
An Analytical Study of Start Up India in Rajasthan with special reference to MSME sector

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ABSTRACT:

Start-up India, a prominent government initiative, stands as a beacon for cultivating an entrepreneurial spirit within India, poised to catalyze sustained economic growth and offer extensive employment opportunities. At its core, this program aims to nurture the growth of small businesses, fostering innovation and creativity as fundamental drivers of progress. Over the past fifty years, small and medium-sized enterprises (SMEs) have evolved into indispensable pillars of India's economy. These enterprises, spanning micro, small, and medium scales, not only contribute significantly to economic balance but also play a pivotal role in the industrialization of rural and tribal regions.

The profound impact of SMEs on India's socioeconomic landscape cannot be

overstated; they function as vital auxiliary units to larger enterprises, fueling the engine of economic advancement and job creation. Recognizing their significance, the government has instituted various initiatives tailored to bolster the growth of this sector, propelling our nation's economic trajectory forward.

Against this backdrop, our study endeavours to delve into the intricate role played by SMEs within the start-up ecosystem, particularly focusing on rural youth in Rajasthan, India. By understanding the dynamics of this relationship, we aim to glean insights that can inform policy decisions and empower aspiring entrepreneurs from diverse backgrounds.

Keywords: *MSME, Rajasthan , Startup-India, SME*

1. Introduction

Over the past five decades, the Micro, Small, and Medium Enterprises (MSME) sector has emerged as a remarkably dynamic and competitive force within the Indian economy. This sector's flexibility and competitiveness are unparalleled, offering significant employment opportunities at relatively lower capital outlays compared to large-scale industries. Moreover, MSMEs have played a pivotal role in the socioeconomic upliftment of rural, tribal, and underserved regions, thus mitigating regional disparities.

Functioning as complementary units to larger industrial establishments, MSMEs serve as vital contributors to the overall economic development of rural and tribal areas. Their strategic significance within the Indian economic landscape cannot be overstated. Accounting for approximately 8% of the nation's GDP and employing over 8 million individuals, MSMEs are the backbone of India's production ecosystem. They contribute substantially to the country's production output, comprising 45% of the total, and play a significant role in exports, accounting for 40% of the total.

Furthermore, the MSME sector manufactures an extensive range of over 8,000 value-added products, spanning from traditional to high-tech goods, thereby fuelling innovation and economic diversification.

Micro, Small and Medium-sized Enterprises (MSMEs)

Micro, small and medium-sized enterprises (MSMEs), internationally, have been recognised as a development driver in every nation's economy. MSMEs have now become a very interesting issue in India. In addition to its development and consolidation, there are many financial entities that supply different kinds of services and facilities for MSMEs. MSMEs in India are an essential component of their economic development and growth. Despite this reality, the issues of lack of adequate and prompt financial provision, scarcity of working capital, education, lack of innovation and insufficient technology are still serious issues for MSMEs.

India has vibrant and responsive MSMEs that play an important, effective, and creative entrepreneurial position in every country's economic growth and development, in kind of growing trade and generating highest prospects for jobs and

creating the new innovative skills built in India. MSMEs are the pillars of every community and the guiding factor for global prosperity. The 2006 MSME Act, offers numerous forms of incentives, plans, and triggers to this sector by the “Government of India, through the Ministry of Micro, Small and Medium Enterprises (MSMED)”, which aims to solve some major MSME problems, such as shortage of finance, management skills, etc.

The backbone of the Indian economy predominantly comprises Small and Medium-sized Enterprises (SMEs),

commonly referred to as Micro, Small, and Medium Enterprises (MSMEs) due to their scale. These enterprises play a vital role in fostering economic and social development, particularly in rural and tribal communities. Recognizing their significance, the importance of MSMEs in the economic and social advancement of young adults hailing from rural backgrounds is widely acknowledged. Furthermore, understanding the life cycle of MSMEs is essential for comprehending their impact on these communities, as depicted in the model illustrated below (refer to Figure 1).

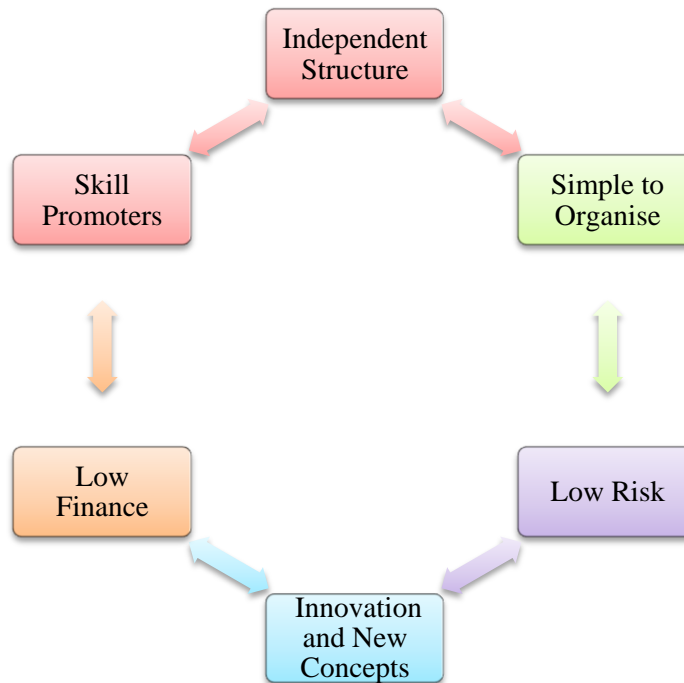


Figure 1: MSMEs Life Cycle

Source: Authors’ Own Compilation

2. Literature Review

The collective findings from the studies underline the critical role of Micro, Small, and Medium Enterprises (MSMEs) in India's economic landscape. Srinivasan (2015) stresses their indispensable contribution to balanced economic growth, job creation, skill development, and export earnings. However, despite their significance, MSMEs often grapple with challenges, primarily financial constraints, hindering their ability to navigate the complexities of globalization. Efforts to streamline bureaucratic processes and enhance credit accessibility signify the government's recognition of SMEs' pivotal role in the economy. Additionally, the MSME Development Act (2006) underscores the sector's vast potential, serving as a breeding ground for entrepreneurship and innovation, crucial for India's future development goals, including the National Manufacturing Program's objectives of increasing GDP share and creating employment opportunities.

Garg (2020) delves into the various sectors in which MSMEs operate, highlighting their value addition, job creation, and entrepreneurial utilization of resources. However, the sector faces

numerous challenges, ranging from financing woes to innovation gaps and difficulty accessing foreign markets, often relegating MSMEs to distressed industry lists. Despite these obstacles, the studies also illuminate promising trends, such as increased interest from investment bankers and the emergence of start-ups offering financial solutions tailored to SMEs' needs. Moreover, the government's initiatives, such as the 'Make in India' campaign and plans to revitalize closed MSMEs through cooperation with public sector undertakings, signify a concerted effort to bolster the sector's resilience and contribution to India's economic growth trajectory.

3. Objectives and Hypothesis of the Study

3.1. Objectives of the Study

- *Investigate the role and functions of MSMEs within the start-up ecosystem for young adults from rural backgrounds in Rajasthan.*
- *Analyze the potential of MSMEs and start-ups in fostering the development of young adults from rural backgrounds.*
- *Explore the financial challenges and funding clusters faced by SMEs and start-ups, along with*

their primary sources of financing and the hurdles they confront. Additionally, examine the types of firms tribal young entrepreneurs aspire to establish and the activities they wish to pursue.

- *Evaluate existing start-up ecosystem schemes tailored for rural and rural-background young adult entrepreneurs, aiming to understand their effectiveness and areas for improvement.*

3.2. Hypothesis of the Study

H1: MSMEs has a significant role in the start-up ecosystem development for rural background young adults of Rajasthan. Variables taken:

- Competence and human resources development
- Enterprising culture, financing and employment
- Networks, Education and Research

4. Methodology

For this study, a combination of primary and secondary data sources was utilized. Primary data was collected using a survey method employing questionnaires, while secondary data was obtained from journals, internet sources, and magazines.

With regards to the sample size, a probability/random sampling approach was employed, with a sample size of 100 chosen for this study. Utilizing simple random sampling ensured that every member of the population had an equal chance of being selected as a sample, making it an ideal method when generalizing results to the entire population.

In terms of data analysis, the collected data was coded and relevant information was extracted. Subsequently, the data was meticulously edited, coded, and tabulated for further analysis.

5.1. The Rural and Tribal Entrepreneurship Start-up Ecosystem

The Indian government has launched various entrepreneurship development schemes and programs through the Ministry of Skill Development and Entrepreneurship to empower youth and women across the country. Initiatives include entrepreneurship education, mentorship, and market linkages. For instance, the Ministry of Skill Development and Entrepreneurship is spearheading a project aimed at supporting first-generation business owners, unemployed youth, dropouts, women, and underserved communities in six temple

towns. Additionally, to promote women's business ownership, the government, in collaboration with GIZ Germany, is executing a project called "Economic Empowerment of Women Entrepreneurs," offering incubation and acceleration programs in multiple states.

Furthermore, the government's efforts extend to skill development training programs through Rural Self Employment and Training Institutes (RSETIs), facilitated by the Ministry of Rural Development. These institutes provide training and bank credit for establishing micro-firms, ultimately aiming to enhance

rural youth's employability. Similarly, initiatives like the Startup Village Entrepreneurship Program (SVEP) and the Pradhan Mantri Van Dhan Yojana focus on providing self-employment opportunities, especially in rural and tribal areas. Additionally, schemes such as Stand-up India and the Prime Minister's Employment Generation Program (PMEGP), under the Ministry of Micro, Small, and Medium Enterprises, aim to facilitate self-employment by providing financial assistance and training to aspiring entrepreneurs, particularly from marginalized communities.

Table 1: Awareness of Government Schemes for Rural and Tribal Entrepreneurship Start-up Ecosystem

Awareness of Government Schemes for Rural and Tribal Entrepreneurship Start-up Ecosystem	Percentage
Complete Awareness	18%
Limited	61%
Not at all	21%

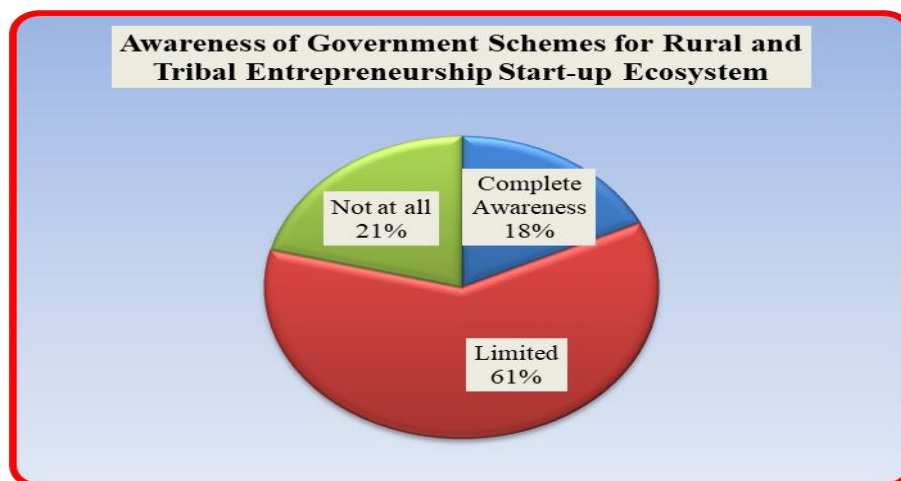


Figure 2: Awareness of Government Schemes (in percentage)

Source: Authors' Own Compilation

Majority of the respondents have limited awareness and very few have complete awareness of government schemes for

Rural and Tribal Entrepreneurship Start-up Ecosystem.

Table 2: Importance of MSME Start-ups Ecosystem for Rural background young adults

Importance of MSME Start-ups Ecosystem for Rural background young adults	Percentage
Helps in Reshaping of Productive Sectors	23%
Employment Generation	55%
Creating Entrepreneurship Environment	22%

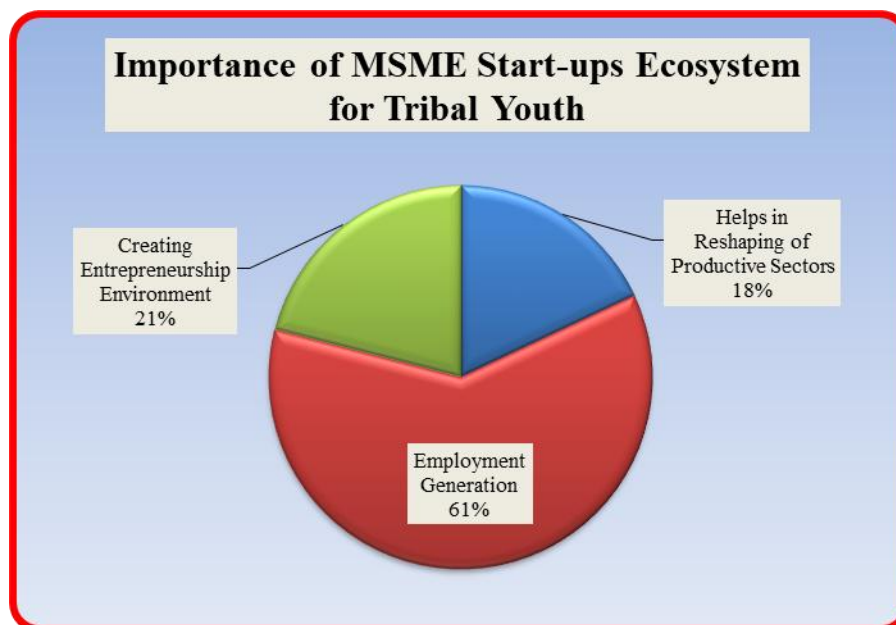


Figure 3: Importance of MSME Start-ups Ecosystem (in percentage)

Source: Authors' Own Compilation

5.2. Entrepreneurs' Willingness to form a Business

According to our study, the majority of respondents wanted to create a medium-

sized firm, while theremainder wanted to start a small or large-sized business.

5.2.1. Sector

The manufacturing industry was picked by the majority of those who took the survey,

although this service sector was also in long-term and seasonal activities, while represented. a small number preferred to engage in

5.2.2. Nature of Operation

During our survey, we observed that the majority of respondents desired to engage

more informal commercial activities.

Table 3: Financial Issues in Financing MSME’s and Start-ups in Rural background young adults

Financial Issues in Financing MSME’s and Start-ups in Rural background young adults	Percentage
Lack of Awareness	35%
Lack of Loan Funding	41%
Risk Factor	24%

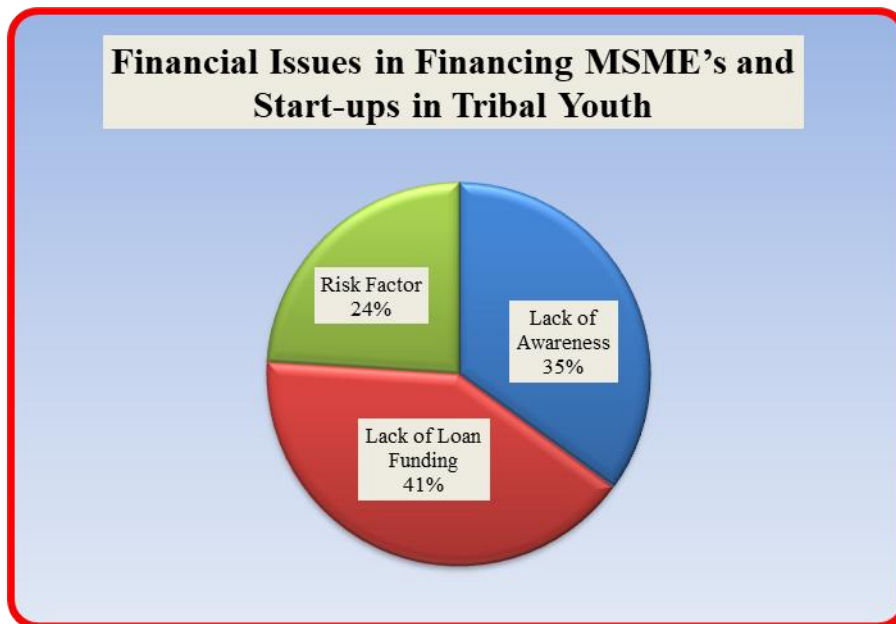


Figure 4: Financial Issues for Start-ups in Rural background young adults (in percentage)

Source: Authors’ Own Compilation

Table 4: Sources of Funding

Sources of Funding	Percentage
Corporate	5%
Banks	53%
Others	42%

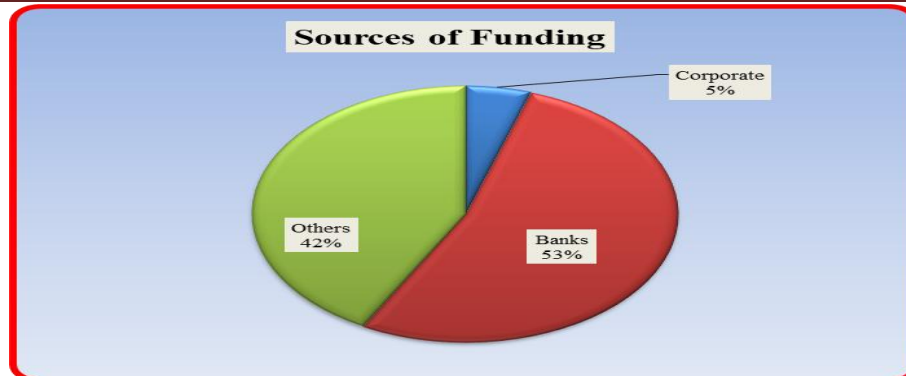


Figure 5: Sources of Funding (in percentage)

Source: Authors' Own Compilation

As per results the rural background young adults mainly depend on banks for their funding for MSME

Table 5: Problems Faced by Rural background young adults MSME's

Problems Faced by Rural background young adults MSME's	Percentage
Finance Non-Availability	38%
Knowledge and Capital Limitations	50%
Skilled Labour Non-Availability	30%

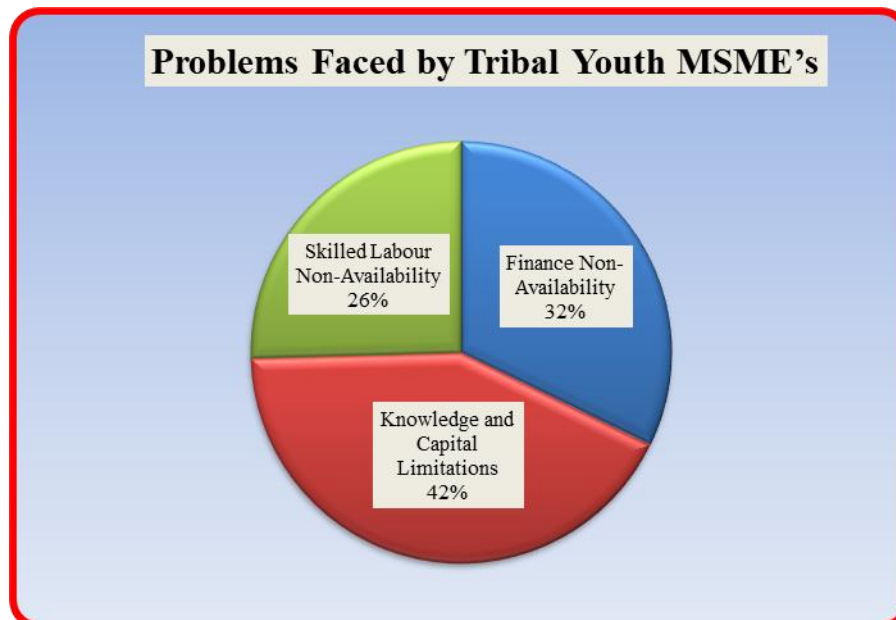


Figure 6: Different Problems faced by Rural background young adults (in percentage)

Source: Authors' Own Compilation

The key challenges that rural background young adults MSMEs confront include a

lack of access to finance, a lack of technically skilled labour, and a lack of expertise and capital.

H1: MSMEs has a significant role in the start-up ecosystem development for rural background young adults of Rajasthan.

Table 6: Model Summary

Model	R	R Sq.	Ad. R Sq.	Std. Err. of the Est.
1	.746 ^a	.503	.527	.41431

a. Predictors: (Constant), REC, TnD, LR

Source: Authors' Own Compilation

The R value denotes the predictability of the dependent variable. The closer the independent variables are to the dependent variable, the greater the value of R. According to the model summary table

above, the R value was found to be 74.6%, indicating an F-value of 107 with a p-value of .01, indicating the overall importance of the model, as shown in Table below.

Table 7: ANOVAa

Model	Sum of Sq.	Df	Mean Sq.	F	Sig.
1 Regression	54.581	1	17.860	107.647	.000 ^b
Residual	34.326	99	.177		
Total	83.907	100			

a. Dependent Variable: FP

b. Predictors: (Constant), REC, TnD, LR

Source: Authors' Own Compilation

The independent factors were shown to be statistically significant in predicting firm performance in the ANOVA table above, with F (107.647, p 0.01). The hypothesis is accepted, since the p-value for the regression coefficient is .000, which is less

than the significance level of 0.05. Therefore, the hypothesis is relevant and accepted which means MSMEs has a significant role in the startup ecosystem development for rural background young adults of Rajasthan. and increasing output. In Rajasthan, insights into the turnover and profit growth rates of small business owners were sought from tribal youth entrepreneurs at the micro level. Within the realm of Small and

5.3. MSME an Area of Business with the Potential for Rapid Expansion

MSMEs play a crucial role in driving overall economic development by facilitating job creation, boosting exports,

Medium-Sized Enterprises (SMEs), profitability emerges as a key objective, with select factors directly impacting profitability being sampled, a consideration also weighed by bankers assessing loan requests. Qualitative responses from rural young adult entrepreneurs shed light on their perceptions regarding profitability metrics, including growth, decline, stagnation, and relevance.

Across Rajasthan, many MSMEs have encountered escalating costs of raw materials, labor, staff, and operating expenses, albeit exceptions exist within the sector. However, MSMEs demonstrate adaptability and innovation, swiftly embracing alternative business models. From the perspective of rural young adults, maintaining diversity in business operations is crucial to prevent potential pitfalls such as money laundering. Despite global economic downturns, MSMEs in India, particularly those in Rajasthan, have shown resilience, with their dominance contributing to the nation's swift recovery. It is recommended that measures such as interest subvention be implemented to cushion the impact of raised global interest rates on MSMEs, enabling rural young adult entrepreneurs to harness global

competitive advantages and enhance their capacity.

6. Findings

- MSMEs play a crucial role in fostering the development of the start-up ecosystem for rural youth in Rajasthan, offering opportunities for entrepreneurship and economic growth.
- The tribal market has witnessed a surge in both MSMEs and start-ups, providing a conducive environment for tribal youth to establish their businesses and highlighting the importance of various industries to the economy.
- Financial challenges faced by MSMEs in rural Rajasthan have led to the identification of distinct MSME regions, indicating the need for targeted support and intervention.
- Government start-up programs have facilitated the establishment of businesses in the service and manufacturing sectors, particularly benefiting young tribal entrepreneurs.
- The Prime Minister Employment Generation Programme presents opportunities for young tribal

entrepreneurs to initiate businesses employing labor-intensive technologies, provided they have access to appropriate resources.

- MSMEs in tribal areas encounter similar financial challenges due to limited knowledge and access to capital, necessitating tailored support mechanisms.
- The role of MSMEs in job creation and revitalizing productive sectors underscores their importance to economic growth, despite facing obstacles such as capital shortages and difficulties in securing skilled labor at affordable rates.

7. Suggestions

1. Rural background young adults play a vital role in the economic development of their communities. Therefore, it is essential to ensure that they are well-informed about the various government initiatives available to MSMEs and SME clusters. Indian and state governments offer a range of programs aimed at supporting MSMEs, including financial assistance, training, and infrastructure development. By raising awareness about these initiatives, rural youth can access resources and support to start and grow their businesses, thereby contributing to

local economic growth and employment generation.

2. Access to affordable financing is crucial for the success of MSMEs. Banks and financial institutions should tailor their lending practices to meet the specific needs of different sectors within the MSME sector. This may involve offering flexible repayment terms, lower interest rates, and customized financial products designed to address the unique challenges faced by small businesses. By providing cost-effective financing options, financial institutions can enable MSMEs to invest in growth, innovation, and job creation, ultimately fostering economic development in rural areas.

3. Internet access is a powerful tool for economic empowerment, particularly for tribal communities with limited resources and opportunities. To ensure that tribal young entrepreneurs have the opportunity to apply their ideas and innovations in their own communities, the Indian government should prioritize expanding internet access to all of India's remotest regions. Access to the internet can facilitate market research, online marketing, e-commerce, and communication with customers and suppliers, opening up new avenues for



business growth and expansion. By bridging the digital divide, the government can empower tribal youth to participate more fully in the digital economy and unlock their entrepreneurial potential.

8. Conclusion

MSMEs indeed play a pivotal role in driving economic growth and employment opportunities, particularly for rural background young adults. However, they often encounter significant hurdles in securing funding from public sources such as government departments, banks, and financial institutions. Additionally, challenges related to financial planning, limited knowledge, and a shortage of skilled labor further compound their difficulties. In this context, the government's start-up scheme emerges as a valuable resource, offering support to tribal young entrepreneurs with innovative business ideas but limited resources to kickstart their ventures.

The implementation of new regulations has facilitated an increase in the number of SMEs and micro-enterprises in tribal regions, enabling them to

transition more swiftly into viable businesses. Self-employment emerges as a crucial avenue for providing livelihoods to a large portion of economically engaged tribal youth. Achieving this objective aligns with the broader goal of job creation through self-employment. The flagship programs under the Skill India Mission play a crucial role in expediting this process by bridging the gap between businesses and skilled workers, addressing a common concern among entrepreneurs.

To further support tribal start-ups, governments must ensure the provision of a conducive policy framework at both national and state levels. Establishing favorable policies and regulatory environments can facilitate the growth and sustainability of tribal enterprises, fostering an environment conducive to innovation and entrepreneurship. By addressing the funding, skill, and policy challenges faced by MSMEs and start-ups, governments can empower rural youth to realize their entrepreneurial aspirations and contribute to inclusive economic development.

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