

# A Study on the Influence of Business Environment on Small Industries in Uttar Pradesh

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**Abstract - Particularly in regions with diverse economic landscapes such as Uttar Pradesh, the business environment stands as a crucial determinant for the sustainability and success of small enterprises. The objective of this research is to investigate the impact of the legal framework, economic conditions, and socio-cultural factors on shaping the business environment in Uttar Pradesh, with a specific focus on small businesses. A comprehensive understanding of the intricate dynamics within Uttar Pradesh's small industry sector and the broader business climate is essential for policymakers, business owners, and stakeholders. This knowledge can empower them to implement targeted interventions and initiatives, fostering a conducive environment for small businesses in the area. The study delves into the role of the business environment in contributing to Uttar Pradesh's \$5 trillion share in India's GDP. Various aspects, including political stability, market dynamics, global integration, human capital, infrastructure development, regulatory adjustments, and environmental sustainability, are examined to elucidate their significance in cultivating a favourable business climate.**

**Keywords - Business environment, Impact, Small industries, Uttar Pradesh**

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## INTRODUCTION

While determining the exact environmental impact of small businesses can be challenging, some argue that these enterprises, due to their sheer numbers globally, are more "pollution-intensive" than larger corporations. Despite the prevalence of small enterprises worldwide, many have yet to adopt environmental management practices that could potentially enhance global and national environmental outcomes through their collective participation.

In this study, the term "small business" encompasses "micro," "small," and "small and medium enterprises," all interconnected concepts in existing literature. In Australia, a microbusiness is defined as having five or fewer employees, a small business as having ten or fewer employees, and a medium firm as having twenty or more employees but fewer than two hundred. While the economic and social importance of these small enterprises has long been acknowledged, their cumulative environmental impact has only recently come to light, highlighting a significant gap in our understanding and limited empirical research on the subject.

One obstacle to understanding the environmental effects of small businesses is their limited uptake of available environmental initiatives. The global concern over their lack of engagement has led to collective calls for their active involvement.

As India aims to transition into a \$5 trillion economy, the spotlight is on its economy, capturing global attention. Uttar Pradesh, as a central player in this narrative, stands at the crossroads of opportunity and challenge. With its burgeoning population, abundant resources, and strategic positioning, Uttar Pradesh holds immense potential to contribute significantly to India's economic success. However, unlocking this potential necessitates a supportive business climate that fosters innovation, entrepreneurship, and sustainable growth.

## Characteristics of Small-scale industries in India

What sets small-scale enterprises apart from their larger counterparts are their distinctive characteristics, which contribute to their unique operational dynamics. Small businesses often exhibit specific features that distinguish them in the

business landscape. Owners of small enterprises typically enjoy significant autonomy due to their dual role as both owner and manager. This dual role empowers them to provide personalized services to each customer, a unique selling point derived from the absence of a complex chain of command, common in larger corporations.

One key advantage of small businesses lies in their agility and responsiveness to environmental trends. The ability of small business owners to read market signals and swiftly adapt depends on their nimbleness, allowing them to react quickly to changing circumstances. The reliance on manual work in small firms also presents an opportunity to increase the labor force participation rate, with small enterprises contributing more jobs compared to their larger counterparts. In countries like India, where unemployment rates are significant, this characteristic becomes crucial.

While small enterprises typically operate at a local level, their product markets can extend regionally or even globally. Additionally, the lower initial expenditure and shorter startup time in small industries contribute to rapid returns, thereby accelerating economic growth. A noteworthy characteristic of small-scale enterprises is their capital efficiency, which stands in stark contrast to the capital-intensive nature of large-scale industries. Small-scale industries (SSI) play a pivotal role in contributing to well-rounded regional development by fostering decentralized growth, helping to address regional disparities, as highlighted in the Annual Reports by the Government of India.

### Small business and the environment

Approximately 60% of the global Gross Domestic Product (GDP) is attributed to small and medium-sized enterprises (SMEs), making them the most substantial commercial sector in any given country. In Australia, there are over 1.96 million companies in operation, with small firms constituting a significant majority at 95.8%. These small enterprises contribute nearly 39% to Australia's economic output, defined specifically as those with fewer than 20 workers. The impact of these businesses is further underscored by their employment of 3.7 million individuals, accounting for 46% of private non-agricultural sector employment. Given their substantial presence, it is evident that they play a crucial role in the environmental agenda and are integral to instigating meaningful change (Leutkenhorst, 2004).

While the literature review indicates a growing interest in the engagement of small companies in environmental management over the past decade, there is a notable scarcity of empirical investigations examining their effects on the ecosystem. The available research primarily focuses on a limited number of local firms, with only a few studies, such as one measuring energy use through meter data compilation from various small retail enterprises. This highlights the need for more comprehensive research

to understand the environmental impact of small businesses and inform effective environmental management strategies.

### Position and Goal of Small Scale Industry in Uttar Pradesh

In the context of Uttar Pradesh's economic growth, small-scale industries emerge as pivotal contributors, supported by various resources made available by the government to facilitate their promotion. The department has instituted several facilities, including industrial skills training, preferential treatment in sales, developmental support, export promotion, the Prime Minister's Employment Scheme, entrepreneurial training programs, and critical infrastructure balancing initiatives. Remarkably, the performance of small-scale enterprises in Uttar Pradesh has surpassed expectations, as documented by Karthikeyan and Priya in 2015.

On a national scale, the small-scale industrial sector holds significant importance, contributing nearly 40% to India's GDP. With one million worth of fixed assets, the sector can generate an estimated 4.62 million worth of products or services, highlighting its efficiency and value addition potential.

The growth of the small-scale industry has been substantial, with notable expansion evident across various plan phases. The number of small-scale units surged from an estimated 0.87 million in 1980–1981 to over three million in the year 2000.

Various stakeholders, including industrial planners, economists, sociologists, administrators, and politicians, have taken a keen interest in the Small Scale Industry (SSI) sector. Uttar Pradesh stands out for its thriving small-scale sector, underscoring its role in job creation, resource utilization, revenue generation, and facilitating gradual yet transformative change. The SSI sector is a consistent component of national planning, forming a vital and integral part of India's economy alongside agriculture and medium- and large-scale industries, as emphasized by Burman and Das in 2011.

Despite facing intense competition from the private sector and receiving limited support from the state, the Small Scale Industry has exhibited remarkable growth since India gained independence. This resilience and growth underscore the sector's importance in contributing to the nation's economic development.

### Business environment Impact on small industries in Uttar Pradesh

One of the critical factors significantly influencing the growth, development, and sustainability of small enterprises in Uttar Pradesh is the impact of the business environment on these sectors. Given that Uttar Pradesh is one of the most densely populated and economically diverse states in India, it presents

a unique blend of challenges and opportunities for small enterprises, as highlighted by Asra and Prasad in 2011. The overall impact on small industries in this region is shaped by several key elements, including:

- A supportive regulatory environment is essential for the expansion of businesses. Reforms in UP with the goals of streamlining processes, cutting red tape, and increasing transparency are essential. Simplifying the application, licencing, and permission procedures for businesses may encourage entrepreneurship and create a thriving business community.
- The infrastructure in UP has to be significantly improved in order to accommodate economic growth. It is essential to make investments in energy, digital infrastructure, and transportation. Enhanced accessibility and less logistical bottlenecks resulting from improved road, rail, and air network connections promote trade and business.
- A stable political environment is necessary for long-term economic growth. Maintaining the rule of law, good governance, and policy continuity are crucial in UP. A growth and diversification of the economy depend on both local and international investments, which are stimulated by stable administration.
- Businesses must comprehend market dynamics in order to develop and adapt. The enormous customer bases of UP offers a plethora of chances for market penetration and growth. Fostering a culture of creativity and competitiveness may be achieved by providing incentives, incubation centres, and skill development programmes to promote innovation and entrepreneurship.
- The realisation of UP's economic potential is contingent upon its inclusion into the global economy. Trade and investment inflows are encouraged when state policies are in line with goals for national trade and make use of international alliances. UP's competitiveness in the global market is increased by supporting foreign direct investment (FDI) and fortifying export-oriented sectors.
- A key component of economic development is the investment in human capital. The focus that UP places on healthcare, education, and skill development increases worker employability and productivity. A competent labour force is essential for fostering innovation and productivity. This may be achieved by bridging skill gaps via vocational training programmes and encouraging lifelong learning.

It is crucial to strike a balance between environmental sustainability and economic prosperity. Pollution management and environmentally friendly techniques must coexist with UP's industrial expansion. Sustainable development is promoted by adopting green technology, supporting renewable energy sources, and enforcing environmental rules to reduce ecological damage.

### **India's \$5 Trillion Economy**

In a paper, the Commerce & Industry Ministry group outlined their vision for growing the Indian economy to \$5 trillion. The report proposed that India's potential to become a \$5 trillion economy by 2024–2025 is reachable through both short- and long-term initiatives such as infrastructure development, ease of living, Digital India, ease of doing business, and addressing pollution. By 2024–2025, the economy will have grown to be worth \$5 trillion, making it the third biggest in the world. Real annual GDP growth rate must reach 8%. A healthy cycle of savings, investment, exports, and growth with investment acting as the "central driver" is what may provide such growth (Joshi, 2022).

India's goal of becoming a \$5 trillion economy is more than just a figure of speech; it's an indication of the country's potential for economic might. But achieving this goal requires a business-friendly climate, especially in places like Uttar Pradesh (UP) where significant contributions are required. With an emphasis on Uttar Pradesh specifically, this article examines the critical role that the business climate has had in forming India's \$5 trillion economy (Dobbs, and Hamilton, 2021).

During a talk on Investment Opportunities in Uttar Pradesh, Sharma said that India's standing in the World Bank's Ease of Doing Business has improved significantly, going from 142 out of 195 in 2014 to 63 in 2022. He said, "India has consistently topped in the category of most improved nation over the last five-six years," and he went on to say that while India is the world's most improved nation, Uttar Pradesh is the best state inside it.

### **CONCLUSION**

In conclusion, the business environment in Uttar Pradesh has a considerable influence on the state's tiny industries. In this diverse and dynamic state, small businesses may enhance their resilience and success by taking advantage of opportunities and overcoming barriers within the confines of the regulatory, economic, and sociocultural environment. To create an environment that supports the growth and survival of small industries in the state of Uttar Pradesh, policymakers, industry stakeholders, and company owners must collaborate. A favourable business climate is essential for India's \$5 trillion economy to materialise, and Uttar Pradesh is a key player in this regard. For UP to undergo an

economic transition, it is essential to remove regulatory obstacles, improve infrastructure, provide political stability, encourage innovation, and invest in human resources. By giving priority to these areas, UP may become a shining example of economic success and make a substantial contribution to India's ambitious development trajectory.

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