

## **MSMEs CHALLENGES AND OPPORTUNITIES: THE KEY TO INDUSTRIAL DEVELOPMENT IN RAJASTHAN**

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### **ABSTRACT**

*Micro, Small and Medium Enterprises plays a significant role in Indian economy for economic, social development and rural industrialisation in the country. MSME develop pivotal role in Indian economy with balanced, effective, efficient and flexible development for solving challenges in India. It plays key role in entrepreneurs through developing innovative entrepreneurial spirit. This sector enhances State GDP and employing more than 37% people; creating thousands of jobs every year with low level investment. Across the State MSMEs develops industrial production, export, providing employment opportunities to millions of people, especially to the village artisans and rural people, but also remove the problems of economic concentration. In Rajasthan, this sector develops sound economy by identifying entrepreneurial talents, skills, etc. The labor intensity in the MSME sector is estimated to be considerably higher than the large enterprises in Rajasthan. There is potential of MSMEs in Rajasthan to become sustained growth drivers of the economy. Thus, Central and the State Governments initiate many schemes and programmes to promote industrial development in State.*

**KEYWORDS:** *Micro, Small and Medium Enterprises, Rural Industrialisation, MSME Sector.*

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### **Introduction**

The MSMEs consisting of:

- More than 36 million units
- Provides employment to over 80 million persons.
- 6,000 products contribute about 8% to GDP in national economy.
- 45% to the total manufacturing output and 40% to the exports from the country.
- Huge potential to spread industrial growth across the country and sustained growth.

Rajasthan reviving from its image as backward state is now rapidly emerging as one of the most attractive investment destinations in the India. With the compounded annual growth rate of over 9.0% it stands with states like Gujarat, Andhra Pradesh and Maharastra.. In Rajasthan availability of low cost Labour, access to cheap and Variety of raw material and intermediate products, a large domestic market, a mature financial sector and political stability are some of opportunities to attract and increase investment flows. Rajasthan is one of the first states to move on the central government's new liberalization policies, Rajasthan have a very investor friendly climate. State aims to achieve an even higher average growth rate in the coming years. Across all sectors, and intends to launch itself as a

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model state for infrastructure development where governance is citizen sensitive. Rajasthan has been marching ahead in terms of industrialization. Due to consistent support and growth strategy adopted by the Rajasthan Government, the number of MSMEs is increasing year after year. During the year 2016-17 against the annual target of 15,959 units, 60,960 industrial units have been registered upto December, 2016. These units with a total investment of 10,332.88 crore have generated direct employment for 3,82,366 persons.

However, the MSME sector needs sustained government support to maintain the growth trajectory. In addition to it, there is need to develop the conducive environment where new industries could be set up, innovative start-ups could be promoted, existing industries could be scaled up and sick units can be revived.

#### **Definition of MSME**

MSME are the engines of growth of any country's economy. In accordance with the provision of Micro, Small and Medium Enterprises Development Act 2006 the micro, small and medium enterprises are classified into two classes.

- **Manufacturing Enterprises**

The Enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act 1951) the manufacturing enterprises are defined in the terms of investment in plant and machinery. Manufacturing enterprises have been defined in terms of investment in plant and machinery (excluding land and building) and further classified into:

- **Micro enterprises:** Investment up to 25 lacs,
- **Small enterprises:** Investment above Rs. 25 lacs and up to 5 crores,
- **Medium Enterprises:** Investment above Rs. 5 crores and up to Rs. 10 crores.
- **Service Enterprises**

The enterprises engaged in providing or rendering of services and are defined in the terms of investment in equipment. The limit of investment in plant and machinery/equipment for manufacturing/ Service Enterprises as notified. Service enterprises have been defined in terms of investment in plant and machinery (excluding land and building) and further classified into:

- **Micro enterprises:** Investment up to 10 lacs,
- **Small enterprises:** Investment above Rs. 10 lacs and up to 2 crores,
- **Medium Enterprises:** Investment above Rs. 2 crores and up to 5 crores.

#### **Challenges Facing by MSMEs Sector in Rajasthan**

While producing and marketing of MSMEs products this sector faces major challenges in their day to day operations. They find it difficult to sell their output at reasonable prices and cannot spend much on advertising, marketing research, inadequate infrastructural facilities, changes in government rules and regulation, competition from large firms, access to credit are other major problems this sector. MSMEs are often unable to procure adequate financial resources for the purchase of machinery, find it difficulties to recruit and motivate skilled managerial and technical personnel, unwilling to adopt modern methods of organization and management, lacking of funds. Government needs implement several schemes/programmes in proper manner so as to enhance the global competitiveness of the MSMEs. These relate mainly to simplified systems and procedures, easy access to capital, positioning the MSMEs in the global value chain by enhancing their productivity, technology up gradation, quality improvement, skill development, access to both domestic and international markets, etc. MSME aims to solve the challenges faced by this sector in Rajasthan.

The challenges faced by MSMEs are scaling up day by day. However, MSMEs entrepreneurs in Rajasthan majorly face following challenges:

#### **Ñ Gap in Information Dissemination**

- Lack of knowledge about market opportunities (based on local market potential) Knowledge about market opportunities (based on local market potential)
- Information related to government schemes, land availability and required approvals with government departments
- Knowledge related to starting a business & registration procedures

- **Technical Problems**

Lack of technical knowledge in business plan, finance, IT and marketing

Ñ **Problems related to Setting up Business**

Lack of capacity and skill sets:

- Preparing project report
- Technical knowledge in business plan, project reports, finance, IT and marketing

Poor accessibility:

- Access to finance (banks and government institutions)
- Access to market (linkages and sector experience)

Multiple departmental approvals:

- Required documentation/follow-ups for approvals from different government departments

Inadequacy of working capital:

- Delay in sanction of working capital and time gap between sanction of term loan and working capital

**Opportunities for MSMEs in Rajasthan**

Development of MSME's sector is extremely important as it holds the key to inclusive growth and plays a pivotal role in holistic development of the country. Micro, Small and Medium Enterprises play a significance role in economic development of our country. MSME contributed huge opportunities to grow as ancillary industries to unleash greater industrial growth. For utilization of the limited resources (human & economic) it is very important to empower the MSME sector. Government needs to play active role to educate and informed of the latest developments taking place globally and government should develop entrepreneurial policies to acquire skills necessary to keep pace with the global developments. Rajasthan showing their prominence in various sectors like Handicraft, Handloom, Sculpture design, Jewellery, Marble Stone, Auto manufacturing, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector These sectors now exposed to huge potential in export in across the India.. Opportunities in MSMEs sector in Rajasthan is listed below:

- **Growth Engine of the Economy:** For Socio-economic development of the country MSMEs facilitating the achievement and streamlining the objectives relating to mass employment generation, low investment, and affective tool for promotion of balanced regional development.
- **Government Initiatives:** The Government promote MSMEs to adopt innovative ideas and concepts for the promotion of their business. The goal of the Government is to organise Seminars, Conferences, Workshops and Training Programs and other trade promotional activities to educate & create awareness amongst the MSMEs. Government of India would make a substantial impact in the area of indigenization and would also attract sizable foreign investment through recent developments like Make in India', Digital India, Start-Ups offers huge opportunities entrepreneurs.

Some of the key initiatives undertaken by the Government include:

- Introducing Micro, Small & Medium Enterprises Development ("MSMED") Act 2006.
- Identifying existing and potential clusters.
- Incentivising through taxation.
- Boosting to investing in technology and infrastructure.
- Incubators and Open Hub Partnership Systems: All state governments the need to considerably upscale the programmes for incubating enterprises in partnership with relevant institutions under their control as well as with the private sector.
- Enhancing Credit to MSMEs: Government should play a more active role in advocating, providing professional inputs and designing specialised instruments that could enhance credit access by MSMEs generally and also helping them in times of distress.
- Product Standards and Testing Facilities

- Rajasthan Government may review the organisation, management and funding pattern, and undertake an assessment, of its four regional and eight sub-regional testing centres with a view to equipping these with world class facilities.
- Common Facility Centre: For improving the quality of manufacturing particularly in export clusters (Textiles, Chemicals and Leather products), Rajasthan Government may oversee setting up of Common Facilities Centres (CFC) in these clusters in active collaboration with other state governments. Cluster Development Programme implemented by the Ministry of MSME. The CFCs would perform the functions of tooling and technology development and thus complement the ongoing initiative of government to set up 15 new Tool Rooms in the country.
- Entrepreneurial Development Initiative in Rajasthan: In Rajasthan, prominent government agencies supporting development of entrepreneurship are Commissioner Industries, Start up Rajasthan, Rajasthan Skill and labour Development Corporation (RSLDC), Entrepreneurial Management Institutes.

The Commissioner Industries through District Industries Centre is nodal agency for fostering entrepreneurship activities at district and rural areas including socially and geographically sectors.

Start Up Rajasthan: Start Up Rajasthan is recent initiative by Department of Information Technology Rajasthan to create a start Up eco system in the state, through mentorship, networking, marketing, and funding assistance to innovative start up.

RSLDC is the recently developed skills Development agency in Rajasthan towards enhancing employability of working population. It conducts various skill building programmes in Rajasthan and conducts the entrepreneurship Development Programmes.

- Favourable place for MSMEs - Government of Rajasthan develop Schemes and Programmes for MSMEs for developing potential in MSMEs.
  - Delivery of credit and facilitation through various schemes like Pradhan Mantri Employment Guarantee Programme and Bamashah Rojgar Srijan Yojana
  - Ease of Credit access through reimbursement of service processing fees
  - Support through SMEs raising capital through SMEs exchange
  - Assistance to MSMEs for Quality Improvement
  - Support of various entrepreneurs through MSME Policy 2015
  - Support for Environmental Conservation
  - Marketing support through Udhyam Protsahan Sansthan
  - Reimbursement of ground rent paid for participation in
  - Introducing Rajasthan Micro Small Facilitation Council for Delayed Payment
- **Sectoral Advantage:** There are many key sectors in Rajasthan which builds up economic development. Some sectors are Textile, Agro and Food Processing Handicraft/Handloom, Automotive, health care, ITES, Health Care, and Biotechnology.
- **Strengths of Rajasthan**
  - Highest limestone reserve
  - 2<sup>nd</sup> largest rail network
  - 7 ICD and 1 air cargo complex
  - Number 1 in Blended Fabric and wool manufacturing and export
  - 2<sup>nd</sup> Largest producer of milk
  - Leading in Auto manufacturing of Auto and Ancillary
  - Largest producer of guar gum and, mustard, seeds, spices, coarse cereals
  - Hub for industries in cement production
  - 2 Greenfield and 6 Brownfield Electronic Manufacturing Clusters (EMCs)
  - Amount for 90% of India's marble, slate and sandstone production

- Leaders in production of silica in India
- Number in zinc and lead production and exports of zinc
- Number 1 in industrial textile manufacturing
- 2<sup>nd</sup> largest mineral producing State
- 2<sup>nd</sup> largest National Highways Network

### Conclusion

The Micro, Small and Medium Enterprise constitute the backbone of an economy plays a critical role in Indian economy through rural industrialisation and remove unemployment and poverty from Indian Economy. Some challenges like infrastructural deficiencies, flow of institutional credit - adequate and timely banking finance and inadequate market linkages, absence of, non-availability of suitable technology, ineffective marketing due to limited resources and non availability of skilled manpower, If the Government, Bank and financial Institutions will take proper initiatives in this sector these challenges can be solved this sector has registered remarkable success with regard to increase in number, quantum of investment, scale of production and overall contribution to national GDP and the economic growth rate of India will be 8- 10% for the next decades. In order to solve these challenges and develop the MSME sector, government taken step in 1978 in the eleventh plan. However these efforts are not enough. The concept of PPP should be implemented. Development of Khadi and Village Industries Commission, District Industries Centre along with broad spectrum growth should be achieved. For the development of rural and farm group, different departments should be formed.

To make this sector to become more vibrant and significant in development of the Rajasthan economy the Government of Rajasthan has taken various initiatives. Such as MSME Investment Facilitation Centre (MIFC), Rajasthan MSME Facilitation Council for delayed payment, Ease of Doing Business in Rajasthan, Single Window Clearance System, MSME Policy 2015, Rajasthan Investment and Promotion Scheme, are recent initiative by Government of Rajasthan. Rajasthan is one of the favoured destinations for attracting industries. The Government policies and programmes promoting self-employment opportunities in urban and rural areas by extending financial assistance through banking sector for the establishment and development of small industries. The main aim of government policies and programmes is to upgrade infrastructure, generate skills, employment and growth of investment in Rajasthan. Rural industrialisation based on the utilisation of local resources and raw materials and locally available man power and skill are translated into action through the District Industries Centres which are primarily concerned with the promotion of Small and Rural Industries

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