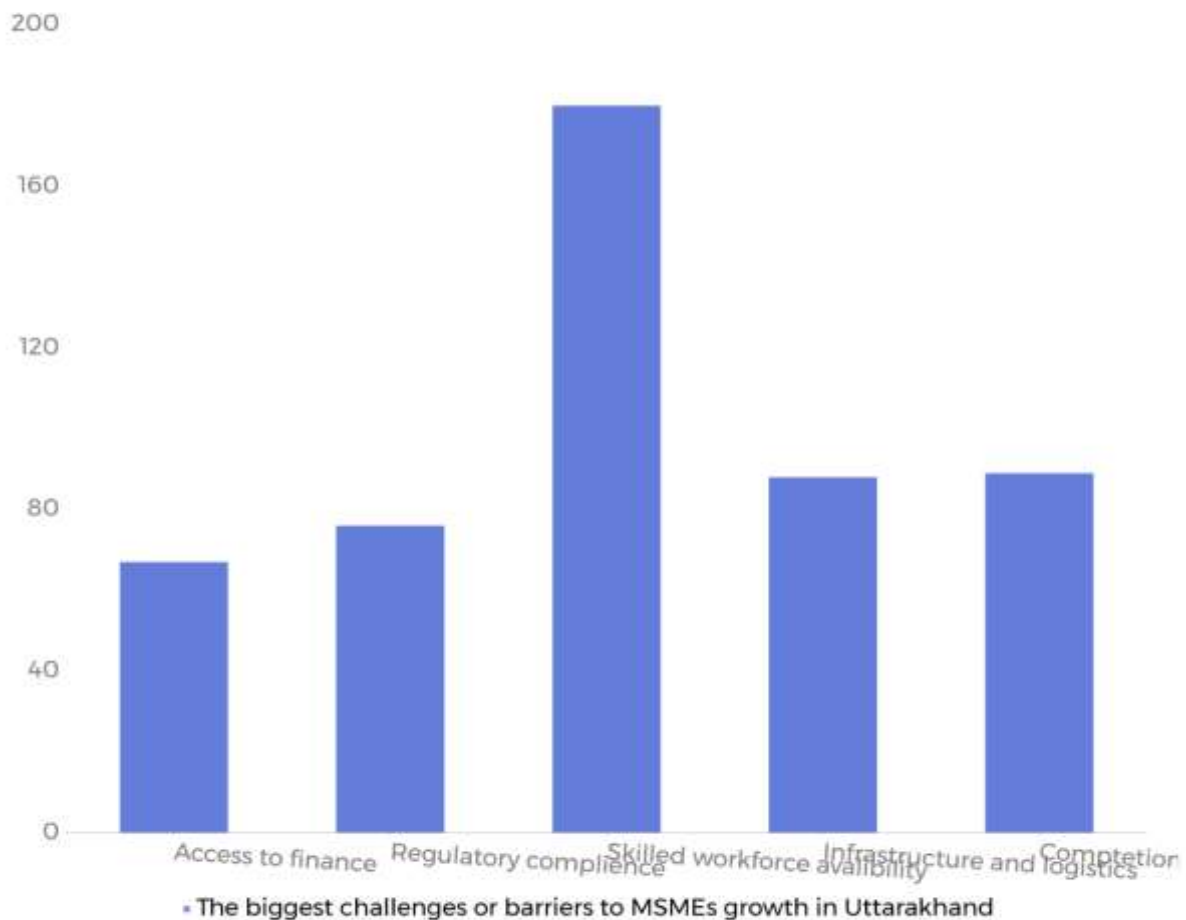


Figure:1

Source: processed Primary Data 2024

The above figure:1 depicts that there is total 500 respondents. Among them 67 (13.4%) respondents preferred access to finance as the biggest challenges or barriers to MSME growth in Uttarakhand, 76 (15.2%) prefer regulatory compliance, 180(36%) prefer skilled workforce availability, 88(17.6%) prefer infrastructure and logistics, 89 (17.8%) prefer competition.

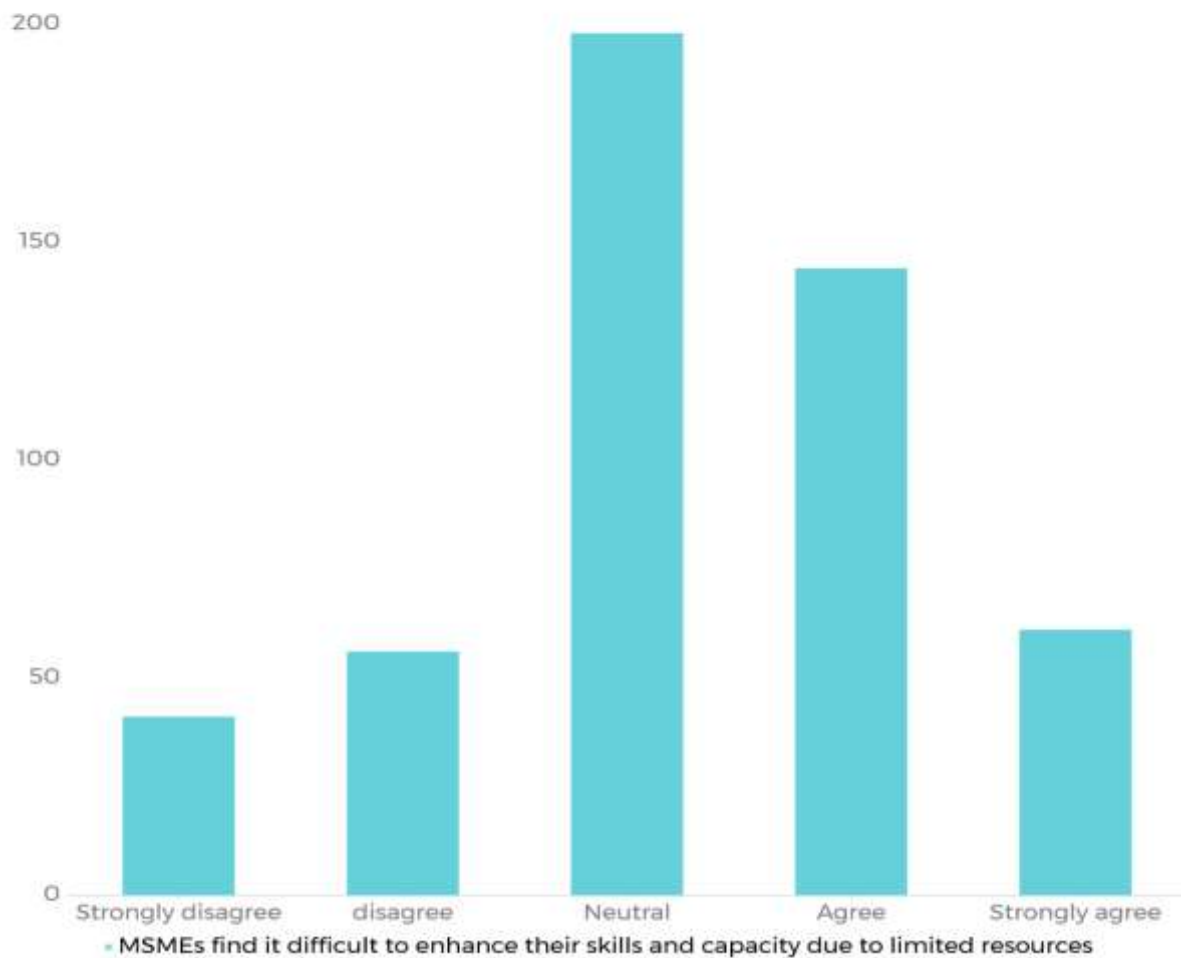
Lack of Access to Finance: Access to finance remains a major hurdle for MSMEs in Garhwal district. Limited financial resources and inadequate collateral often prevent entrepreneurs from obtaining loans from formal financial institutions. Studies by *Abhijeet Biswas (2014)*, *Ketan Reddy (2020)* and *Waseem Hamid (2017)* highlighted the prevalence of financial constraints among MSMEs due to lack of financing from the banks, competition from multinational corporations, lack of infrastructure, raw material not available, technological hazards etc. It also highlights that that the policy of the government regarding MSMEs have a huge potential. As a result, MSMEs struggle to invest in technology, upgrade their infrastructure, and expand their operations, thereby limiting their growth prospects.

Infrastructural Bottlenecks: MSMEs Es are fast growing but the infrastructure is very poor which increases the production cost and decreases the production, *Thiruvengala Chary et al (2016)* emphasize the adverse impact of poor infrastructure on production costs, supply chain efficiency, and market access for MSMEs, particularly those located in remote rural areas. Addressing infrastructural bottlenecks is essential to enhancing the competitiveness and productivity of MSMEs and promoting inclusive economic development.

Regulatory Compliance Burden: MSMEs grapple with cumbersome regulatory procedures, complex compliance requirements, and bureaucratic red tape, which impede their business operations and deter entrepreneurial initiatives. According to a study by *Thouseef Ahamed et al (2023)* MSMEs can ease their work of compliance by using technology such as software's in regulating their compliance. It is important for MSMEs to establish a framework for its compliance therefore saving it from legal liabilities. There are inadequate provisions for small businesses the legal system is not stable. *Pooja Khatri (2019)* proposed in her studies that Streamlining regulatory processes and implementing business-friendly policies are imperative to easing the compliance burden on MSMEs and fostering a conducive business environment.

Skilled workforce availability: There is lack of skilled workforce or professionalism in the area. Most of the people that work in MSMEs are uneducated or are unskilled in the use of technology. Skilled workforce is a major challenge for the MSMEs.

Competition: MSMEs faces a tough competition from large enterprises who have the finances and equipped workforce and produce quality product at affordable prices to the consumers of the area. Large enterprises are better off in technology use and marketing their product as well as customer services.

**Figure:2**

Source: processed Primary data 2024

The above figure:2 depicts that there are total 500 respondents. Among them 41(8.2%) respondents are strongly disagree with the statement “MSMEs find it difficult to enhance their skills and capacity due to limited resources.” 56 (11.2%) disagree, 198 (39.6%) were neutral, 144 (28.8%) agree, 61 (12.2%) strongly agree

Skill Shortages and Human Resource Constraints: The MSMEs lack in manpower skills be it managerial skills, understanding of finance or expertise in marketing or man management skills as studied by *Sonia Mukherjee (2018)*. The availability of skilled manpower is another pressing issue confronting MSMEs in Garhwal district. Limited access to vocational training programs, inadequate educational infrastructure, and the outmigration of skilled youth exacerbate skill shortages and human resource constraints in the region. SMEs are fast growing and moving in innovation but lack in management so the benefits are short lived suggested by *Ebitu et al (2016)*.

The literature review elucidates the multifaceted challenges faced by MSMEs in the Garhwal district of Uttarakhand, ranging from financial constraints and infrastructural deficiencies to regulatory hurdles and skill shortages. There are probably four key Factors that effect MSMEs they are lack of manpower management, Lack in planning, Lack in market research, Lack in organizational of culture studied by *Singh et al (2014)*. Addressing these issues requires a holistic approach encompassing policy interventions, institutional support mechanisms, and grassroots initiatives aimed at enhancing access to finance, improving infrastructure, streamlining regulatory frameworks, and promoting skill development. By tackling these challenges, stakeholders can unlock the growth potential of MSMEs, stimulate entrepreneurship, and foster sustainable economic development in Garhwal and beyond.

Findings and Discussion

The findings of this research reveal a multitude of challenges confronting MSMEs in Garhwal district. Firstly, access to finance emerges as a significant barrier, with MSMEs facing difficulties in obtaining affordable credit from formal financial institutions. Infrastructure deficiencies, including inadequate transportation networks,

power shortages, and substandard industrial estates, further exacerbate the operational challenges faced by MSMEs. Moreover, limited market linkages and stiff competition from larger enterprises hinder the market expansion prospects of MSMEs in the region. Regulatory complexities, ranging from cumbersome registration procedures to ambiguous tax policies, add to the administrative burden faced by MSMEs owners. Skills shortages and technological obsolescence pose additional hurdles, limiting the capacity of MSMEs to innovate and adopt modern production methods. Furthermore, environmental concerns such as pollution and waste management pose significant challenges, particularly for MSMEs operating in resource-intensive sectors. These findings underscore the need for targeted interventions and policy reforms to address the systemic issues plaguing MSMEs in Garhwal district.

Recommendations

Based on the findings, several recommendations are proposed to enhance the competitiveness and sustainability of MSMEs in Garhwal district. Firstly, there is a need to improve access to finance by promoting alternative financing mechanisms such as venture capital, microfinance, and peer-to-peer lending platforms. Additionally, investments in infrastructure development, including road networks, power supply, and industrial parks, are crucial to alleviating operational bottlenecks faced by MSMEs. Strengthening market linkages through cluster development initiatives and export promotion programs can enhance the market reach of MSMEs, enabling them to tap into new opportunities domestically and internationally. Simplifying regulatory procedures, reducing bureaucratic red tape, and providing incentives for MSME compliance can streamline business operations and foster a conducive regulatory environment. Investing in skill development programs and promoting technology adoption through subsidies and incentives can enhance the productivity and innovation capabilities of MSMEs. Finally, implementing environmentally sustainable practices and providing support for green technology adoption can help MSMEs mitigate their environmental impact while fostering long-term sustainability.

Conclusion

The challenges confronting MSMEs in Garhwal District are multifaceted and require concerted efforts from policymakers, financial institutions, industry associations, and other stakeholders to address effectively. Initiatives aimed at streamlining regulatory processes, enhancing access to finance, improving infrastructure, fostering innovation, and promoting market linkages are imperative to unleash the full potential of MSMEs and drive inclusive economic growth in the region.

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