

Pre-budget Consultation Meeting – Government of Rajasthan

23<sup>rd</sup> January, 2021

Secretariat Building, Jaipur

# A JOBS FRAMEWORK FOR REVIVING STATE'S ECONOMY

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Submission by CUTS International

# Index

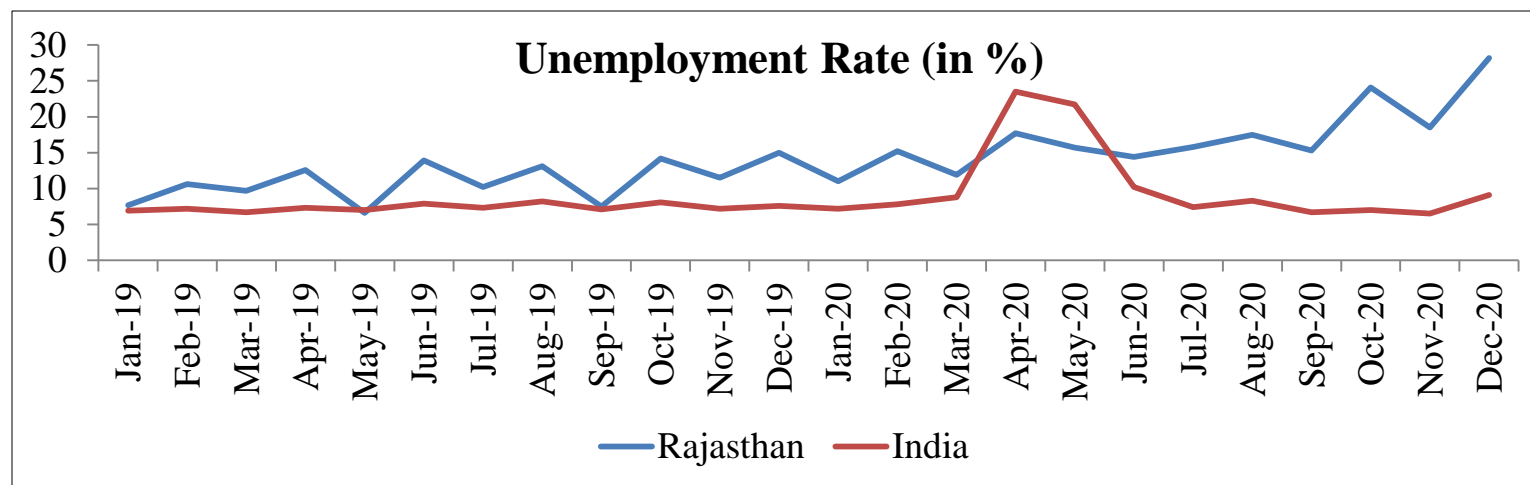
- Context
- Critical Issues for State Budget 2021
  - Rising Unemployment
  - Constrained Fiscal Space
  - Prevailing Demand Slowdown in Key Sectors
- The Jobs Target: Enabling Economic Resilience and Inclusivity
- The Sector-wise Jobs Framework: Action Plan for Reviving State's Economy
- Key Recommendations for State Budget 2021-22

# Context

- A once-in-a-lifetime budget to deal with the social, health and economic effects of Covid-19 pandemic by achieving socio-economic resilience.
- Thus, need is to cater to the needs of the vulnerable sections through budgetary interventions – those seeking but not able to get work in the State.
- Addressing jobs challenge will not only address challenges of unemployment but will also bring in investments, driving economic recovery and growth.
- Given an unexpected situation arising due to the pandemic, the 2021 budget should consider the pressing issues faced by the State's economy in order to address them effectively.

# Issues to be Addressed by State Budget

## 1. Rising Unemployment Rates



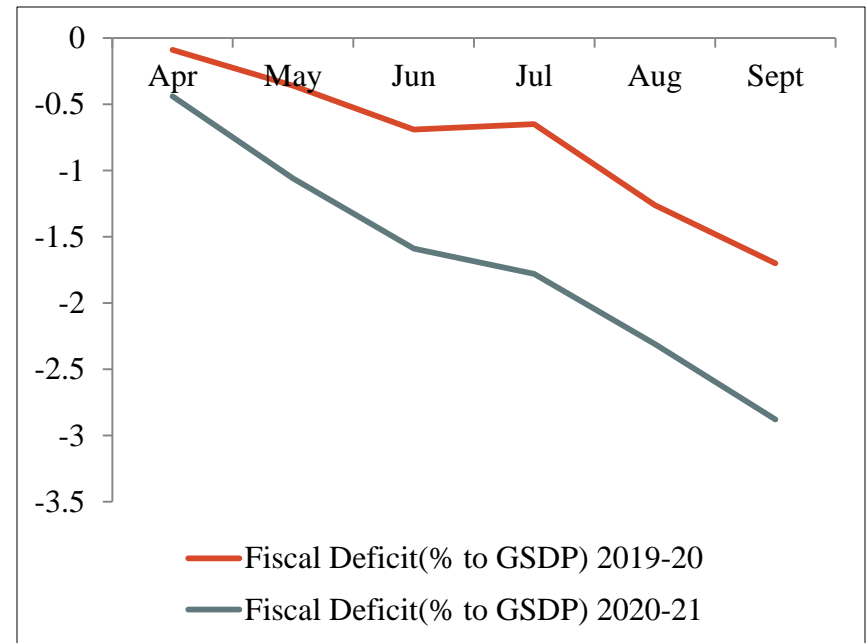
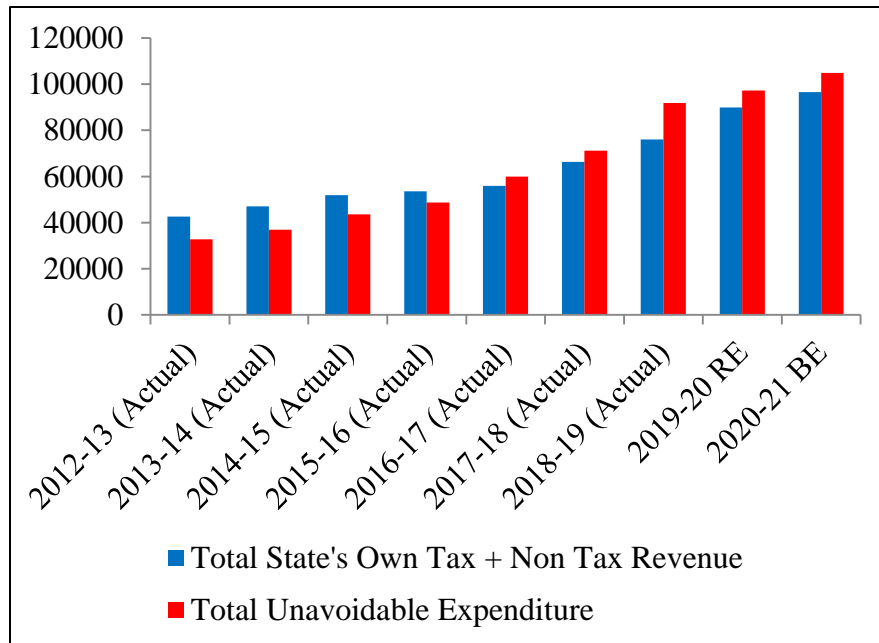
Source: Centre for Monitoring Indian Economy

- Monthly unemployment rates in Rajasthan have remained greater than the national average since last two years, except for the lockdown months of April, May and June
- Post the first phase of lockdown, unemployment rates in Rajasthan have been rising continuously at alarming rates, highlighting the seriousness of the issue in the State
- As of December 2020, the unemployment rates of Rajasthan were the second highest in the country, next to Haryana

***Thus, the State budget should cater to the financial needs of the sectors that are job-intensive in nature. However, there is another issue which acts as a constraint to budgetary allocations in Rajasthan – constraint financial health of the State.***

# Issues to be Addressed by State Budget

## 2. Constrained Financial Health

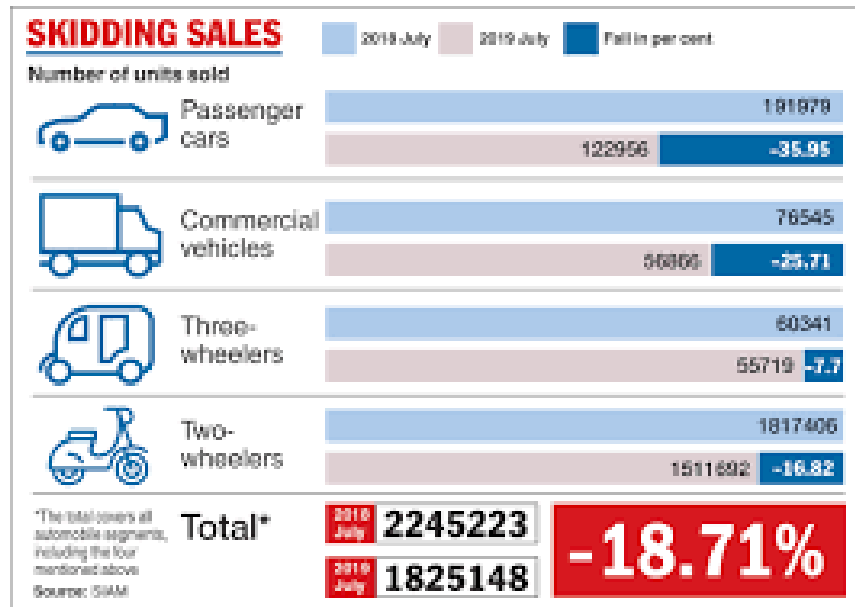


Source: Presentation made in the first meeting of CM-RETAC on 15<sup>th</sup> October

- The State has been unable to finance even its unavoidable expenditure of salaries, pensions and interest payments from its own sources of revenue.
- These unavoidable expenditures were close to 120% of state's own revenue in 2018-19 (Actuals) and are down to 108% in 2020-21 (BE)
- Fiscal Deficit (as % to GDP) during the pandemic affected months has also grown alarmingly, as compared to previous year
- At a time when Centre's financial assistance is also shrinking, this poses a major challenge for budget 2021-22.

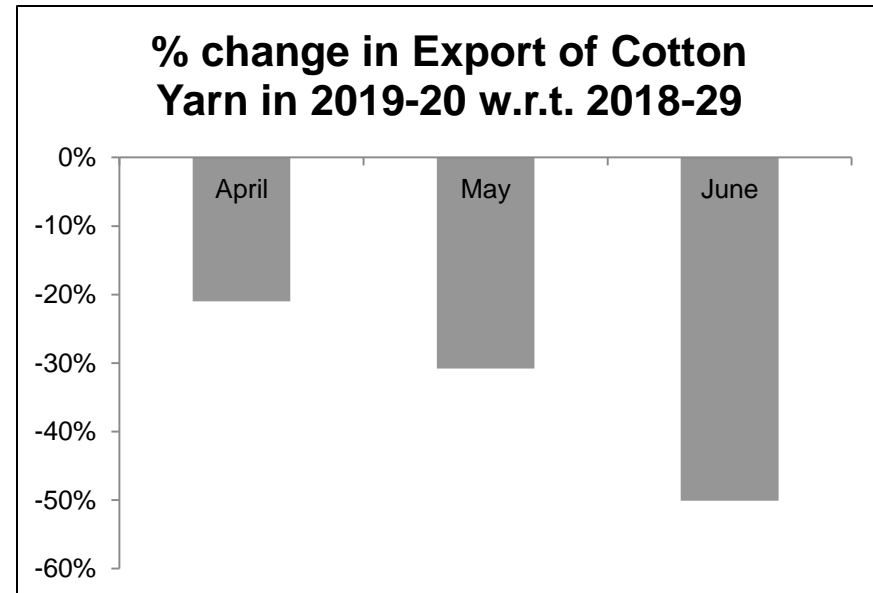
# Issues to be Addressed by State Budget

## 3. Prevailing Demand Slowdown



Case of Auto-sector in India

- Auto sales plummeted to an all-time low in the 2019, almost 19% reduction in sales as compared to 2018



Case of Textile Sector in India

- Textile sector was also reeling under one of the worst demand slowdowns, as represented in the figure of cotton export sales.

# The Catch-22 Situation

- Although, the need of the hour is to focus on job creation and raise standards of living of masses, the financial constraints on State's finances pose a challenge.
  - Ripple effects of expansionary fiscal policy in terms of inflationary effects, can be disastrous for a healing economy, especially for vulnerable sections of people.
  - Thus, systemic and structural transformations are the need of the hour and the upcoming budget can provide the required impetus to this.
  - *The State Governments and all other institutions will not be judged on the basis of balance sheets or profit numbers, but on the basis of what they did for addressing the challenges of the pandemic.*
- Dr. Rathin Roy, Member – Rajasthan Economic Transformation Advisory Council

# The Way Out: A Jobs Framework

- In order to address the challenges of demand slowdown, constrained finances and rising unemployment rates in the State, there is a need for linking fiscal and financial decisions of the State Government to the Jobs Agenda.
- This framework presents a preliminary framework for creating ample number of jobs in order to ensure inclusive and sustained growth by focusing on major job-intensive sectors of Rajasthan.
- **Target:** In order to estimate required number of jobs, data regarding the number of people seeking work from Census 2011 and CMIE rates of unemployment for 2020 have been considered. From this, if jobs are to be created for all the unemployed people of Rajasthan in the next three years, additional 4422133 (44.22 lakhs) jobs per year will be required.



# Sector-wise Existing Employment, Employment Intensity and Required Jobs

Upon analysis of major job-intensive MSMEs and their employment intensity across the 36 districts of Rajasthan, the following results were found.

*\* Employment Intensity is measured in Jobs per Crore of fixed Investment*

Sector	Employment Intensity*	Sector-wise Share in Existing Employment of MSMEs (in %)	Annual Jobs Required through MSMEs (Assuming 60% contribution)	Average Investment Required (Sector-wise) in Rs Crore
Textile	358.02	31.46	834836.17	2331.80
Mineral	160.71	36.06	956902.34	5954.14
Leather	1036.22	9.90	262744.02	253.56
Auto and auto components	330.40	4.14	109930.64	332.72
Agro Processing	167.96	18.42	488866.63	2910.55

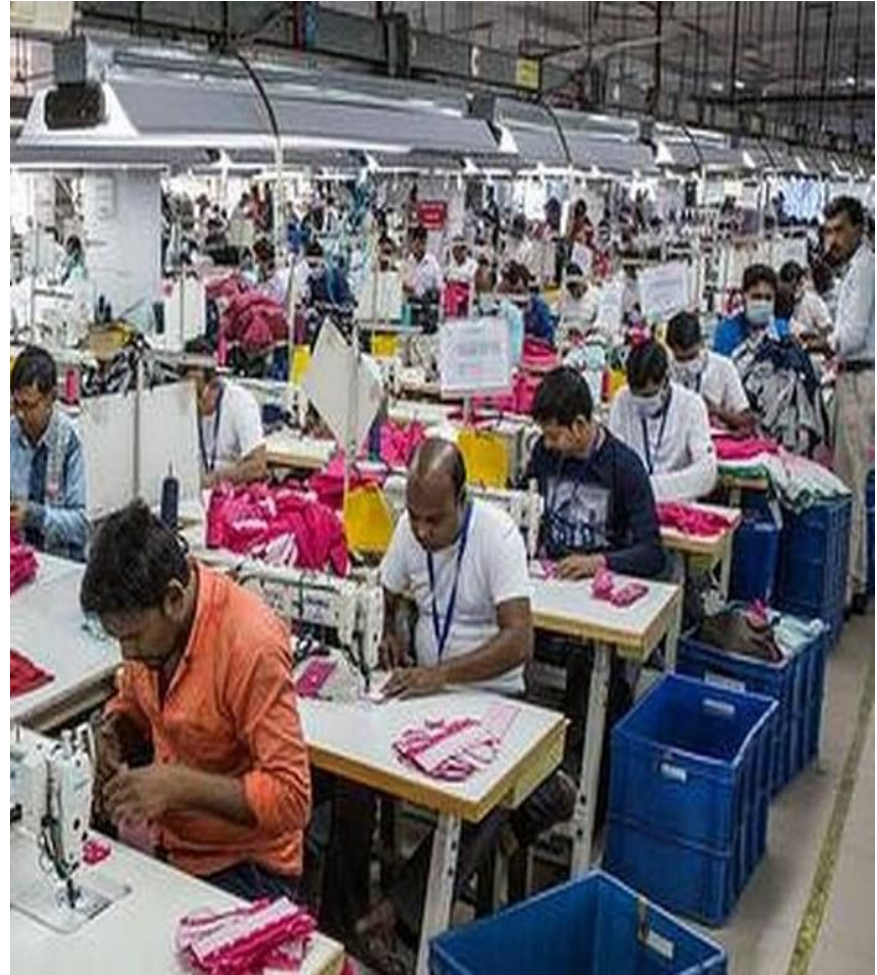
Thus, for achieving the objective of eradicating unemployment by 2024, the main sectors that require focus are: Textiles, Mineral and Mining, Leather, Automobile and Agro-processing (including food processing)

***This framework lists out the main issues faced by these sectors and the potential districts that can be developed as clusters for them.***


# Sector-wise Strategy

1. Textiles and Apparel
2. Agro and Food Processing
3. Leather
4. Auto and Auto-components
5. Mines and Minerals

# Roadmap for Textile and Apparel Sector in Rajasthan

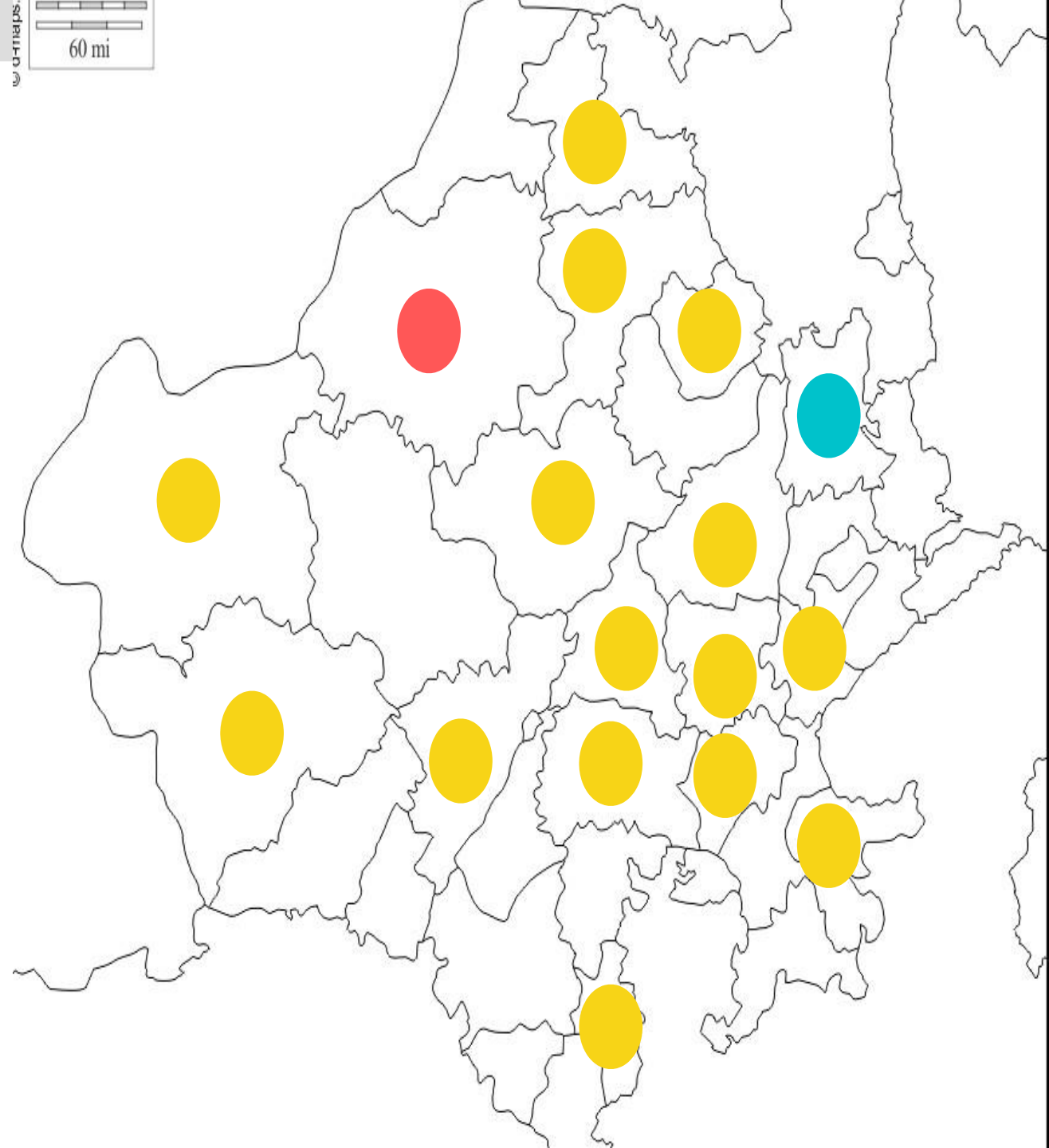


# Textile and Apparel Sector: Existing Districts

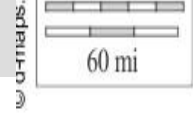
 Textiles (Cotton and MMF): Jaisalmer, Barmer, Pali, Pratapgarh, Baran, Tonk, Sawai Madhopur, Ajmer, Jaipur, Nagaur, Jhunjhunu, Churu, Hanumangarh, Bundi, Bhilwara

 Woolen Textiles: Bikaner

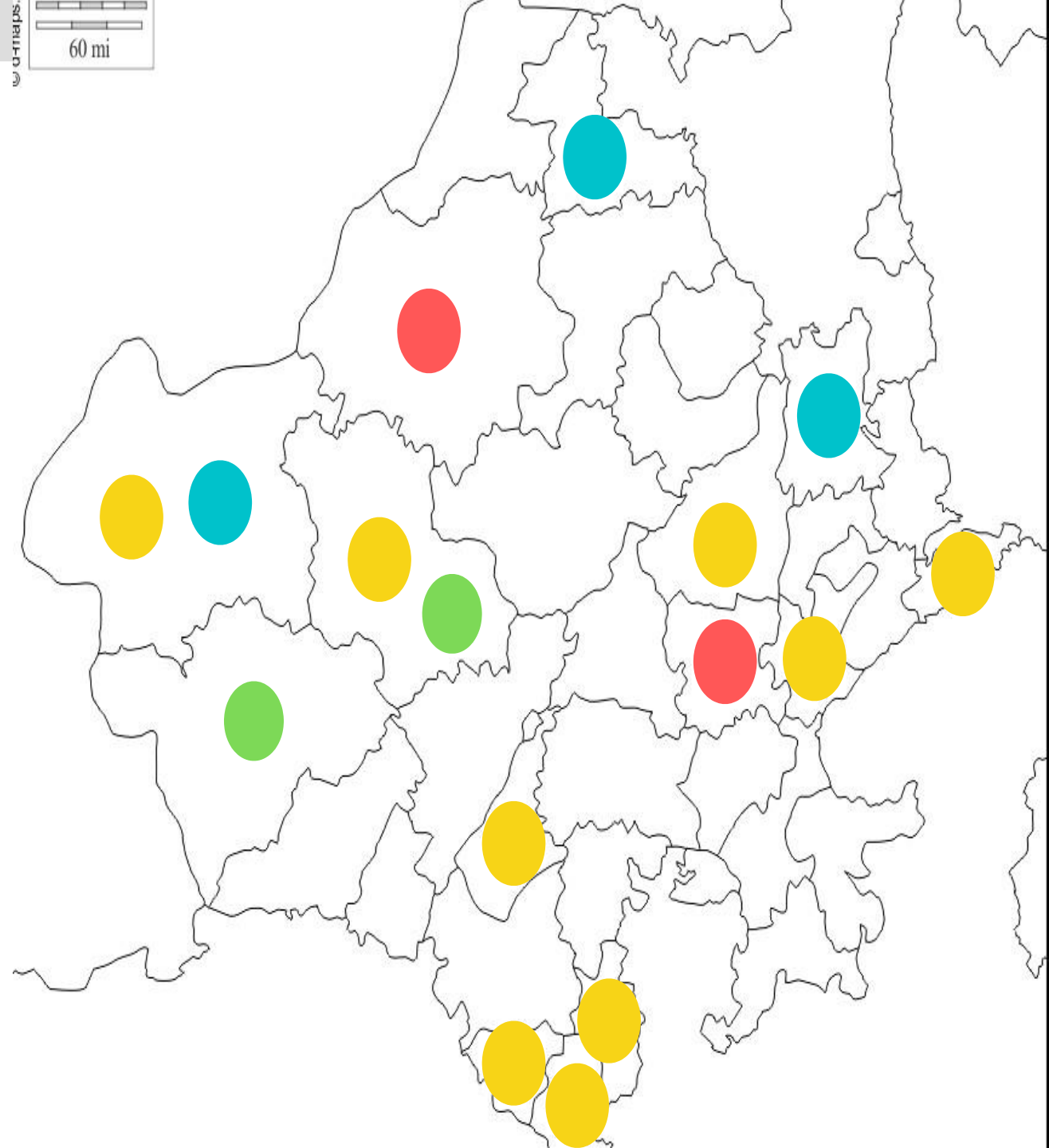
 Jute Products: Alwar



# Textile and Apparel Sector: Potential Districts



-  Ready Made Garments:  
Banswara, Dholpur, Dungarpur, Jaipur, Jaisalmer, Jodhpur, Pratapgarh, Rajsamand, Sawai, Madhopur
-  Handlooms and handicraft:  
Barmer, Jaisalmer
-  Woolen Textiles:  
Bikaner, Tonk
-  Cotton Textiles:  
Alwar, Jaisalmer, Hanumangarh



Raw Material: Cost,  
procurement means and  
quality

Access to Capital:  
Fixed and Working  
Capital

Labour: Income,  
Skills, Availability and  
Social Security

Transportation:  
Cost and Means

## **Textiles & Apparel**

Market: Domestic  
and Exports

**Enabling Conditions**

Niche products:  
Innovation and  
Technology

Power: Cost,  
Source of Supply,  
Reliability

# Roadmap for Agro Processing Sector in Rajasthan

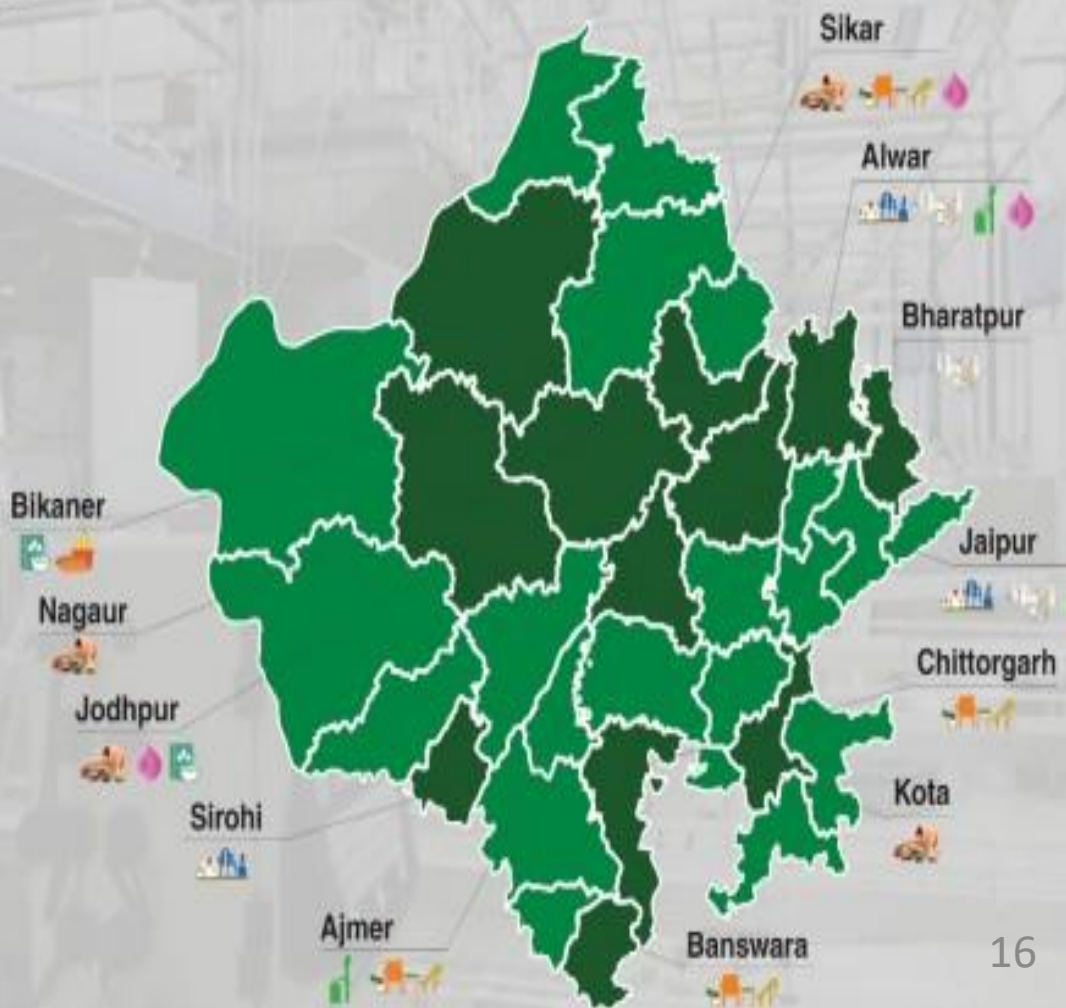




# Agro Processing Sector: Existing Districts in Rajasthan

## Processing Clusters

-  Spice & Condiments Processing
-  Fruits & Vegetables Processing
-  Milk Processing
-  Oil Processing
-  Prepared Food
-  Onion
-  Cereals
-  Snacks

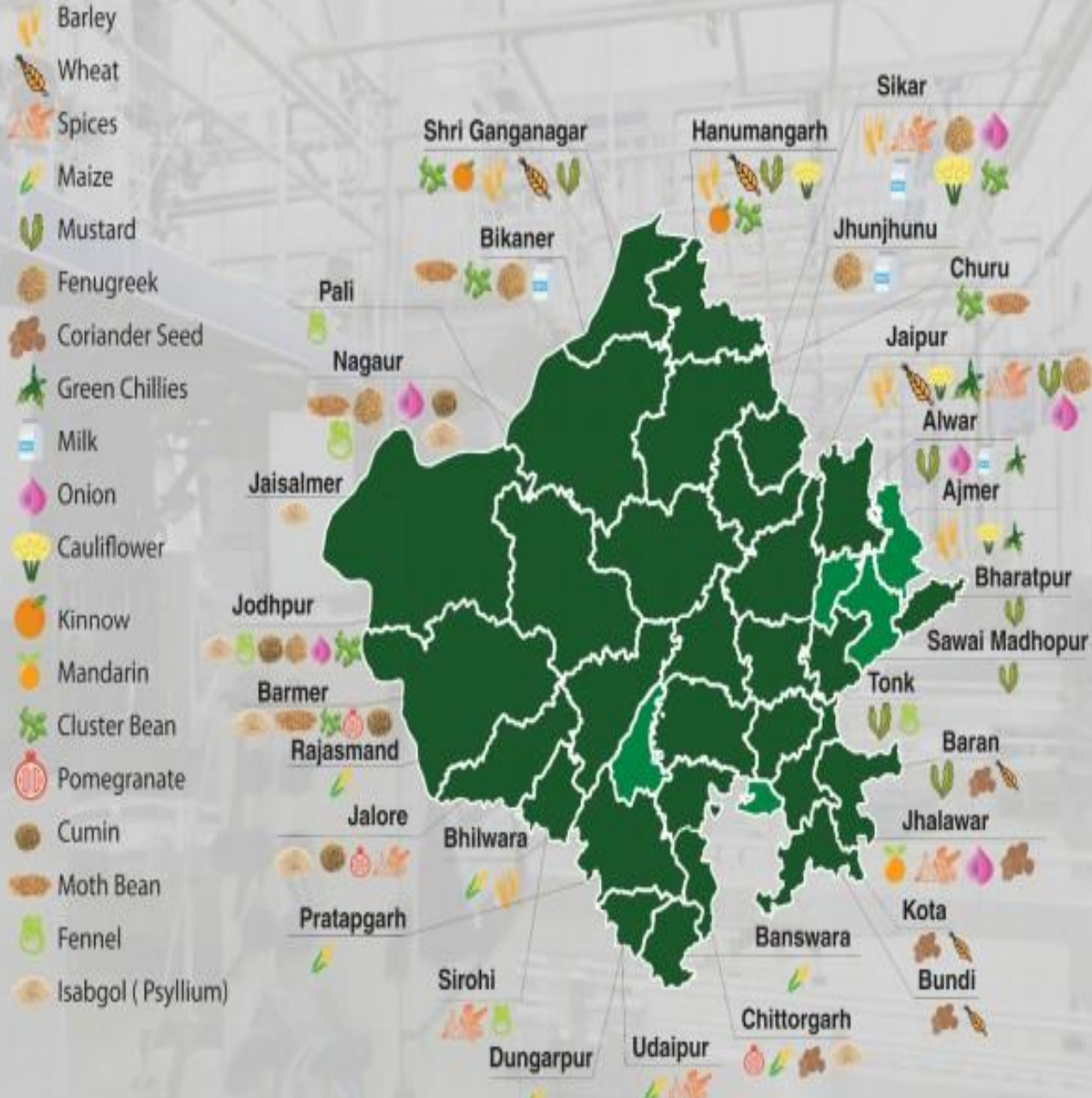




# Potential Districts in Agro Processing Sector:

*"Taking Processing Units to the Farms"*

## Production Clusters



Raw Material: Proximity,  
Quality (Processable  
quality), Cost, Procurement,  
Means

Access to Capital:  
Fixed and Working  
Capital

Labour: Income,  
Skills, Availability and  
Social Security

Transportation:  
Cost and Means

**Agro-  
Processing**

Market: Domestic,  
Inter-state and  
Exports

**Enabling Conditions**

Niche products:  
Innovation and  
Technology

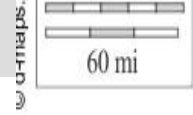
Cold Storage and  
Warehouses

Fuel and Power:  
Cost, Supply and  
reliability

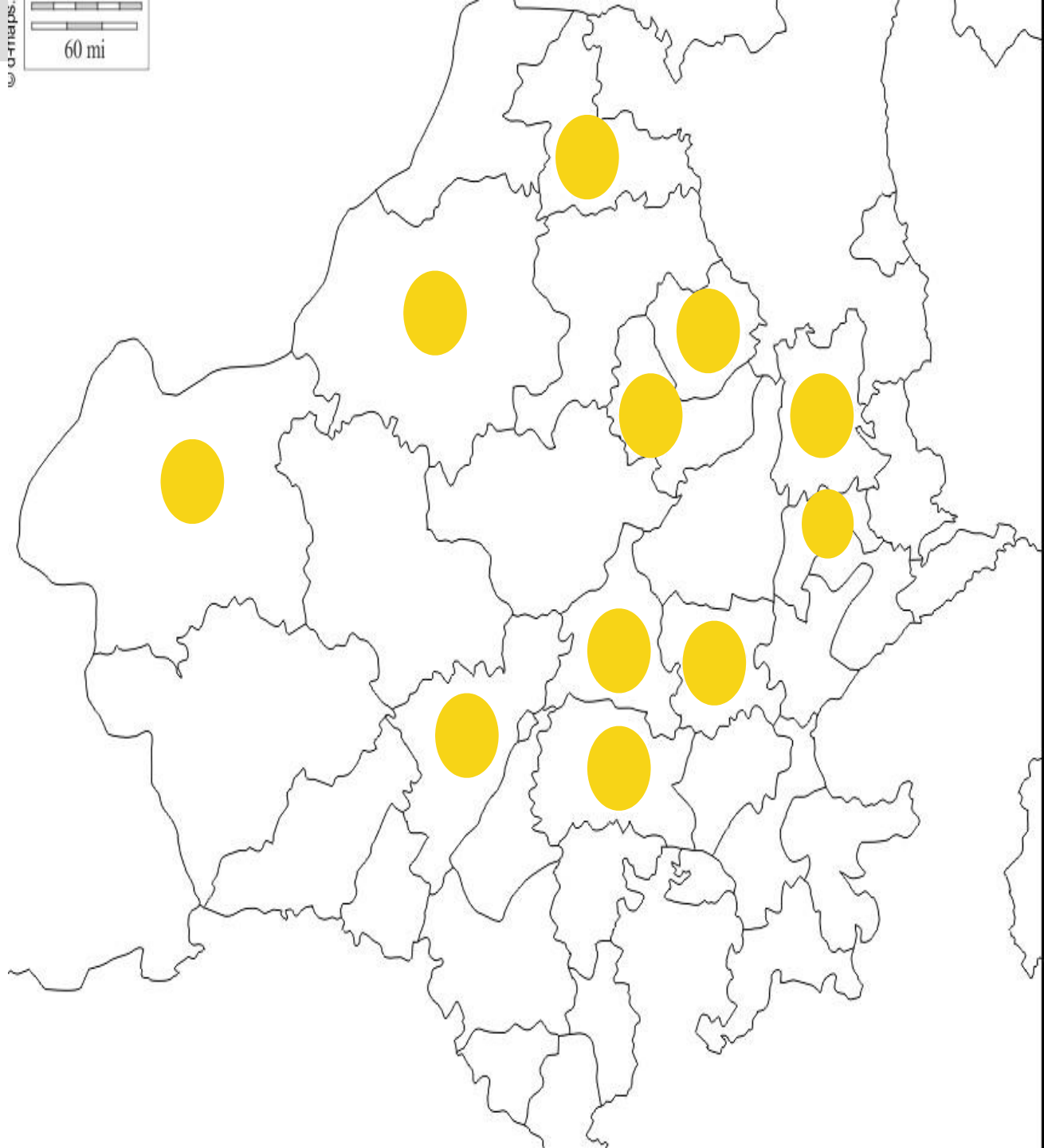
# Roadmap for Leather Industries Rajasthan



# Leather: Existing Districts

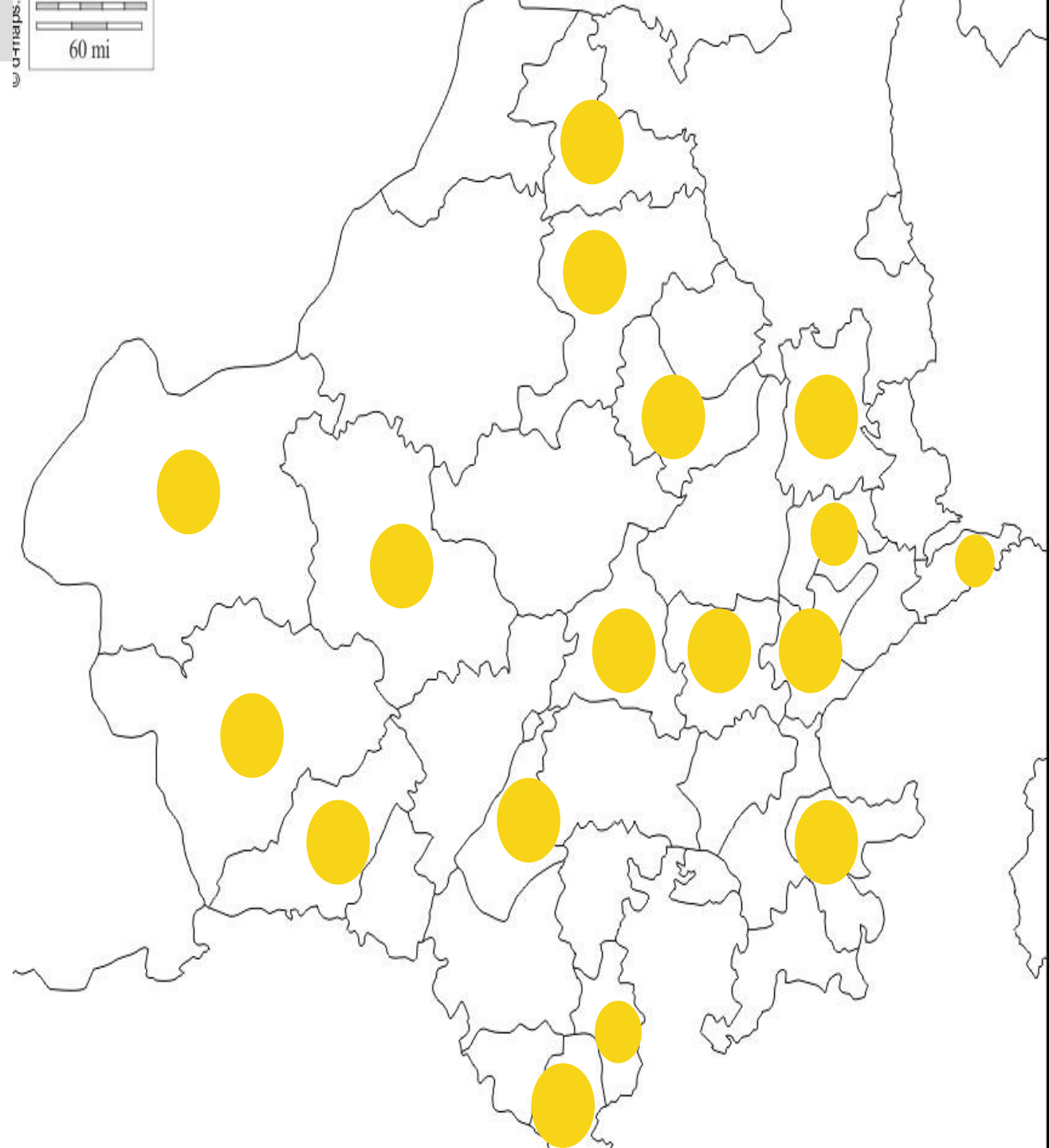


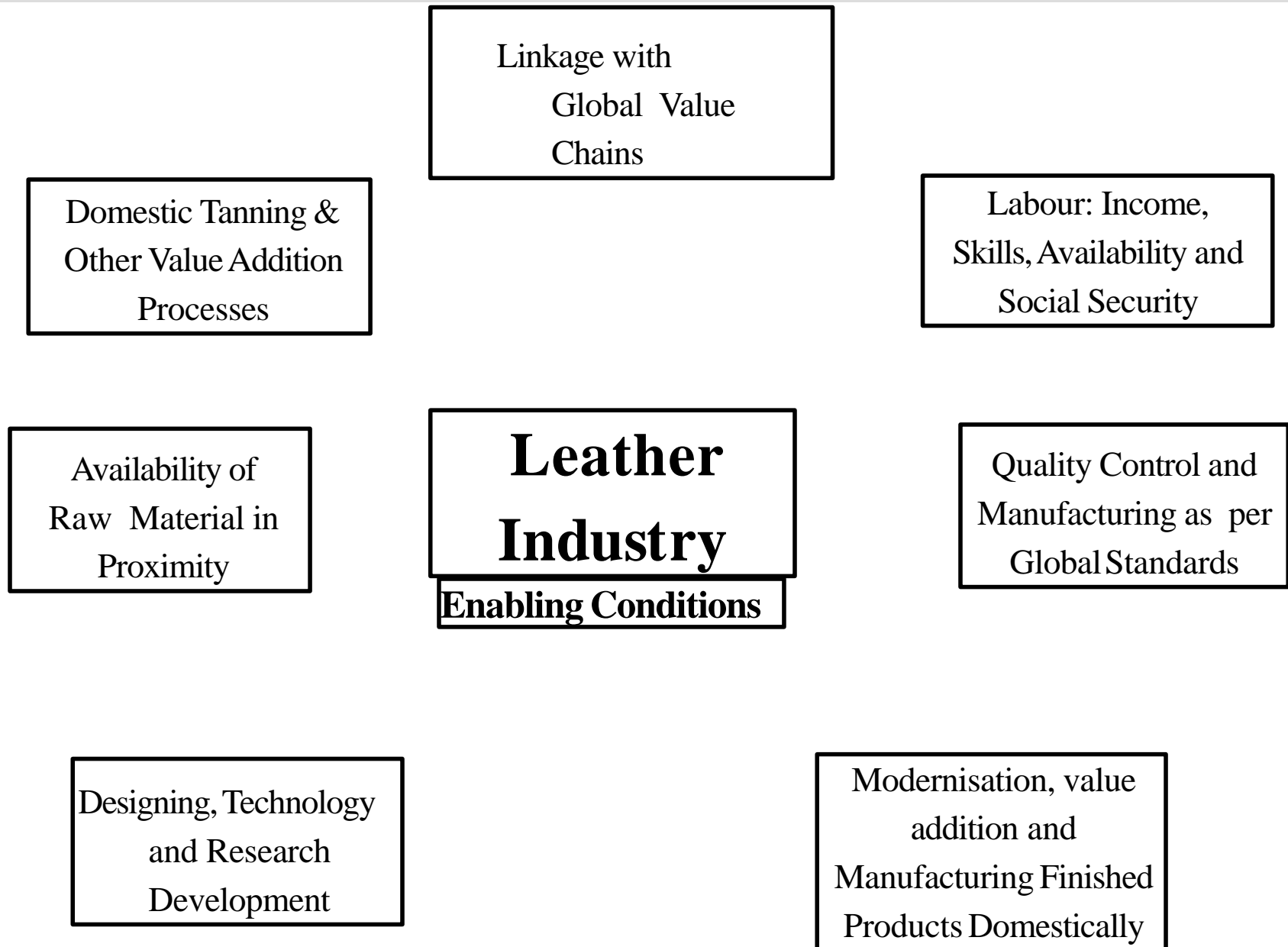
Ajmer, Alwar, Bhilwara,  
Bikaner, Dausa,  
Jaisalmer,  
Hanumangarh,  
Jhunjhunu,  
Pali, Sikar, Tonk



# Leather: Potential Districts

Ajmer, Alwar, Baran,  
Barmer, Banswara,  
Dausa, Churu, Dholpur,  
Hanumangarh,  
Jaisalmer, Jalore,  
Jodhpur, Pratapgarh,  
Rajsamand, Sawai  
Madhopur, Sikar, Tonk



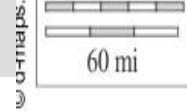




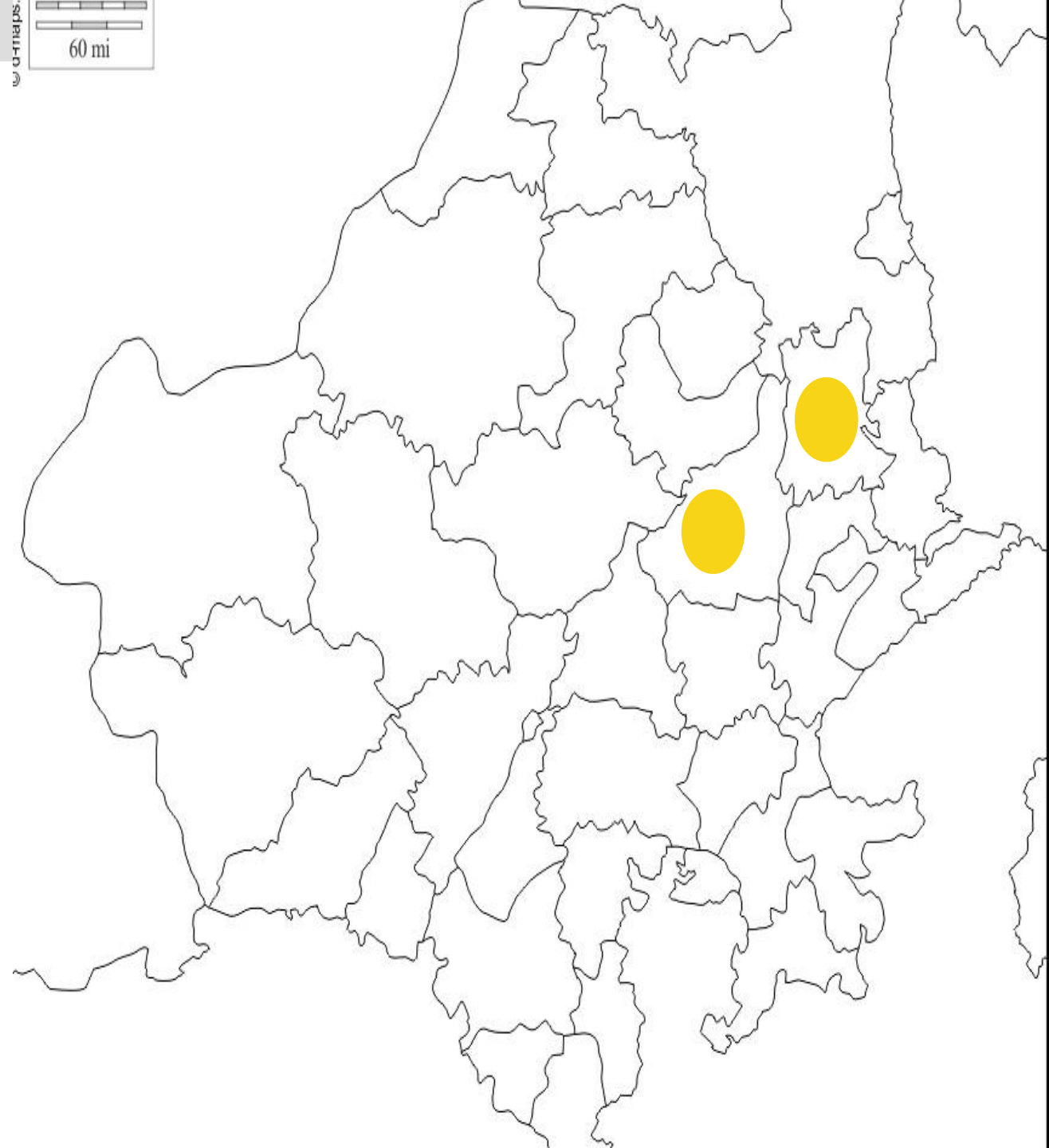
# Roadmap for Auto and Auto Components Industries in Rajasthan



# Auto and Auto Components: Existing MSMEs Districts

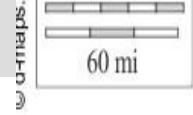


Jaipur, Alwar (*Close to Manesar, an auto hub*)

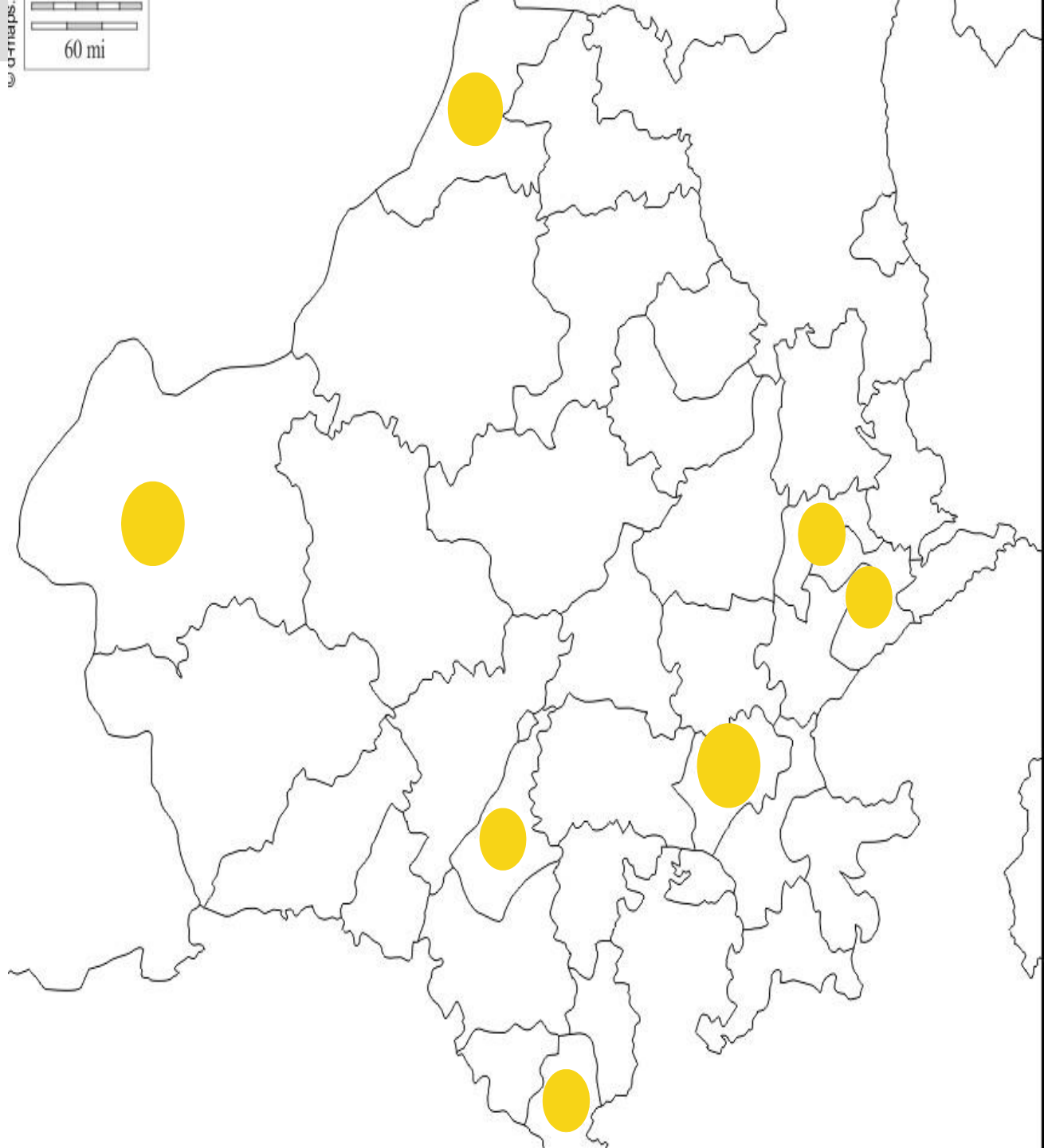


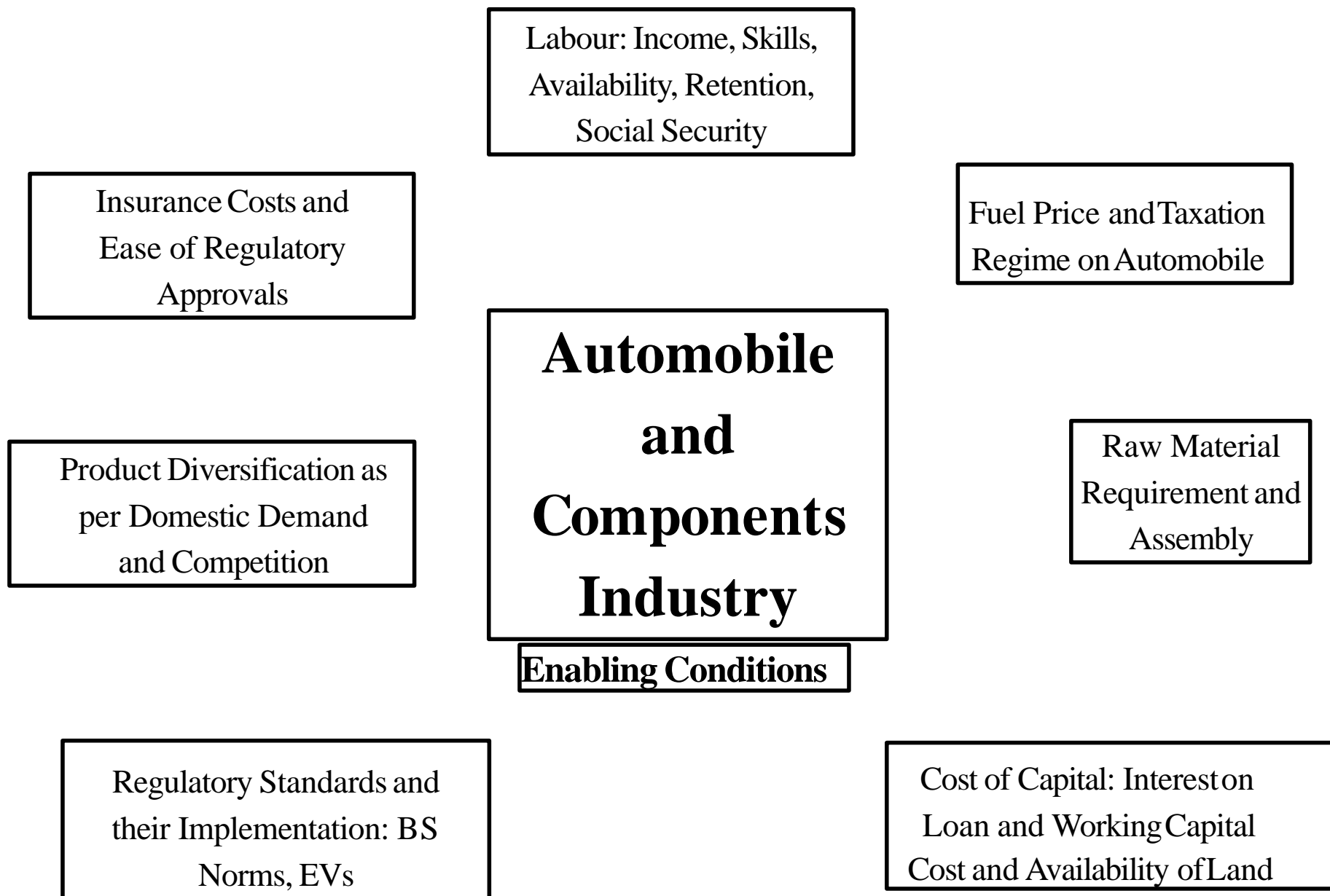


# Auto and Auto Components: Potential Districts



Banswara, Bundi,  
Dausa, Jaisalmer,  
Karauli, Rajasamand,  
Sri Ganganagar



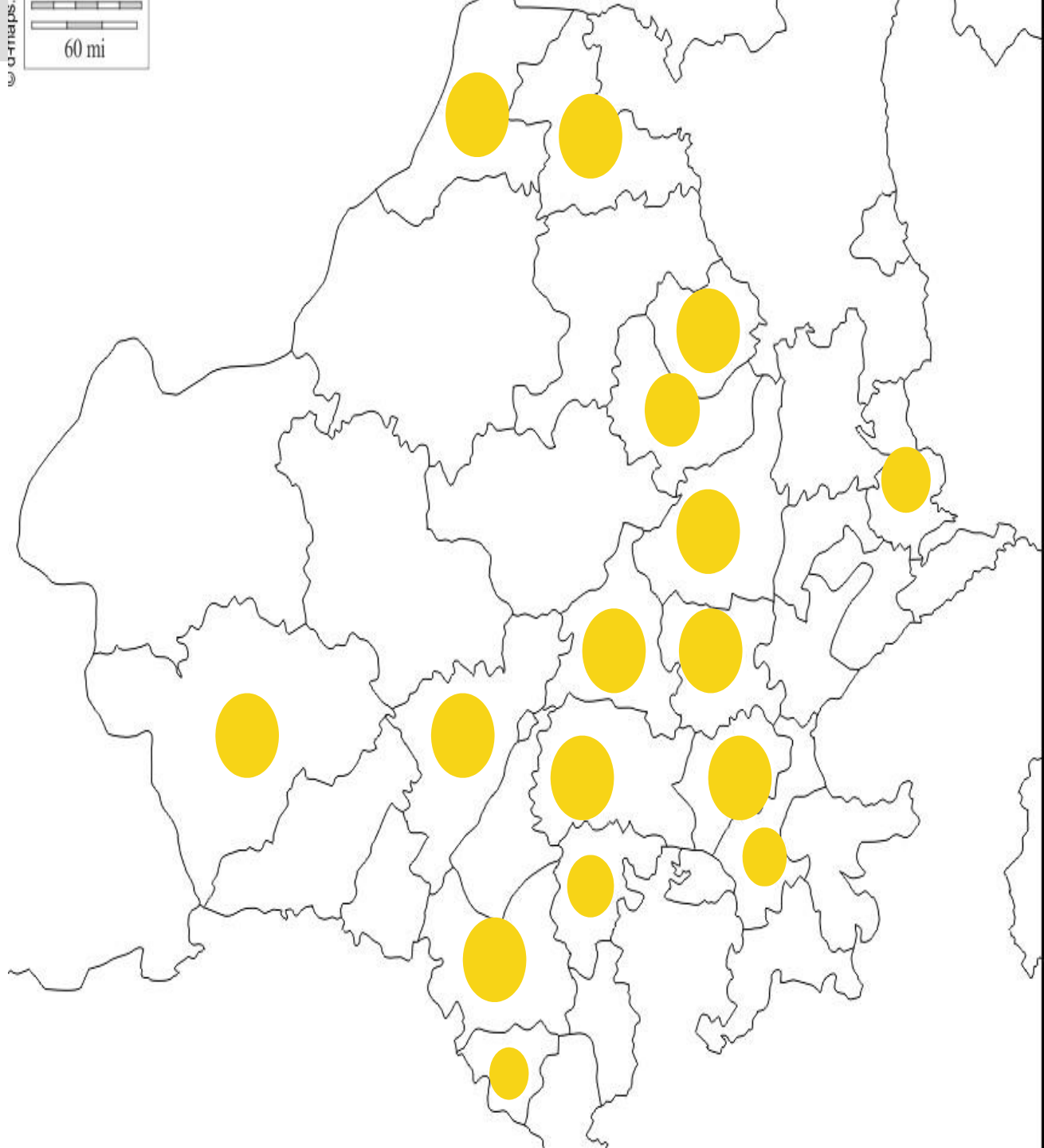


# Roadmap for Mines and Minerals Industries in Rajasthan

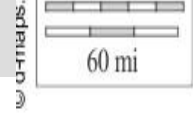







# Mines and Mineral based Industries: Districts

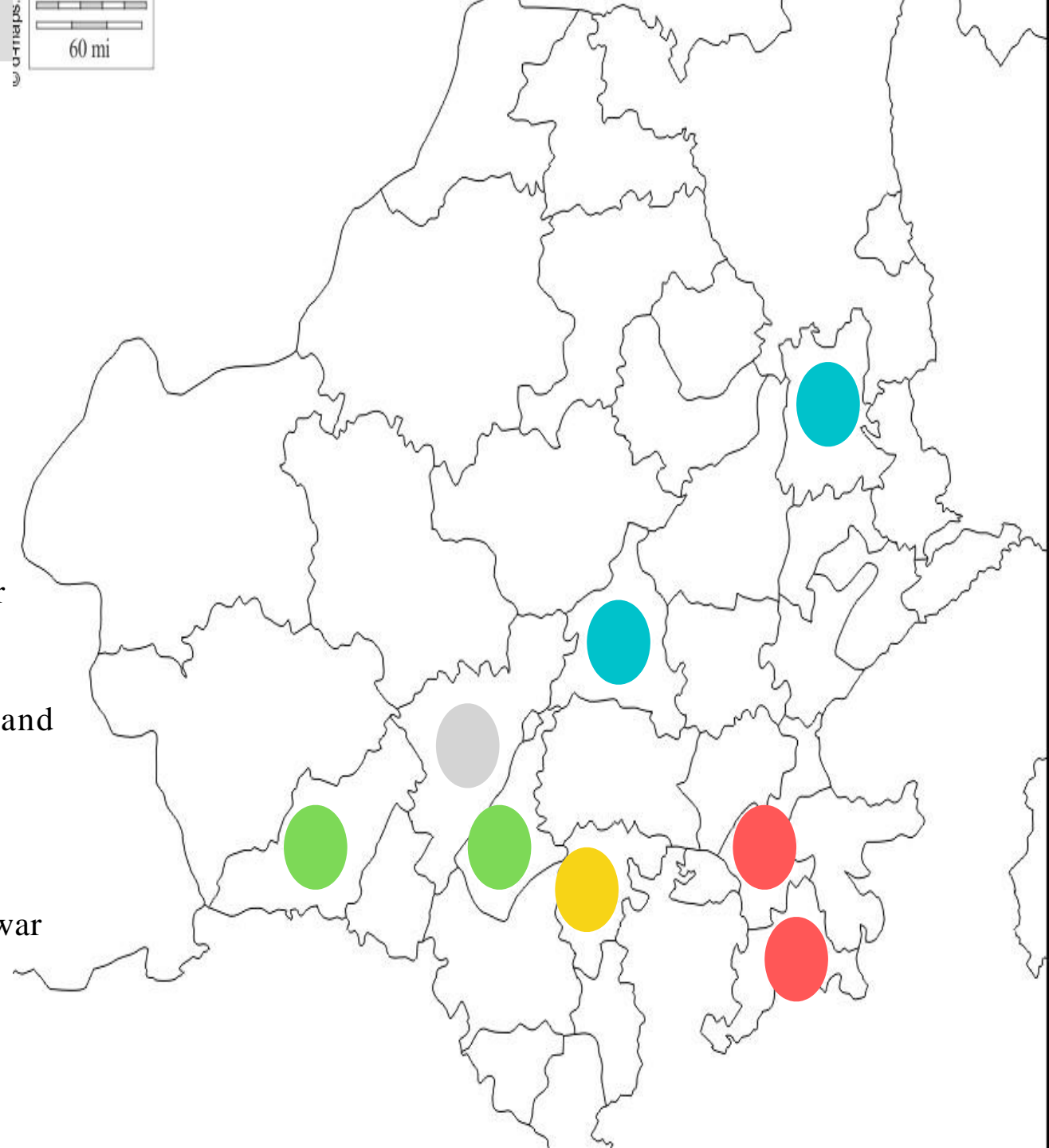
Ajmer, Barmer, Bharatpur, Bundi, Bhilwara, Chittorgarh, Dungarpur, Hanumangarh, Jaipur, Jhunjhunu, Kota, Pali, Sikar, Sri Ganganagar, Tonk, Udaipur



# Mines and Mineral based Industries: Potential Districts



-  Cement: Chittorgarh,
-  Marble: Ajmer, Alwar
-  Granite: Jalore, Rajasamand
-  Limestone: Pali
-  Sandstone: Kota, Jhalawar



Domestic and Global  
Competition and Scale

Labour: Income, Skills,  
Availability, Retention,  
Social Security

Cost of Capital: Fixed and  
Working Capital

# **Mineral- based Industries**

Raw Material  
Proximity, Quality  
and Procurement

Cost of Land

**Enabling Conditions**

Inspections, Regulatory and  
Administrative Approvals and  
Processes

Power: Cost, Source and  
Reliability

Other Fuels Required

# Key Recommendations

- Budgetary allocations and schemes should be aligned to address structural issues faced by focus sectors of the state.
- Common issues requiring attention related to ease of running a business including raw material procurement, operational costs, regulatory costs, fuel costs, environmental costs, logistics, labour, etc.
- Demand-side assessment is extremely crucial before planning or facilitating investments in such sectors, which should be a key ingredient of budget announcements and schemes. This implies that mapping of potential markets for goods and services produced by these sectors is a crucial parameter governing investment decisions.

- Strengthening local institutional capacity on policy research, technology R&D and innovation spheres is crucial and should be incorporated.
- Focus should also shift from mere number of jobs to also quality of jobs and standards of living.
- Upcoming sectors like gig-economy, electric vehicles, renewable energy should also be explored from the lens of job creation and sustainable finance.
- Budgetary announcements, schemes and policies should also include a funding for conducting out research activities in such sectors, which can assist in achieving the vision of inclusive, sustainable and resilient economic growth.
- Some potential research items and relevant institutions are provided in the next slide. CUTS offers to take up these issues with the concerned public institutions, provided a financial support to undertake the required activities.



Action Plan for Industrial Development	Potential Agency
<ul style="list-style-type: none"> <li>• Database generation of raw material sources, industries, workforce, skill-levels, incomes and other factors</li> <li>• Research and Development on operational efficiency, technology, innovation and supply-chain management at enterprise level. Also, linking value-chains across clusters and developing a circular economy roadmap for thrust sectors</li> </ul>	District Industries Centres, MSME Business Development Council
<ul style="list-style-type: none"> <li>• Framework for mobilising local capital for localised production in the State</li> </ul>	Regional Rural Banks, NBFCs,
<ul style="list-style-type: none"> <li>• Branding, advertising and market promotion activities for key sectors of industrial development</li> </ul>	Information and Public Relations Department, Government of Rajasthan
<ul style="list-style-type: none"> <li>• Independent evaluation, monitoring and feedback of industrial development tasks, policies and schemes</li> </ul>	Department of Industries, Rajasthan Economic Transformation Advisory Council
<ul style="list-style-type: none"> <li>• Assessing the investments and their outcomes through tracking and monitoring mechanisms</li> <li>• Structural reforms for ensuring regulatory stability and ease of running business</li> </ul>	Bureau of Investment and Promotion, GoR RIICO
<ul style="list-style-type: none"> <li>• Drafting research-based plan of action for convergence of trade, industrial and competition policy</li> </ul>	Inter-departmental Committess, or Group of Ministers, Department of Industries, GoR

For more details:

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