

**Policy Package for
Micro, Small and Medium
Enterprises 2008**

1. Preamble

Rajasthan is endowed with plenty of physical resources, agro-surplus and outstanding skills. These provide ample opportunities of manufacturing, beneficiation and processing activities in the Small Scale Sector, which has been the strength of the State. In the context of the State, this sector, particularly handicrafts and handloom, have distinct identities and play a crucial role in the process of economic development by value addition, employment generation, equitable distribution of income, removal of regional disparities, as well as through export earnings. However, there remains a vast untapped potential which, through proper harnessing and nurturing, can be translated into huge gainful employment generation and manifold increase in contribution to the State's Gross Domestic Production.

It is the vision and endeavour of the State to graduate its micro, small and medium enterprises to a globally competitive competence level. For this, the weaknesses and the threats are to be evaluated and a proper strategy needs to be formulated based on appropriate level and types of inputs and policy support.

To materialize this vision of the State and to achieve the desired goal, it will be imperative to reduce the transition and transaction costs supported by both, fiscal as well as non-fiscal incentives.

2. Approach and Strategy

The approach for policy initiatives and strategy adopted for the State would strive to develop the micro, small units in the state, except where specifically mentioned otherwise, to reduce transaction cost, develop essential infrastructure for SSI sector, particularly in the rural areas. It is also proposed to strengthen the institutional framework for improving quality of SSI products through R&D, district laboratories, BIS and ISO Certifications. It supports research & development, compliance with pollution control measures, both at individual level as well as common level. The package also would facilitate setting up of national institutions and reputed research & training institutions in the State.

The State would strive to encourage handloom units to function as cooperative bodies, to utilize services of agencies of national repute and experience in cluster development to develop micro, small enterprises clusters; to provide appropriate support to geographically dispersed unique and individual enterprises; to facilitate micro, small enterprises, handicrafts and handloom units achieve optimum level of operation/productivity through design and technological intervention, financial assistance, marketing support and procedural simplification so as to provide global market competence and competitiveness. The strategy would include providing the assistance proposed in the policy package to the existing Micro and Small Scale Industry which possess acknowledgement of their Entrepreneurship Memorandum (EM) issued from the Industries Department. The Industries Department which has provided facility of e-filing of the EM shall further encourage and promote this.

3. Institutional Support for Quality Improvement

- 3.1 In addition to any other grant given by the Government of India, RIICO will provide land at 50% of the prevailing DLC rates and the State Government shall provide 50% of capital cost for establishment of Common Effluent Treatment Plants (CETP)/facilities by industries associations of Micro, Small and Medium Enterprises in industrial areas/clusters. Operational/running/maintenance cost of such plants and facilities will be borne by such industries associations. This support shall be initially provided to 10 such CETPs/common effluent treatment facilities, subject to review thereafter.
- 3.2 The State Government shall bear 50% of the capital cost incurred by the Small & Medium Enterprises for establishment of effluent treatment plant/facility provided the unit uses 80% of the recycled water.
- 3.3 An industrial enterprise or R&D unit or testing laboratory filing and obtaining Patent/ISO certification during the period between 1.4.2007 and 31.12.2011 will be provided reimbursement of the

expenses incurred towards this, subject to a limit of Rs. 2.00 lac or 10 times of the fee, whichever is lower.

- 3.4 To encourage Micro, Small and Medium Enterprises/Handicrafts/Handloom units to attain international quality benchmarks, the State Government will endeavour to get regional offices/branches of national laboratories like, CLIR, CFTRI, etc. established in the State. State Government will provide land at 50% of the DLC rates and also provide part of the capital cost for setting up such laboratories/institutions.
- 3.5 Research, development, and testing laboratories set up by Micro, Small & Medium Enterprises Associations will be given land at 50% of the DLC rates and may provide part of the capital cost incurred on establishment of such laboratories, subject to a limit of Rs. 2.00 crore, provided that such laboratories obtain accreditation from a national level Accreditation Board/Authority.

4. Strengthening of MSME Support Agencies

- 4.1 The State Government shall re-structure Rajasthan Handloom Development Corporation, Rajasthan Rajya Bunker Sahkari Sangh Ltd., Rajasthan Small Scale Industries Corporation, Khadi and Village Industries Board, RUDA and other Companies/Boards/Societies under the Industries Department to focus on their key development/commercial goals. The Government will re-structure/write off the debt of these organizations and consider additional infusion of equity so as to enable the re-structured organizations to carry their mandate without the baggage of past.
- 4.2 The Office of the Commissioner of Industries shall be restructured to facilitate greater focus and emphasis on the development of handloom and handicraft sectors and development of clusters of the Micro and Small Enterprises.
- 4.3 The State Government shall sponsor officials of the department for professional training in prestigious institutions/organizations like IIM, NID, NIFT, EDI, IRMA, etc.

5. Easy and Smooth Flow of Credit to MSMEs

- 5.1 To ensure easy and smooth credit flow to the artisans, the State Government will get at least 10,000 'Artisans Credit Cards' issued per year from different banks in the next five years.

6. Infrastructure Development

- 6.1 RIICO shall develop separate rural small industrial areas for Micro, Small and Medium Industry with 24 hour three-phase uninterrupted power supply and enabling infrastructure, viz. road connectivity, drainage system, street lighting, water supply, etc. in the potential growth areas to be identified by the State Government. Total area of such rural small industrial areas will be of at least 100 hectares with normal average plot size of 2000 square metres and plots shall be allotted only to non-polluting industries. RIICO shall develop such areas on no-profit-no-loss basis. The State Government shall provide 10% subsidy to RIICO towards the capital cost.

- 6.2 30% plots will be reserved for Micro, Small and Medium Enterprises in new industrial areas to be developed by RIICO.

- 6.3 The State Government will encourage private sector investment for setting up industrial parks and clusters by providing level playing field vis-à-vis RIICO i.e. the private investors shall be allotted government land and provided help/assistance in acquisition of land on the same terms and conditions as are being provided to RIICO.

The State Government shall facilitate setting up of such parks and clusters by providing road, water supply, and power transmission lines (up to such areas) at the same terms as applicable to the RIICO areas.

- 6.4 The State Government will suitably augment 'Critical Infrastructure Fund' and 50% of this fund will be earmarked for infrastructural needs of the Micro, Small Enterprises clusters,

such as providing road connectivity, power lines and water availability.

- 6.5 In addition to its regulatory functions, Pollution Control Board will also play an advisory and promotional role to facilitate MSMEs comply with pollution control norms.

7. Skill Training/H.R.D.

- 7.1 For ensuring availability of skilled manpower in the State, training institutes set up in the State by National/State level institutions, may be provided free land and 50% of the capital cost involved.

8. Fiscal Incentives to MSMEs

To facilitate setting up of MSMEs, the following concessions/incentives will be provided by the State Government:

- 8.1 Exemption from Entry Tax on inputs (Raw materials, processing materials, packaging materials except fuels).
- 8.2 For Micro and Small industrial enterprises the CST shall be reduced to 0.25% only.
- 8.3 Stamp duty chargeable on loan agreements and deposit of title deed and lease contract shall be reduced to Rs.100 per document. Stamp duty chargeable for execution of simple mortgage either in cases when the possession of the properties not transfer to loanee or when possession of property is transferred to loanee shall be reduced to Rs.500 per document.
- 8.4 Exemption of 75% from Electricity Duty to the units located in rural areas. Rural areas mean areas outside the limits of Municipalities, Municipal Councils, Municipal Corporations, Urban Improvement Trusts and Urban Development Authorities.
- 8.5 The tax structure applicable to the KVIB/KVIC registered units which was prevailing prior to introduction of VAT has been continued for all such units.
- 8.6 A suitable arrangement shall be put in place for early refund/provisional payment of the due/accruing because of

difference between input VAT and selling CST/VAT on submission of undertaking by the registered micro/small enterprises.

9. Development of the MSMEs in Cluster

9.1 The State Government shall adopt cluster development approach as strategy for the development of Micro, Small and Medium Enterprises. The basic aim of strategy and approach would be creating additional employment opportunities for at least 1 lac people over the next five years by addressing critical infrastructure gaps, creating production base of critical mass to ensure economy of scales so that the clusters become dynamical manufacturing hubs. Sectors namely Handicrafts and Handlooms, Gems and Jewellery, Agro based/Food processing MSMEs, leather and leather products including footwear, textiles and apparels, stone, ceramics and pottery, light engineering and auto engineering shall be taken up on priority for development in clusters. 50 clusters in next five years shall be taken up for intervention based on the identified missing links, level of nature of required support in the field of infrastructure, capacity building of human resource, market development assistance and technology adoption and product diversification.

9.2 The State Government would act as a facilitator by way of providing part assistance to the clusters to help them tide over the critical bottleneck of lack of quality and adequate support infrastructure in the existing clusters. For the existing clusters as well as five new greenfields, cluster specific parks shall be developed in the next five years with self sufficient and good quality infrastructure to support the production system. Following activities shall be undertaken out of this fund.

(a) Strengthening/creation of infrastructure in the existing clusters such as improvement of roads, water supply, sewerage/effluent clusters/treatment/disposal, setting up

industries specific common facility centres cum design/product display centres

- (b) Creation of infrastructure of power supply, water supply and approach road at the door step/greenfield Cluster Park. The cost of the internal infrastructure of the park such as roads, water supply, power supply effluent treatment common facility centre shall be shared by the enterprises of the park.

10. Marketing Support

10.1 The State Government shall continue to provide the following facilities for purchases of stores/services from micro and small enterprises registered/having Entrepreneur Memorandum, with the Industries Department by its various departments, PSUs and autonomous bodies:

- (a) Tender form shall be made available at 50% of the prescribed cost.
- (b) Earnest money shall be deposited at 0.5% of the estimated value of purchases/services
- (c) Security deposit will be 1% of the value of the purchases/services
- (d) Following the procedure prescribed in GF&AR, even in cases where prices quoted against a tender by the small and micro enterprises located in Rajasthan are not found competitive as per applicable rules and the price of a tendering enterprise(s) from outside the State or from Large or Medium or from any other source, is adjudged lowest, the requirement of 60% of stores/services, as mentioned in the tender, shall be obtained from the micro or small enterprise(s) located in Rajasthan, rendering for the items/services of purchase/hire, if, they agree to supply, at the adjudged lowest rate, provided the quality & standard & schedule of delivery & other terms and conditions, are same.

10.2 In cases of purchases through tenders, Rule 54 of GF&AR dealing with comparison of rates of firms outside and those in Rajasthan will be made applicable mutatis mutandis to State PSUs and Autonomous Bodies. As a result, all State PSUs/Autonomous Bodies will also exclude the element of VAT from the rates quoted by Micro/Small enterprises of Rajasthan and will include the element of Central Sales Tax in the rates of firms outside Rajasthan.