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## Micro, Small and Medium Enterprises and Export Promotion in Purvanchal: Issues and Challenges

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### ABSTRACT

**Purvanchal** is the eastern part of Uttar Pradesh comprises of seventeen districts. MSMEs are the registered enterprises as per the criteria defined under the MSMED Act, 2006. The MSME sector contributes a significant part in the export, employment and GDP of the country. The government of Uttar Pradesh is concentrating on this sector and initiated work on project of Ganga Expressway, Purvanchal expressway, Gorakhpur Link Expressway and MSM parks in various districts of Purvanchal. The critical issues regarding this sector are lack of skilled workers, inadequate capital, promotion, inadequate infrastructure facilities, lack of access to new technology, etc. The measures to overcome these issues could be: providing credit facilities, promotional platforms, introducing new technology, run programs that focus on skilled labour etc. The districts need to focus on the exportable items, manufacturing and service clusters as these have potential for the same, so that the growth and expansion of MSME sector can be ensured.

**Keywords:** Purvanchal, MSMEs, Exportable items, Manufacturing and service clusters.

### INTRODUCTION

**Purvanchal** is the eastern part of Uttar Pradesh. It includes 17 districts, those are- Gorakhpur, Deoria, Maharajganj, Varansi, Mau, Azamgarh, Siddharth Nagar, Kushinagar, Chandauli, Jaunpur, Mirzapur, Basti, Ballia, Sonbhadra, Sant Kabir Nagar, Ghazipur and Bhadohi (Sant Ravidas Nagar).

According to MSMED (Micro, Small and Medium Enterprises Development) Act, 2006 –

Enterprises engaged in manufacture or production, processing or preservation of goods specified as below:

Enterprise	Investment in Plant and Machinery at original cost excluding Land and Building
Micro	Does not exceed ₹25 lakhs
Small	More than ₹25 lakhs but does not exceed ₹5 Crores
Medium	More than ₹5 Crores but does not exceed ₹10 Crores

Enterprises engaged in providing or rendering services whose investment in equipment at original cost excluding Land and Building, furniture, fitting and other items that are not directly related to services rendered –

Enterprise	Investment in Equipment
Micro	Does not exceed ₹10 lakhs
Small	More than ₹10 lakhs but does not exceed ₹2 Crores
Medium	More than ₹2 Crores but does not exceed ₹5 Crores

However, government of India has changed the limit through issue of notification which is applicable after July 1, 2020. According to the new guidelines, both manufacturing and service enterprises are provided common threshold limit. These limits are categorized into two parts i.e., *investment limit* and *turnover limit*.

Enterprise	Investment in Plant and Machinery or Equipment	Turnover of Enterprise
<b>Micro</b>	Does not exceed ₹1 Crore	Does not exceed ₹5 Crore
<b>Small</b>	More than ₹1 Crore but does not exceed ₹10 Crores	More than ₹5 Crore but does not exceed ₹50 Crores
<b>Medium</b>	More than ₹10 Crores but does not exceed ₹50 Crores	More than ₹50 Crores but does not exceed ₹250 Crores

## LITERATURE REVIEW

**Rana and Tiwari (2014)**, “MSME Sector: Challenges and Potential Growth Strategies”, International Journal of Entrepreneurship and Business Environment Perspectives, Volume 3, Number 4, pp. 1428-1432, October-December 2014.

“The paper was focused on challenges faced by MSMEs and opportunities that accelerate their growth. The paper also enlightened the export opportunities and globalization of the products of MSMEs. The researchers emphasized the triple helix model as an effective model for growth of entrepreneurs as well as economy of the country.”

**Shastri, Tripathi and Ali (2011)**, “Liberalization and its impact on Small Scale Industries”, International Journal of Vocational and Technical Education, Volume 2(7), pp. 81-83, October 2011.

“The article explored the impact of liberalization and globalization on small scale industries and also measured their growth performance. The researchers found positive impact of liberalization and globalization. The performance of these industries was also improved; and would be better if they will get the required support.”

**Thummula, Yadav and David (2019)**, “A Cost-Effective Technique to Avoid Communication and Computation Overhead in Vehicle Insurance Database for Online Record Monitoring” Volume 9, Issue 2, pp. 711-722, April 2019.

“The study was focused on keeping online record linkage of vehicle insurance in order to ensure the smooth distribution and communication system. The study found that the online record linkage is an efficient and effective technique for the aforesaid objectives.”

**Raghuvanshi et al. (2017)**, “Hierarchical Structure for Enhancing the Innovation in the MSME Sector of India”, International Journal of Business Excellence, Volume 13, Number 2, pp. 181-199, 2017.

“The paper highlighted the hierarchical structure to prioritize the enablers of MSMEs through ISM and MICMAC approach. The researchers recognized 11 enablers which were beneficial in development (such as strategy formulation; risk-taking ability; leadership practices; etc.) of MSME sector.”

**Sahoo and Ashwani (2020)**, “COVID-19 and Indian Economy: Impact on Growth, Manufacturing, Trade and MSME Sector”, Global Business Review, pp. 1-25, 2020.

“The study investigated the impact of COVID-19 upon growth of Indian economy, manufacturing, trade and MSME sector. The authors found that there was severe influence of pandemic on the above sectors. The authors also highlighted the economic package announced during the pandemic.”

**Behera and Wahi (2018)**, “How have MSME Sector Credit and Export Fared?”, Mint Street Memo No. 13.<sup>1</sup>

“The study evaluated impact of demonetization and GST implementation on credit dynamics and export growth of MSMEs. The authors found no impact of GST implementation but there was decline in credit due

<sup>1</sup> [rbiidocs.rbi.org.in](http://rbiidocs.rbi.org.in)

to demonetization. However, export growth had been affected adversely due to GST implementation more than demonetization.”

## ***STATUS OF MSMEs***

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If we compare the status of MSMEs from earlier and now-a-days, there are quiet changes and improvements. Government of India and Ministry of MSMEs are providing various opportunities for growth of MSMEs. The manufacturing sector of MSMEs contributes around 6.11% in GDP and around 45% in export from India.

The Government of Uttar Pradesh is going to set up industrial parks for MSMEs in six industrialized district that include Varanasi, Kanpur, etc. The government also initiated work on projects (DPR i.e., Detail Project Report) of 601 km long Ganga Expressway between Meerut and Prayagraj. The six lane will pass through the district of Ghaziabad, Hapur, Shahjahanpur, Hardoi, Unnao, Bulandshahar, Amroha, Sambhal, Badayun, Pratapgarh and Raibareli. The MSM parks are proposed to be established in the districts of Gorakhpur, Azamgarh, Moradabad, Kanpur, Varanasi, etc. The government has started construction of 340 km long Purvanchal Expressway, 296 km long Bundelkhand Expressway and 91 km long Gorakhpur link Expressway.

### ***EXPORT PROMOTION***

As per the Export Promotion Board of UP, it facilitates registration of ‘Export units’ online with a nominal fee. At present, there are 1296 units are registered.

The board issues ‘Gold Card’ whose annual turnover exceeds ₹50 Lakhs and ‘Silver Cards’ whose annual turnover is between ₹20 Lakhs to ₹50 Lakhs. There are ‘680 Gold Cards’ and ‘61 Silver Cards’ have been issued.

The board also facilitates consultation and registration of geographic indicators.

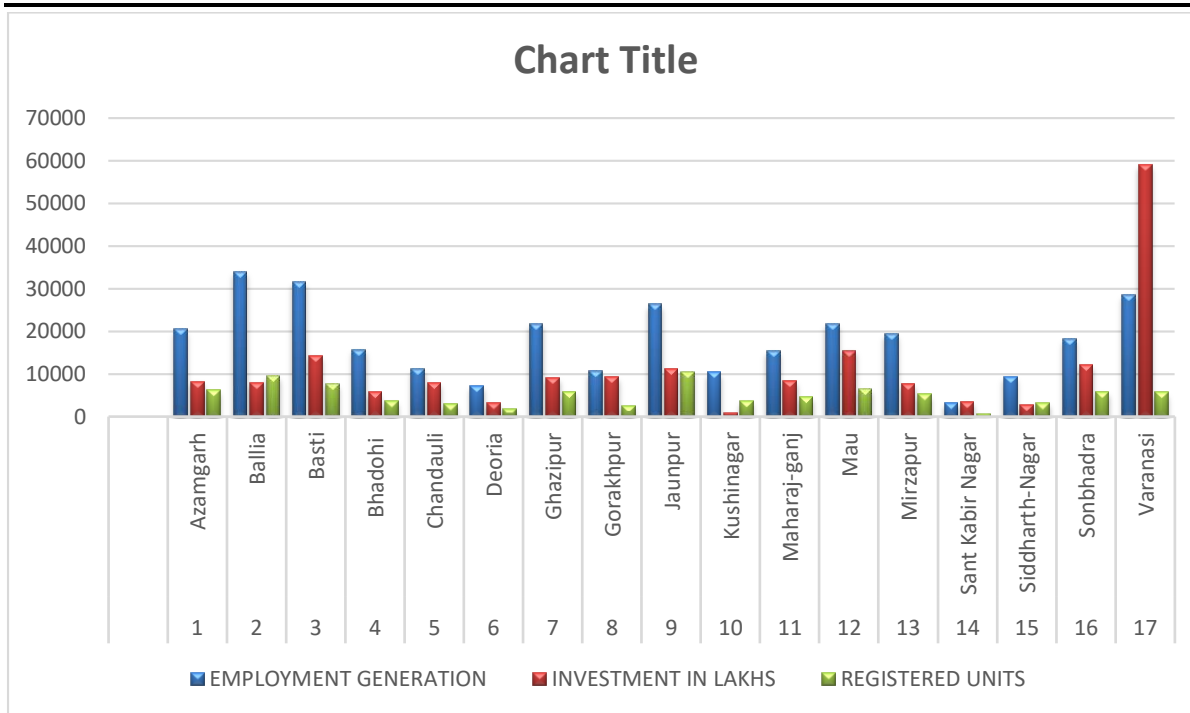
If we talk about Purvanchal area, the MSMEs and Export Promotion need more focus. There are various problems regarding this sector, which is discussed below.

***Table showing data regarding various Districts of Purvanchal***

S.N.	NAME OF DISTRICTS	EMPLOYMENT GENERATION	INVESTMENT IN LAKHS	REGISTERED UNITS	MAJOR EXPORTABLE ITEMS	MANUFACTURING CLUSTER	SERVICE CLUSTER
1	Azamgarh	20538	8344.82	6236	-	Black Pottery, Food, Chemicals, etc.	-
2	Ballia	34007	7992.7	9596	-	Bindi	-
3	Basti	31665	14195	7729	-	-	-
4	Bhadohi	15814	5744	3696	-	Carpet Industries	-
5	Chandauli	11349	7935.97	3039	-	-	-
6	Deoria	7188	3340	1916	-	Rice & Rice Bran, Zari-Zardozi, etc.	-
7	Ghazipur	21833	9198	5896	Opium Products	Jute Wall Hanging	-
8	Gorakhpur	10648	9347	2648	Sugar, Textile, Food items, Surgical Products, Garments	Leather, Power loom, Stationary, Furniture, Rice Milling, Plastic Products	Repairs and Maintenance of Automobiles and Machineries
9	Jaunpur	26371	11155.87	10422	Carpet & woolen Durry	Woolen Durry	-
10	Kushinagar	10378	878.16	3736	Sugar	-	-
11	Maharajganj	15367	8390.44	4658	-	-	-

12	Mau	21795	15553.2	6570	-	Handlooms & Power looms	-
13	Mirzapur	19493	7777.68	5274	-	Brass & German Silver Utensils, Sandstone Blocks & Slabs, Plaster of Paris Idols & Toys, etc.	-
14	Sant Kabir Nagar	3321	3538.71	650	-	Brassware	-
15	Siddharth-Nagar	9457	2886.46	3176	-	Rice Mills	-
16	Sonbhadra	18343	12131.23	5863	-	-	-
17	Varanasi	28509	58971	5785	Diesel Engine	Glass Beads, Silk Brocades, Handlooms, etc.	Coaching, Hotels, Tour & Travel, Automobile Repairing
	<b>Total</b>	<b>306076</b>	<b>187380</b>	<b>86890</b>	-	-	-

Table 1: Sources: See References



As per the table, there are 86,890 registered units having invested capital about ₹1,873 Crores providing employment to 3,06,076 people. Out of seventeen districts, only five districts have major exportable items. Only Gorakhpur and Varansi have major exportable items, manufacturing and service cluster. Whereas districts such as Sonbhadra, Chandauli, Maharajganj and Basti have no major exportable items, manufacturing and service cluster.

The districts like Mirzapur, Deoria, Azamgarh, Bhadohi, Siddharthnagar, Mau, Sant Kabir Nagar and Ballia have manufacturing cluster only.

## ***CRITICAL ISSUES***

As per the report of Department of MSMEs of the various districts of Purvanchal, the following critical issues are addressed:

- **Lack of Skilled Workers**

Even after various schemes and programs are conducted by Government, there is inadequacy of skilled workers in manufacturing sector as well as service sector. Skilled labour is one of the key requirements for proper working of plant and machinery. Due to lack of appropriate number of skilled labour, the capacities of production will be under-utilized.

- **Inadequate Capital**

Capital is a big problem for manufacturing sector. MSMEs share a huge part in export, GDP and employment generation. The more amount of capital will result in sharing more part of amount in national income and economy of the country. Insufficient capital may hinder its participation in large amount. So, adequate capital is required for growth of MSMEs.

- **Promotion**

Promotion helps in increasing sale of goods and services through spreading awareness of commodity among consumers. It also assists in providing information regarding new product that is launched in the market. Through promotion, the products and services of MSMEs can expand and reach at every house. But, due to heavy cost is required for the promotion; the MSMEs are unable to afford the same.

- **Inadequate Infrastructure Facility**

For manufacturing goods and services, a good infrastructure facility is one of the primary requirements. For e.g. Transport facility (road and railway connectivity) is required for bringing raw material to factory site, water availability for proper functioning of production work, etc. Thus, the poor infrastructure facilities interrupt the production of goods.

- **Lack of Access to New Technology**

From day to day, technology get advanced. The technological advancement assists in new sales avenue, efficient manufacturing techniques and inventory management, less wastage, efficient utilization of resources etc. Thus, the use of new technology makes the production work easy and quick. But if, there is inaccessibility to new technology, the production of goods will be late and costly.

- **Limited E-Commerce by Exporters**

E-commerce is a platform for exporters to sale/export their goods and services online. It helps in making quick order and delivery. It assists in accessing global marketplace to small manufacturer to play a role of exporter. But small exporters are unable to sale their goods and services online, due to lack of resources and finance.

- **Lack of awareness about various schemes**

There are various schemes and plans for encouragement and development of MSMEs launched by government such as 'Exporter Provisional', MSME's registration, E-marketplace, liberalization in taxation policy etc. But the most of entrepreneurs are unaware about such schemes of government regarding exporters and MSMEs and could not take benefit which are made for them.

- **Lack of Continuous Power Supply, Drainage System, etc.**

In a factory, production is done for a number of continuous hours. For smooth working in factory, an uninterrupted power supply, drainage system, etc. should be available. The MSMEs also face the problem of continuous power supply, proper drainage system, etc.

Due to pandemic (COVID-19), the Government announced lockdown in the country which result in shut-down in production, migration of workers, retrenchment, etc.



## **STRATEGIC OPTIONS**

Following could be measures to overcome from critical issues of MSMEs:

- **Programs that Focus on Skilled Labour**

The labour force plays a crucial role in production. Skilled labour force makes work done efficiently and effectively. There should be such programs that focus on skilled labour and human resource development. There is also need to spread awareness among people regarding the plan of PMKVY (Pradhan Mantri Kaushal Vikas Yojana).

- **Providing Credit Facilities**

Most of the finance companies provide credit on the basis of security that must be valued more than credit amount. So, the policies regarding credit facility should be liberalized to make easy access to credit. There is also need to provide credit facilities to MSMEs by lowering the interest rates, increasing the credit period and liberalizing the long and cumbersome procedure.

- **Providing Promotional Platform**

The MSMEs should be provided the promotional platform, so that the products and services of MSMEs could reach at every house. It may also assist in launching of new products, entry in new markets and product line, etc.

- **Stepping Up Infrastructure**

The infrastructure should be stepped up for the smooth production of goods. Proper drainage system, an uninterrupted transportation system and continuous power supply, etc. need to be ensured.

- **Introduce the New Technology**

The Government should focus to introduce and promote the new technology, so that it could be affordable for MSMEs that reduce the cost of production. New technology helps in increasing quality of goods and services, reduce cost of production, reduce the overall production time, etc. Easy access to new technology will assist in performance of activities in efficient and effective manner.

- **Training Programs for workers**

A trained worker work more efficiently and effectively in the organization. Training programs helps in reducing wastage, spoilage and idle time. Through proper training, the production of goods and services will be within time. Therefore, there is need of training of workers.

- **Enhancing communication between Governing bodies and MSMEs**

There should be establishment of direct communication network between Government and MSMEs, so that they would be able to communicate their issues and challenges directly to the Government.

- **Liberalization in working procedure**

There is also requirement of liberalization in the working procedure such as easy and fast registration process, fast clearance of files and formalities of export goods, relaxation in taxation and its procedures, etc.

- **Provide assistance in global market**

The government should provide all possible assistance to MSMEs to encourage them, so that they could reach their products and services at international level and become a global brand.

- **Taking steps towards adverse effect of COVID-19**

Since last year, we are facing a global pandemic (COVID-19) which has provided an adverse impact on the business and economy. So, to overcome from this adverse situation, there is need to take all necessary steps towards it.

- **Spread awareness about various schemes**

There is need to spread awareness regarding various schemes and programs introduced for MSMEs and Export Promotion, especially in the districts like Sonbhadra, Maharajganj, etc. where there is neither availability of major exportable item nor having any manufacturing and service clusters.

There is also need to take strategic steps to overcome from the inverse effects of lockdown.

## ***A WAY FORWARD***

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Over the years, MSMEs have acknowledged a greater significance in our intensifying national economy by contributing to GDP, export, employment generation and rural industrialization as well as upliftment of rural areas.

This sector holds enough potential and opportunities to support the national programs like 'Make-in-India', 'PMKVY', etc. for the industrial and economic growth.

Due to pandemic, the central government announced the Atam-nirbhar Bharat package last year. States are encouraged to promote MSM units for recovery of economy from destruction caused by lockdown by the government of India. The objective is to set various projects and programs, to develop state-of-art integrated industrial parks that will fulfill the need of technology enhancement, physical infrastructure, increase in export and provide employment opportunity and smooth supply chain.

## ***ACTION PLAN***

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Appropriate strategies should be developed for creation of an empowering environment where these enterprises may become capable to access the benefits and advantages which are meant for them. A formal and approachable ecosystem is required that is further capable of handling the upcoming challenges of this global competitive arena.

Also, the districts that do not have any exportable item, manufacturing cluster need more focus of government because these have potential for the same.

## ***LIMITATIONS***

Due to lack of fund, the study is based on secondary data. Due to lack of proper information, the table prepared is based on data collected as on 2011 by authoritarian body.

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6. Table is prepared through data available on the link-  
[http://dcmsme.gov.in/dips/UPradesh\\_dipr.html](http://dcmsme.gov.in/dips/UPradesh_dipr.html)

