



# International Journal of Research in Finance and Management

P-ISSN: 2617-5754  
E-ISSN: 2617-5762  
IJRFM 2023; 6(1): 12-16  
Received: 09-10-2022  
Accepted: 17-11-2022

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## An empirical study on the development of MSME's and the role of MSME's in the economic growth of Rajasthan

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**DOI:** <https://doi.org/10.33545/26175754.2023.v6.i1a.187>

### Abstract

Rajasthan has been a state of natural conflicts. Due to adverse geographical location, desert, lack of water and lack of infrastructure, there has been little development of large scale industries. Therefore, small and cottage industries, rural industries and handicraft industries have been of special importance in the economy of Rajasthan. Small and cottage industries hold special importance for Rajasthan in terms of employment generation, state income, best utilization of local resources, industrial decentralization, promotion of local talent, export promotion and requirement of less capital and technical knowledge.

Being a developing state, MSMEs are the backbone of Rajasthan's economy. After the independence, the central and state governments have paid a lot of attention to the development of these industries. The scope of MSMEs is very wide as the economic life of a large number of people depends on these industries only. This paper attempted to explain the role and importance of the MSMEs sector in the Rajasthan economy, and the efforts made by the central and state government to develop and strengthen the MSMEs sector to its continuous contribution to the development of state.

**Keywords:** MSMEs, Rajasthan economy, economic development, infrastructure, export promotion, technical knowledge

### Introduction

MSMEs sector plays an important role in the development of rural and backward areas as an assistant to large industries. Beyond agricultural sector small and cottage industries provide huge opportunities for personal and wage employment. MSME sector is defined on the basis of investment made in them and annual turnover. The new definition of MSME for both manufacturing and service sector introduced by the Union Ministry of MSME, which is effective from July 1, 2020, that if an industry has an investment of up to 1 crore in machines and equipment and its turnover is up to 5 crore, then it will be a micro industry, if the investment is 10 crore and the turnover is up to 50 crores then it will be small industry and if investment is 50 crores and turnover is 250 crores then it will be called medium sized industry.

**Table 1:** Defining MSME According their Investment & Turnover

	Micro Industry	Small Industry	Medium Industry
Investment in machines & equipment	Less than or equals to 1 crore	Less than or equals to 10 crore	Less than or equals to 50 crore
Turnover	Less than or equals to 5 crore	Less than or equals to 50 crore	Less than or equals to 250 crore

**Source:** The Gazette of India, No. 1532.

### Objectives of the paper

- To understand the role and contribution of MSME's in economic growth of Rajasthan.
- To study the efforts of Rajasthan government in the development of MSME sector.
- To know the recent budgetary announcement by the Rajasthan government for the promotion and development of MSME sector.

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## Research Methodology

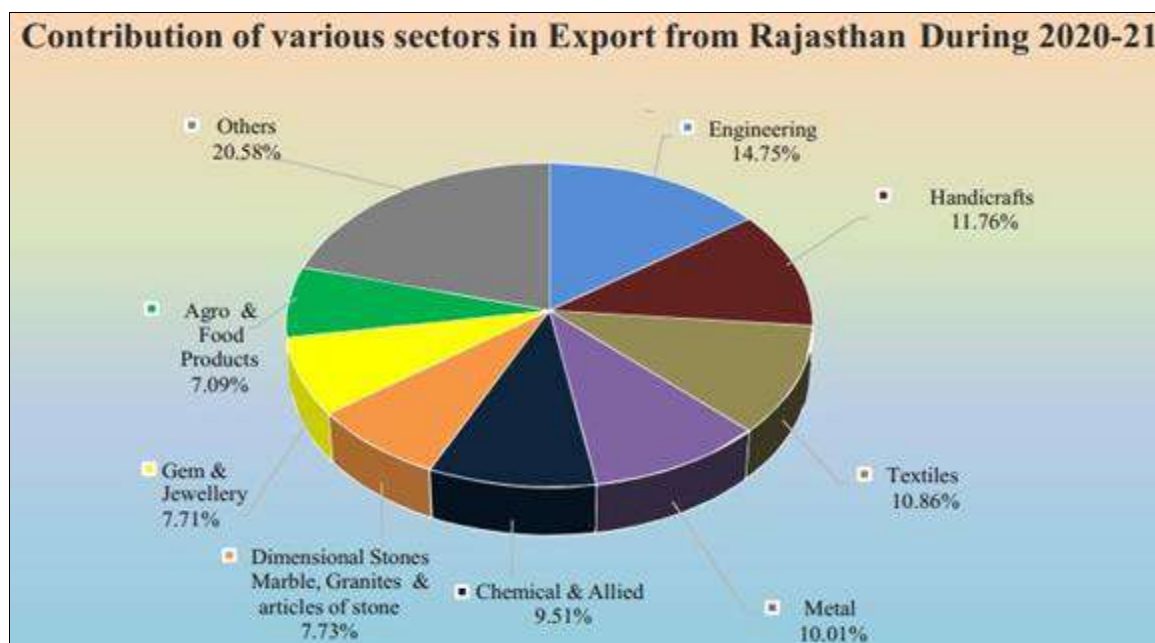
The information in the study is collected from secondary Sources that are from various Online sources, websites, government portals, articles, reports and the economic survey of Rajasthan.

## Role of MSME Sector's in Rajasthan Economy

Small and cottage industries and handicrafts have been of huge importance in the economy of Rajasthan. While on the one hand more employment is generated in MSMEs industries with less capital and a good Source of income is obtained, on the other hand the benefit of artistic production is also available. These small and cottage industries, which help in the balanced development of the economy by removing economic disparities, become complementary and subsidiary industries to the big industries and strengthen the regional development by using the local Sources and raw materials of the state. We can understand the importance of small and cottage industries in the economy from the following points: -

**1. Basis of employment:** Small and cottage industries and handicrafts are the basis of employment in the developing economy of Rajasthan. Small scale industries and handicrafts in Rajasthan provide employment to many people. Agriculture based small scale industries, animal based small scale industries, forest based small scale industries, and mineral based small scale industries are major in Rajasthan. MSMEs are an important unit in the economy as they contribute significantly to the industrial production, exports, employment and creation of entrepreneurship base of the state.

- 2. Helpful in reducing economic disparities and promoting balanced devilmont of economy:** MSME provides alternative opportunities of production and employment to the people in the economy, which reduces the burden of population on agriculture. This leads to the development of both agriculture and industry. Workers are often dominant in MSMEs, so due to the distribution of production and income received among many people, equal distribution of income is encouraged. This is how MSMEs help in reducing the disparity in economics
- 3. Helpful in industrial decentralization in the economy:** MSMEs are not concentrated in large industrial places but are spread in all regions of the state, due to which they contribute significantly in promoting decentralization in the economy. Different regions of the state are recognized for their different types of handicrafts and small and cottage industries e.g. Jaipur, Jodhpur, Udaipur, Kota are famous for printing and dyeing, Tonk, Bhilwara, Chittorgarh are famous for bidi industry, Jodhpur, Bikaner, Udaipur, Jaipur, etc. are famous for making leather handicrafts.
- 4. Helpful in increasing exports and earning foreign exchange:** The artistic items of handicrafts made in the small scale and cottage industries of Rajasthan have their own identity in the world. Many items manufactured here are exported to foreign countries, which provide an opportunity to earn foreign exchange and boost exports in the economy. Handicrafts are second only to engineering goods among the top five items exported from Rajasthan, with a contribution of 11.76% to the state's total exports.



Source: Economic Review of Rajasthan 2021-22

**Fig 1:** Contribution of various sectors in Export from Rajasthan during 2021-22

**Table 2:** Contribution of Engineering & Handicrafts sector in Export from Rajasthan from 2016- 2021

S.N.	Product	2016-17	2017-18	2018-19	2019-20	2020-21
1	Engineering	5629.20	7350.17	7632.99	7674.76	7781.81
2	Handicrafts	3831.36	3701.55	4825.42	5219.48	6205.32

Source: Economic Review of Rajasthan 2021-22

- 5. Utilization of local raw materials and reSources:** The use of local raw materials and reSources in MSMEs not only reduces their costs but also increases the income of local people, provides them employment, helps in reducing economic disparity and promotes regional balance in the economy.

- 6. Production of artistic goods and promotion of talents:** Tourism plays an important role in the economy of Rajasthan. A large number of domestic and foreign tourists come here every year. Small and cottage industries of the state and attractive artistic items of handicrafts attract tourists very much, due to which the production of these industries increases, as well as the development of artists and talents with artistic interest.

### Efforts of Government in the Development of MSME Sector

In the economy of the state, micro, small and medium industrial units play an important role in the direction of industrial production, export, employment and entrepreneurship generation of the state. Its contribution to employment generation in particular is widely recognized. In this way, various efforts and measures have been implemented to promote and support the MSME industry in the state, which are as follows:

- 1. MSME Udyam Registration Portal:** A new Udyam Registration Portal has been launched by the Ministry of MSME on 1st July, 2020 to simplify the process of MSME registration as per the new and revised MSME definition. During the financial year 2021 - 22 (up to December 2021), a total of 2,02,947 industrial units were registered on the Udyam Registration Portal. Direct employment opportunities for 11, 28,082 persons have been generated in these units with an investment of Rs.7, 699.46 crore.
- 2. Mukhyamantri Laghu Udyog Protsahan Yojna (MLUVY):** This scheme has been implemented from December 2019 with the motive of establishing new enterprises in the manufacturing, service and trade sectors in the state and to provide loans through financial institutions for expansion, modernization and divergence of existing enterprises and generate new employment opportunities to all sections of the society. The beneficiary of the scheme will be given interest subsidy on the loan given by the bank for five years, which will be paid as follows:

**Table 3:** Criterion of subsidy on interest under MLUVY

Loan amount up to	Subsidy on interest
25 Lakh	8%
25 Lakh – 5 Crore	6%
5 Crore – 10 Crore	5%

Source: Economic Review of Rajasthan 2021-22

During the financial year 2021-22 (up to December 2021), an amount of Rs. 485.32 crore was disbursed to 1601 entrepreneurs. The progress of MLUPY is as follows:

**Table 4:** Loan & subsidy disbursement under MLUVY from 2019-2021

Sr. No.	Year	Loan Disbursed (Number)	Loan Disbursed Amount (In Crore)	Interest Subsidy (In Crore)
1	2019-20	239	33.75	0.00
2	2020-21	8259	2016.13	2.98
3	2021-22 (up to December 2021)	1601	485.32	21.79
	Total	10099	2535.20	24.77

Source: Economic Review of Rajasthan 2021-22

- 3. The Rajasthan MSME (Facilitation of Establishment and Operation) Act, 2019:** Realizing the importance of MSMEs in the state and their needs and difficulties, the MSME Act 2019 was implemented. This act was implemented by the Government of Rajasthan on 17 July, 2019 to encourage the hassle-free establishment of micro, small and medium enterprises in the state. A web portal "<http://rajudyogmitra.rajasthan.gov.in>" has been launched by the government for the execution of this act on which applications are filed. Bureau of Investment Promotion is the State Level Nodal Agency and the District Industries Centres are the District Level Nodal Agency of the MSME Act, 2019. The act requires the MSME unit to submit electronically or physically a 'Declaration of Intent' to the nodal agency, on which an Acknowledgment Certificate is issued, this is valid for 3 years from the date of issue of the Acknowledgment Certificate to the applicant under the State Exempted from approval and inspection under all laws. In the financial year 2021-22 (up to December 2021), 2766 declarations of Intent were received through this portal and acknowledgment certificates have been issued to them with immediate effect. Out of these, 1393 micro category, 811 small category and 562 medium category certificates have been issued.
- 4. Establishment of MSME Investment Facilitation Centre (MIFC) for Investors:** For the facilitation of the entrepreneurs, MIFC has been set up in all the District Industries Centres, so that necessary information can be made available to the entrepreneurs. Initially MISC centres have been established in Jaipur Jodhpur and Kota.
- 5. Rajasthan Small Industries Corporation Limited (RAJSICO):** RAJSICO was established on 3 June, 1961 to provide assistance to small scale industries and artisans and to facilitate proper marketing of the goods produced by them. The corporation provides direct benefits to handicraftsmen through welfare schemes aimed at promoting the finest and prosperous handicrafts of the state. RAJSICO also provides marketing support to MSME units and supplies small scale industry products to government departments. The Corporation markets the handicraft items of the artisans of Rajasthan through RAJSTHALI sales centres located at Jaipur, Udaipur, Delhi and Kolkata. To encourage craftsmen, the Corporation participates in exhibitions. The turnover of handicraft items during the financial year 2021-22 has been rs. 264.93 Lakhs.
- 6. Rajasthan Khadi and Village Industries Board:** The objectives of establishment of Khadi and Village Industries Board are to provide self-employment through khadi and village industries in rural areas, to promote the production of quality products and to provide training to skilled artisans etc. With the aim of providing employment opportunities to different sections of the people of the country, the government has started the PMEGP program, whose nodal agency is the Khadi and Village Industries Commission.
- 7. Prime Minister Employment Generation Program (PMEGP):** This scheme was launched on 14 August,



2008. Its main objective is to generate employment opportunities by setting up small scale industries in urban and rural areas through subsidized loans. Two earlier schemes Prime Minister Rojgar Yojna (PMRY) and Rural Employment Generation Program (REGP) have been merged into this. Under this scheme, there will be a loan limit of ₹25 Lakh for the manufacturing or production sector and ₹10 Lakh for the business and service sector. Under this, the general category person of urban area will get 15% and special category person will get 20% subsidy while in rural area its percentage will be 25 and 35% respectively. Under PMEGP, 262 village industries units have been approved during the financial year 2021-22 (up to December 2021) and employment has been provided to 1,917 persons.

**8. Rajasthan Micro and Small Enterprise Facilitation Council (RMSEFC):** MSME entrepreneurs used to be upset due to the buyer not paying the MSME product or service on time. These entrepreneurs had to go to the Chief Court for hearing the cases of delayed payment till 2006. The Ministry of MSME, Central Government has set up a quasi-judicial body or council under the Industries Department of the State for disposal of such cases by the MSME Act 2006. This council assures the MSME entrepreneur of the state that the delayed payments of goods or services produced by them will be settled within a maximum of 45 days, in case of delay in payment, the MSME entrepreneur will be charged 3 times the monthly compound interest of RBI's bank rate by the buyer to be paid.

11/16/22		Delayed Payment Monitoring System						
S.No. ⬆️⬆️	State Govt. ⬆️⬆️	Applications filed by MSEs ⬆️⬆️	Applications Visible to Council after 15 days ⬆️⬆️	Applications Converted into Case by MSEFC Council ⬆️⬆️	Applications Disposed by MSEFC Council ⬆️⬆️	Applications Reject by MSEFC Council ⬆️⬆️	Applications Pending* ⬆️⬆️	Mutually Settled ⬆️⬆️
1	Rajasthan	1270	114	496	279	279	0	102

Source: <https://samadhaan.msme.gov.in/>

Fig 2: Disposal of delayed payment

**9. Indira Mahila Shakti Udyam Protsahan Yojna (IMSUPY):** The Government of Rajasthan has launched this scheme in December 2019 for the purpose of employment generation by providing subsidized loans through banks to women of minimum 18 years of age or above for enterprise establishment or expansion, cooperation for diversification or modernization, assistance for modern research, training for skill development. With this, easy availability of loans will be possible for women for enterprise and employment. Maximum rupees 1 crore loan amount will be made available under this scheme. The loan limit will be as follows for different applicant category wise: -

Table 4: Loan amount under IMSUPY

Sr. No.	Applicant Category	Maximum Loan Amount
1	Individual Applicant / Self Help Group	Up to Rs. 50 Lakh
2	Group of Self-Help Groups (Cluster or Federation)	Up to Rs. 1 Crore

Source: Women and Child Development Department of Rajasthan, <https://wcd.rajasthan.gov.in>

**10. Rajasthan Handicraft Policy, 2022:** The Government of Rajasthan has launched the first Handicraft policy in September, 2022. This policy will prove to be important in the upgradation and marketing of handicraft products along with the welfare of handicraftsmen. Rajasthan offers great potential for development of handicrafts. This sector not only provides employment to the local people but also earns foreign exchange for the State and also develops the small and cottage industries. The State houses about 6 lakh craftsmen and artisans. The main objectives of this policy are as follows:

a. Economic upliftment and development of

handicraftsmen of the state.

- Ensuring a better marketing system for the products of handicraftsmen.
- Making the products of the handicraftsmen suitable for export.
- Generating 50,000 new employment opportunities in the handicrafts sector in the next 5 years.

#### Recent Budgetary Announcement by The Government for The Promotion and Development of MSME Sector

- In order to provide plug and play facility to the service sector, MSMEs and start-ups at affordable rates, a budget announcement was made to make Rajiv Gandhi Knowledge Service and Innovation Hub in Jaipur, Jodhpur and Kota with rs. 200 crore each.
- Under this budget announcement, the Rajasthan government has announced a new policy for start-ups and entrepreneurs in the state, the Rajasthan Start-up Policy, 2022 in November 2022. The policy aims to promote Rajasthan as a hub for innovation and boost start-up growth across industry verticals such as agriculture, education, healthcare, and fin-tech, increase job opportunities for and upskill youth, and encourage diversity and sustainability within the start-up ecosystem.
- Under The Rajasthan MSME (Facilitation of Establishment and Operation) Act, 2019, in order to provide support to MSME entrepreneurs, it has been announced that industries will be exempted from approvals and inspections for 5 years instead of 3 years.
- In order to encourage industries, it has been announced that private agricultural land in rural areas will be given complete exemption in land conversion fee for white category MSMEs and large industries.

- It is proposed to increase the interest subsidy from 8% to 9% under the Mukhyamantri Laghu Udhog Protsahan Yojna (MLUVY) for the establishment or expansion of agriculture-based MSME units.
- A provision of Rs 150 crore is proposed for interest subsidy in the coming year to give a comprehensive look to the Mukhyamantri Laghu Udhog Protsahan Yojna (MLUVY).

### Conclusion

The MSME sector has emerged as a highly dynamic sector of the state's economy in the last few decades. This sector contributes significantly to the social and economic development of the state by encouraging entrepreneurship at comparatively low capital cost after agriculture, creating huge employment opportunities. The government is striving for the growth and development of the MSME sector, to support the existing enterprises, to adopt modern technology and to encourage the establishment of new enterprises. The Ministry of MSME introduced several schemes for financial assistance to MSMEs, technology support, infrastructure development, skill development and training and with the objective of increasing the competitiveness and marketing efficiency of MSMEs.

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