



Challenges & Opportunities Of MSME In Bihar

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Abstract: An Overview of Bihar's Performance in MSME Sector In a predominantly rural state like Bihar, with high incidence of poverty, growth of MSMEs are crucial to generate sustainable employment and income opportunities. In Bihar, more than 95 per cent of the industries are small in nature. The Industrial Policy of Bihar (2016) has outlined an industrial growth of 15 per cent per annum while the Bihar Start up Policy of 2017 envisages creation of conducive regulatory environment through infrastructure, credit, and policy support for promoting entrepreneurship in the state. The units of processing, food, fruit and vegetable, poultry, animal feed; manufacturing of electrical products, timber, ceramics, iron and steel, and plastic form the ecosystem of modern MSMEs in Bihar. Supplementing these units with an investor friendly environment with the implementation of Udyog Samwad portal can revitalize the growth of this sector in Bihar. The states like Bihar which has very few amounts of resources that are necessary for the growth of industries in the state but has good human resources may rely on the MSME sector for their economic development like Japan. The study provides the evidence that the state has seen a significant increase in its Gross State Domestic Product (GSDP) and employment generation due to the increase in the units of MSMEs sector in Bihar. This means that with the growth of MSME sector in Bihar, it is witnessing an increase in its income and employment level.

KEY-WORDS: Bihar, Performance,, MSME, Sector and infrastructure.

INTRODUCTION:

An Overview of Bihar's Performance in MSME Sector In a predominantly rural state like Bihar, with high incidence of poverty, growth of MSMEs are crucial to generate sustainable employment and income opportunities. In Bihar, more than 95 per cent of the industries are small in nature. The Industrial Policy of Bihar (2016) has outlined an industrial growth of 15 per cent per annum while the Bihar Start up Policy of 2017 envisages creation of conducive regulatory environment through infrastructure, credit, and policy support for promoting entrepreneurship in the state. The units of processing, food, fruit and vegetable, poultry, animal feed; manufacturing of electrical products, timber, ceramics, iron and steel, and plastic form the ecosystem of modern MSMEs in Bihar. Supplementing these units with an investor friendly environment with the implementation of Udyog Samwad portal can revitalize the growth of this sector in Bihar. Bihar constituted about 5.4 per cent of the total MSMEs in the country as per the NSS 73rd Round (2015-16).¹ Since the implementation of the Udyog Aadhaar registrations of MSMEs in September 2015 with a view to simplify the online registration procedure for small businesses, the number of MSME registrations have gone up in Bihar. As per the latest data of the National Portal for Registration of Micro, Small & Medium Enterprises, Bihar is the second highest in the country with nearly 11.8 per cent of the total registrations, next to Maharashtra, comprising of 97.6 per cent of micro units out of the total MSMEs in the state. Clearly, the discrepancy between the total number of registrations between data on existing industrial units and Udyog Aadhaar registrations is of concern. Micro, Small and Medium Enterprises in Bihar offer a heterogeneous and varied nature of fabric in terms of the size

and structure of the units, variety of products and services, scale of production and application of technology. They contribute to the socio-economic development of the State quite significantly. The MSMEs in Bihar constitute about 92% of the total number of industries and produce about 4700 value added products.²

TABLE NO: 1

Year wise Micro and Medium Registered Units set up in Bihar

Year	Medium	SSI	Tiny Micro	Total	Investment (Rs. Crore)	Investment per unit (Rs Crore)	Employment (In No)	Employment per Unit
2015-2016	2	20	5048	5091	128.64	2.53	16011	3.40
2016-2017	3	41	4799	4835	185.57	3.84	17365	3.59
2017-2018	2	33	3904	3962	385.64	9.73	16079	4.06
2018-2019	3	56	6381	3737	253.85	6.79	10894	2.92
2019-2020	11	53	2991	3133	315.59	10.07	17393	5.52

Source : Department of Industries Gov. of Bihar

The 2.92 growth and development of MSME sector in Bihar has been inconsistent and ordinary over the preceding decades. Table no 03 shows that the number of such enterprises has decrease from about 3962 units in 2017-18 to 3737 units in 2018-2019 and again to 3133 units enterprises in 2019-2020. The contribution of MSME sector towards investment and employment has been depicted in Table no 03 It is clear that the share of investment & employment are inconstant has 385.64 crore in 2017- 2018 , 253.85 crore in 2018-2019 & 315.59 crore in 2019-2020.³

With around 63.4 million units throughout the geographical expanse of the country, as per the Central Statistics Office (CSO), the share of MSME in total Gross Value Added (GVA) during 2016-17 was 31.8 percent (PIB, 2019). According to data received from the Directorate General of Commercial Intelligence and Statistics (DGCIS), the share of MSME related commodities in total Export from India during 2018-19 is 48.10 percent. In accordance with the 73rd Round of National Sample Survey (NSS), the approximated number of workers in unorganised non-agriculture MSMEs in the country are 11.10 crore (Business Standard,2019). About 95 percent of the industries in Bihar fall under the Micro Small and Medium Enterprises (The Times of India, 2012). Food processing, manufacturing, sugar, dairy, and healthcare are some of the fast-growing industries in the state (India Brand Equity Foundation, 2021). The extensive infrastructure development, such as roads and bridges and a substantial base of cheap industrial labour, make Bihar a probable investment location for an extensive range of industries particularly MSMEs (MSME DI, Patna). Hence, MSMEs can become a major growth driver in achieving the vision of self-reliant Bihar. Provision of easy access to finance and credit, greater infrastructural and support facilities, creation of adequate market linkages, skill development and capacity building, access to modern tools and technology, policy intervention and support mechanisms will definitely help in building up the performance of the MSMEs and thereby attracting new industries in the state. Bihar has huge growth potential to create and enhance the capacity of enterprises by efficiently using the resources available.⁴

REVIEW OF LITERATURE:

J Lakshmi, G Sreedhar, (2017)⁵ MSME sector has been widely reviewed as the backbone and an essential tool for the expansion of an economy for encouraging development with equity. Some of the major MSMEs have a significant contribution in highest employment generation and they also hold a vital portion of industrial output and merchandise. It very well serves the need of the small producers with less capital which in turn provides services to empower the less privileged people of the rural background to participate in the economic growth of the country. This sector has got immense potential to overcome the high unemployment rate faced by the state .

Rakesh Rathore, Aditi Mathur, (2019)⁶ A significant role of the MSMEs has been observed since it creates huge employment opportunities for skilled as well as semiskilled people. This paper also throughs light on the various policies adopted by MSMEs and it proved to be a dynamic and progressive sector for balancing the

regional disparity of the country by giving ample opportunities to the youth to start their venture. This sector has immense contribution in the production and export side .

Nagarajan Muthukrishnan,(2020)⁷Shows; investigation of new strategies should be adopted by government and industries to combat the effect of corona virus on the health of the economy. The impact of lockdown on the countrys trade has affected rapidly.This paper also explains the different measures in order to keep a good hold of MSME'S growth.

METHODOLOGY:

The data are collected mostly from secondary sources by way of access to various Government policies/ programs including published Annual Reports, Journals, Books and available official websites.

GROWTH OPPORTUNITIES OF MSMES IN BIHAR:

The MSME sector in Bihar occupies the second position next alone to agriculture in terms of employment generation. This sector accounts for about 95% of the industrial units, 65% of manufacturing output. MSMEs have greater opportunities to grow as ancillary industries to unleash higher industrial growth. MSMEs being less capital intensive and more employmentfriendly have easier access to raw materials, subsidies and other incentives under cluster programs. The state has huge growth potential to create and enhance the capacity of enterprises both in the manufacturing and service sector by using the available resources. There are huge opportunities for the MSMEs to grow as ancillary industries to unleash greater industrial growth. Development of the sector is therefore extremely important as it holds the key to inclusive growth and plays a pivotal role in holistic development of the state. MSME rapid the investment in infrastructure, abundant job opportunities, emergence of a robust private sector with small and big companies/ corporate houses and high rise in consumerism.⁸ The MSME sector has the potentialities to emerge as the backbone of state economy and to continue as an engine of growth provided an environment-friendly policy framework and enabling infrastructural support are made available for its functional operations. MSMEs in Bihar consistently feed the domestic and the international value chain as manufacturers, suppliers, distributors, retailers, contractors and service provider by accounting for a substantial segment of our industrial units. Availability of adequate financial resources, a supportive policy framework to address the areas like entrepreneurship development, a competent pool of human resources, application of latest technology and new innovations, adequate international market linkages and bilateral trade agreements etc. would make the Indian MSME sector globally competitive to address the emerging challenges and help ensure their sustainability.⁹

CHALLENGES:

Some of the major challenges confronted by these enterprises include; lack of adequate credit and capital, poor and inadequate infrastructural facilities, inadequate access and marketing linkages, technological obsolescence and inadequate application of new technology, lack of skilled human resources, luck of institutional support for clearance and poor adaptability to emerging international trends.

Lack of Adequate Capital and Credit: One of the greatest challenges which constrain the growth of MSMEs in Bihar relates to inadequate capital and credit facilities. Easy and timely access to credit is crucial factor to development and growth of enterprises.

Poor and Inadequate Infrastructural Facilities: Deficiencies in the infrastructure and poor support facilities marked by inadequate access to basic facilities like water, power supply, road/rail connectivity etc. adversely affect this sector and contribute to enhance their operational cost by rendering the MSMEs less competitive in the challenging market situations.

Inadequate Access and Marketing Linkages: Poor marketing linkages characterized by inadequate Government support and patronage, lack of adequate marketing infrastructure/ network facilities continue to be a greater challenge for marketing and sale of MSME products.

Lack of Skilled Human Resources: Non-availability of skilled workforce and better managerial/entrepreneurial expertise at affordable cost near the location of enterprises is another such big challenge for the MSMEs in Bihar.

Lack of Access to New Technology: Most of the industries today require application of advanced technology in their operations whereas in the Bihar context continuance of low technology base results in low productivity by making these enterprises uncompetitive in the ever-widening market contexts. Apart from enhancing productivity and quality, new technology should be adopted for an overall transformation and competitive edge.

Lack of Government Intuitional Assistance: Sanction and disbursement of loans from commercial banks, collateral securities/guarantees, for construction permits, resolving insolvency and taxation etc. continue to be the constraining factors for many MSMEs.

SUGGESTIONS:

The issues and constraints that hinder their growth need to be identified and properly addressed. Some suggestions to improve the performance of MSMEs are indicated below;

Easy Access to Finance and Credit: Institutional finance/credit from banks and other financing institutions should be promptly available without long and cumbersome procedures. Sanction of credit / loan applications by public sector banks should be made within a reasonable time frame at affordable and reduced rate of interest.

Stepping up Infrastructural and Support Facilities: Deficiencies in basic infrastructural facilities like water, power supply, road/rail and telephone connectivity, etc. should be addressed on priority basis. Use of solar or renewable energy as an alternative source should be encouraged in rural areas on subsidized basis.

Creation of adequate Marketing Linkages: For enhancing sale of products, regular trade fairs/exhibitions etc. should be conducted for creation of a larger platform for better marketing facilities. The Govt. of Bihar policy regarding 20% mandatory procurement of MSME products by government Departments/ State PSUs should be ensured.

Skill Development and Capacity Building: Initiatives should be taken for skill / competency development of human resources. Infrastructural and professional support from Rural Self Employment Training Institutes (RSETI) and suitable training institutes may be obtained for conducting training of entrepreneurs and workers engaged in different activities. Awareness / sensitization programmes and TV/Radio talks should be conducted.

Access to Modern Tools and Technology: MSMEs today need to adopt and adhere to quality parameters of international standards in the context of a globalized market. Technological obsolescence should be replaced by adoption of modern and latest tools and technology for increased productivity and quality product for competitive advantage.

Policy Intervention and Support Mechanisms: Industry-friendly policies should be initiated by the government for promoting infrastructural support facilities and for easy availability of finance by the scheduled banks. Government and Banks should take steps for revival of sick units as per RBI Guidelines and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGAMSE) Scheme.

GOVERNMENT SCHEMES FOR MSMES :

The government is committed to promotion and development of MSME sector in India through various schemes and programmes.

1. Employment Generation and other Credit Support Schemes

- Prime Minister's Employment Generation Programme (PMEGP): The PMEGP is a credit linked subsidy programme of the Ministry of Micro, Small and Medium Enterprises, Government of India, implemented by the Khadi and Village Industries Commission (KVIC) functioning as the nodal agency at the national level and through state KVIC directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks.
- Credit Guarantee Trust Fund for Micro and Small Enterprises (CGT SME): The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI) are jointly implementing this scheme.
- Interest Subsidy Eligibility Certificate (ISEC): ISEC scheme primarily aims to mobilize funds from banking institutions for the khadi industries.

2. Development of Khadi, Village and Coir Industries

Specific schemes for popularising, marketing, and development of Khadi, Village and Coir industries, providing financial assistance and training to enhance incomes and skills of industrial artisans and rural entrepreneurs respectively is a major step to develop traditional industries.

3. Technology Upgradation and Quality Certification

- Financial Support to MSMEs in ZED Certification Scheme: To ensure improvement and supporting the Make in India initiative, the scheme promotes Zero Defect and Zero Effect (ZED) manufacturing among MSMEs to enhance the quality of products and processes.
- A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE): This scheme aims to promote the entrepreneurship culture by promoting innovative business solutions to strengthen competitiveness of MSME sector and reduce unemployment.

- National Manufacturing Competitiveness Programme (NMCP): Under the NMCP, there are a wide range of schemes linked to enhance the competitive strength of SMEs by providing credit subsidy for additional investment for upgradation of technology and infrastructure, building awareness on Intellectual Property Rights (IPR) and adoption of bar codes, and nurture innovative business ideas and indigenous technology.

4. Marketing Promotion Schemes

To encourage MSMEs to access national and international markets, various market promotion schemes have been launched in India.

5. Skill Development and Training Programmes

- Entrepreneurship and Skill Development Programme (ESDP): A specific programme for the youth, aimed to nurture the weaker sections of society, including SC/ST/Women/PH by providing a stipend of Rs. 500 per month to train the youth on various aspects of industrial activity required for setting up of MSMEs.

6. Infrastructure Development Programme

- Micro & Small Enterprises Cluster Development (MSE-CDP): This scheme envisages supporting MSMEs through a cluster development approach to enhance their productivity and competitiveness and capacity building by providing financial assistance for establishment of Common Facility Centres (CFCs).

CONCLUSION:

MSMEs over the years have assumed greater significance in our burgeoning state economy by contributing to employment generation and rural industrialization. This sector possesses enough potential and possibilities to pushbutton accelerated industrial growth in our developing economy and well poised to support national programme like 'Make in India'. Undoubtedly, the MSME industry is critical to creating jobs and income opportunities for the economy of Bihar. These small units require a steady source of funding to meet the working capital expenses, buying equipment, upgrading technology or capacity building of entrepreneurs. Since MSME sector has a major role to play in contribution to GDP and exports, removing regional disparities and adopt innovative technology, providing a reliable source of capital funding is crucial for their growth. The primary responsibility of promotion and development of MSMEs lies within the purview of the State governments. The states like Bihar which has very few amounts of resources that are necessary for the growth of industries in the state but has good human resources may rely on the MSME sector for their economic development like Japan. The study provides the evidence that the state has seen a significant increase in its Gross State Domestic Product (GSDP) and employment generation due to the increase in the units of MSMEs sector in Bihar. This means that with the growth of MSME sector in Bihar, it is witnessing an increase in its income and employment level. Therefore, it is crucial to increase their visibility and viability by capitalizing on access to national and international markets through creation of a business-friendly policy environment.

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