

## Development of Cluster Development Approach with Time

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### Abstract

MSME sector has been started establishing itself from the time of India's Independence. In the decades of 60 and 70 it was known as Small Scale Industries (SSI). MSME sector has grown on a very large scale. Today MSME is in different sectors (Manufacturing, Trade and Service sectors) in India. The cardinal achievements of this sector are the capacity to use domestic resources. The main achievements of these firms are that these firms have registered their presence in overall India's cardinal sectors and prominent export markets. MSMEs have taken part in employment generation, economic development and economic empowerment. This is a fact that 50% of MSMEs are owned by underprivileged people. Because this sector has taken part in rural industrialization, absorbs high labour and needed less capital structure. MSME sector is remained a thriving force in the transformation of India from an agrarian society to Industrial Society. Thus, MSME has got many incentives from government. MSME is a more scattered and heterogeneous sector. So, for the development and growth of the industry, Cluster Development Approach has taken place. Government banks, financial institutions are promoting, developing and encouraging this sector. Clusters have lot of possibilities. This approach not only helps in development of MSMEs but also in development of economy and industrialization. MSMEs are involved in production of six thousand products. Normal consumer goods such as Leather products, plastic and rubber products, Fabrics and readymade garments, cosmetics, utensils, sheet metal components, soap and detergents etc with fine quality and sophistication. Television sets, electronic calculator, microwave components, air-conditioning equipment, electric motors, auto parts, medicines and Pharmaceuticals are also made.

Uttar Pradesh Government has announced Subsidies of 25% for industrialists who are going to establish scale up to 4 crore, for small it is 20% and for medium it is 15% in Bundelkhand and Purvanchal. For Madhyanchal and Paschimanchal it is 20% for micro, 20% for small it is 15% and for medium sized it is 10%. Apart from this there is a provision that the micro industries establishers will get 50% subsidies for machineries purchase up to 25 lac. SC-ST or Women will get 60% subsidies. There are subsidies in stamp duty also. In Purvanchal and Bundelkhand they will up to 100% waive off on stamp duty on purchase of land. For Paschimanchal and Madhyanchal it will be up to 75%. For Gautam budh nagar and Ghaziabad it will be up to 50% waiving off on stamp duty. While women Industrialists will get up to 100% Waive off.

**Key-words:** MSME, Cluster Development

### Introduction

In some areas in the district or town or block or village or complete district/town/block/village is known to be producing the same type of product/services by a sizable number of micro /small/medium enterprises. This type of area is called cluster. It may be developed through help of central /state government (Artificial cluster) or without the help of government (Natural Cluster.)

Developing clusters is a way of getting rid of economic backwardness of any region.

Clusters are defined as concentration of MSMEs in a sector and geography with interconnected production system moving to firm/unit level specialization and creating local supplier's material inputs and human resources. In addition to the efficiency, clusters enjoy the benefits of access to the markets, labour and technological spill overs.

Clusters are considered powerful engines in the economic structure of the economies; competition within clusters enhances the business environment, innovations, productivity and contributes to the growth and competitiveness.

Firms within a cluster benefited from –Especially skilled workers.

Relevant suppliers and customers.

The infrastructure with relevant training centers, research and development centers and capital providing companies.

Availability of knowledge.

It behaves as hub of innovations and spurts a group of expertise and knowledge in a limited geographical area. Clusters enhance the competition between the companies. It can enhance size of economies as well as the range of economies.

This approach generates the development of common vision for actions and goals.

The clusters development has been adopted by MSME ministry for strengthening the production and competition related aspects of MSEs. Clusters of firms enable providers of banking and lending up to provide their services more efficiently and economically. If the context of Gorakhpur has been taken there are clusters available of textiles, syringe, paints etc. in GIDA.

In enterprises of a cluster some fundamental features viz. production methodology, consumption level of energy, pollution controlling norms, technological measures and business practices, inter and intra communication channels, opportunities and threats, quality control methods and testing facilities are mostly similar.

SME sector comprises 40 % of industrial output and 35% of direct export. It provides employment most people after agriculture.

Some examples of clusters are marble cutting and polishing industries around makarana and power loom units of old industrial area, Gorakhpur.

SMEs in such clusters are advantageous due to:

Raw material availability

Creation of value from common pool of customers, markets, and business relationships.

Number of customers/buyers being attracted by the cluster heritage of the sector.

Trained manpower availability.

Some of the larger clusters are- 3-4th of total blankets of India is produced in Panipat, Haryana.

4-5th of Indian cotton hosiery cloths exports is done from Tirupur, Tamil Nadu.

45 lacs shoes are made in Agra's small-scale units.

Most of the India's woollen knitted clothes, stitching machines and more than half of country's cycle and its parts are made in Ludhiana, Punjab.

Up to 75% of the diamond cutting and polishing of the planet is done in diamond hub of Surat, Gujrat. This hub employs nearly 3 lakh of skilled work force.

Doubtlessly SMEs can play a key role in economic growth as well as source of employment, there are also various problems. Some are like- at individual level small and medium enterprises are not able to seize the opportunities which need big production quantities, continuous supply and uniform standards. Difficulties in the purchase of equipment, raw materials, finance, training, market intelligence, logistics and innovation is occurred due to small scale. Specialized and effective division of labour that encourages developments in productive capabilities and innovation hindered due to small scale.

To overcome these obstacles cluster development approach is followed. This approach brought favorable outcomes.

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So, for the development and growth of the industry, Cluster Development Approach has taken place. Government banks, financial institutions are promoting, developing and encouraging this sector. Clusters have lot of possibilities. This approach not only helps in development of MSMEs but also in development of economy and industrialization. MSMEs are involved in production of six thousand products. Normal consumer goods such as Leather products, plastic and rubber products, Fabrics and readymade garments, cosmetics, utensils, sheet metal components, soap and detergents etc with fine quality and sophistication. Television sets, electronic calculator, microwave components, air conditioning equipment, electric motors, auto parts, medicines and pharmaceuticals are also made.

## Review of Literature

### Definition of Cluster

English economist Alfred Marshall is supposed to have the proposed the concept of cluster in 1910 after examining the industrial districts of Europe and explained that industries localized due to the reasons like raw material availability. Benefits like availability of technology and trained workforce, inputs and advantages of marketing can be acquired from these factors.

Enterprises located in these industrial districts are highly competitive in new classical sense, and in most of the cases product differentiation is very less. Advantages of industrial clusters derive from closeness and relatedness of enterprises. Easier recruitment of trained workforce and fast interchanges of information is done due to this.

Economic geographers explained the existence of clusters on the basis of cost minimization or profit maximization. New entrepreneurs likely to prefer the locations where demand is greater and input supply is easier and producers of alike goods are already there. According to some economists, the competition among enterprises in a cluster generates productivity and innovation, which generate new resource funding like trained manpower and technological know-how. Human resource is also recognized by some as most important for economy.

According to Porter "Clusters are a geographically proximate group of interconnected companies and associated institutions in a particular field linked by commonalities and complementariness."

### UNIDO Cluster Definition:

Cluster can be defined as concentration of MSMEs in a given geographical location producing same or a similar type of products or services and these enterprises face similar type of opportunities and threats. The cluster is mostly known by the name of the product being produced by major enterprises as well as the area they are located in.

In India different organizations have defined clusters differently to suit the classification of clusters which an enterprise has to deal with.

Micro and Small Enterprises – Cluster Development Program (MSECDP) defined cluster as a group of enterprises located within an identifiable and as far as practicable, contiguous area producing same/similar products/services.

Cluster Development Program of SIDBI adopts clusters under promotional and developed initiatives, which have uniform production activities which compliments each other, spread over in an adjacent area for cluster development.

According to NABARD, cluster development program, micro and tiny units functioning on Self Help Group mode and having 50 – 200 beneficiaries. It may go up to 500-700 and can even extend over further too.

### **Socio –Economic Growth Aspect of Clusters**

Industrial clusters are the cardinal feature of economic activity and pusher of economic development. Leading the business activities which creates vision, drives and talents for the entrepreneurs who spot out opportunities and promptly captures them to exploit. It is the propelling force of motive of economic development. In fact, clusters are salient of productive activity and key to economic development. The richness of the nation may be judged through its ability to produce useful goods and services and their wide distribution throughout the country. Clusters play a cardinal role in fast expansion of investment, employment, income and production. It is the cluster which powers the process of economic development.

One of the economic growth sections are clusters. Clusters are responsible for setting up enterprises. Clusters generate initiatives and innovative skills among the entrepreneurs for high achievements. New projects that create wealth, employment opportunities are created by clusters and other sectors also fostered by it. It works for the improvement of the society and brings changes. It creates better work culture. Clusters are important aspects of economic development. It brings together various resources and production factors including human resources and transforming those into the production process.

Clusters are the basic idea of “change”. It generates new opportunities in the places where there was no development. It transforms the particular area which is recognized as clusters and speed up the formation of new social class, new social groups and new socio economic organizations. It has capacity to change an undeveloped economy to industrialized economy.

Clusters are the scale of industrial growth, economic, social and technological growth in the society. Large scale production and distribution promoted by it. Industrial growth has been made rapid by it in a country. Following are the points due to which it is necessary to develop the clusters in the country: -

1. To do social and economic changes.

2. Combating social threats and challenges.
3. Fulfilling social responsibilities and goals.
4. By establishing viable units of clusters.
5. Developing entrepreneurial tendencies among the people.
6. Promoting innovations.
7. Promoting balanced and fast economic growth.
8. Promoting optimum utilization of resources.
9. Increasing employment opportunities.
10. Promoting capital formation to the nation.
11. Minimizing socio economic problems and maladjustment.
12. Establishing self-sufficient society.
13. Creating social changes and innovations.
14. Helping in execution of government policies.
15. Finding higher rate of economic growth by speeding up the process of activating the factors of production.
16. Improving standard of living of the economically weaker section.
17. Developing backward and tribal areas.
18. Dispersing economic activities.

Ensuring real growth, competitiveness, and profitability.

### **Cluster’s Role in Economic Development**

Civilizations develop by enterprising. Clusters Play pivotal role in economic growth. The function of clusters is bringing together the productive factors by combining them. In recent time, the role of clusters is supplementing and accelerating the pace of growth and economic development in both the developed and underdeveloped countries.

Unemployment, economic backwardness, lack of enterprises, less capital, technical backwardness affected the economic growth. To speed up the growth, clusters are needed.

### **Cluster Development Policy Framework in India**

In 1997, Ministry of small-scale industry set Abid Hussain committee, which was first to refer to implement the cluster approach for support to SMEs. After that, to increase the productivity and competitiveness of SMEs, the emphasis was on adoption of cluster-based approach in budget. To make Indian SMEs globally competitive, government of India gave a policy package on 10th August 2005, where cluster development was given importance. After the budget speech of 2006-07 of the then finance minister an empowered group of ministers (EGoM) under the headship of the foreign minister was formed to bring the complete and integrated policy for cluster development and examine the execution by different ministries of the government of India. Several state governments made this method as a means to help, improve and boost productivity of small and medium enterprises and make them internationally viable, in their industrial policy. For the 11th five-year plan, the

cluster development is one of the areas of emphasis of the ministry of MSMEs.

Central ministries/Departments launched various programs for the cluster development. So did the state Governments.

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### Preparation of Questionnaire

Questionnaire for the survey work has been updated in accordance with the objectives of study. The updated questionnaire is as follows:

#### Statements:

1. Availability of raw materials is helpful in the development of MSMEs.
2. Infrastructural facilities are helpful in the development of MSMEs.
3. Sufficient electricity supply is helpful in the development of MSMEs.
4. Availability of Raw materials in GIDA encourages the entrepreneurship.
5. Availability of sufficient raw materials helps in the development of industry in a cluster.
6. Professionals from different sectors can contribute to the development of MSMEs.
7. Availability of cheap labor in GIDA is helpful in the development of industry.
8. Continuous water supply is necessary for smooth working of industries in GIDA.
9. There is a need of better communication facilities for the industries of GIDA.
10. Semi-skilled workforce has played a cardinal role in the development of MSMEs in GIDA.
11. There is a need of continuous technology up gradation for sustaining in competition.
12. Modern machines and equipment are necessary.
13. There is a need to train the labors according to specific purposes.
14. There is a requirement for technology up gradation for cost efficiency.
15. Trained Workforce is required for MSMEs development.
16. Government should provide more opportunities to the industrialists of GIDA.

17. Government should provide tax rebate to industries in the clusters.
18. Political intervention should be stopped to attract industrialist in GIDA.
19. GIDA is successful in its goal of cluster development.
20. GIDA has provided ample employment opportunities to locals

One more statements are added so that the objectives will be targeted. These are:

21. Government Providing grants and loans for adoption of technologies.
22. MSMEs Ministry encourages the innovations and technological advancement of MSMEs.
23. Programmes available for skill development by MSME ministry.
24. Supports are provided by the ministry of MSME to improve quality of products Produced in MSME sector.
25. Government policies are there to provide market access to MSME products.
26. Government taking steps to provide credit and attract investment in MSMEs.
27. Formation of consortium is there.
28. Government helps small business development.
29. Help provided to self help groups to set up and run micro and small industries.
30. Government is creating /bettering up of infrastructure related facilities in new and running industrial locations/clusters of MSMEs in GIDA.
31. There is a common Facility centre set up in GIDA.

### Conclusion

MSMEs are likely to experience a more conducive landscape going forward, with the government committed to provide momentum to the sector by including it as an integral part of industrial policy. Experts opine the share of MSMEs in the country's GDP would touch double-digits by the end of this decade from the current 8.0 per cent. SMEs' contribution to the country's GDP is expected to increase to 22.0 per cent by 2020. The anticipated rise can be attributed to policymakers' focus on nourishing the country's manufacturing sector and promoting greater role of entrepreneurial activity across sectors. This could lead to a wide range of attractive opportunities for domestic and international investors..The lacking is

That development is not happening at good pace in all regions. Especially Eastern U.P, Bihar Like regions are lagging behind. There is government support in the form of subsidies and stamp duty exemption but lot of more has to be done.

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