Mapping of non-financial gaps in select MSME clusters

Executive summary

The MSME (Micro, Small and Medium Enterprises) sector is a major contributor to the Indian economy. It accounts for about 45 per cent of manufacturing output and 40 per cent of exports. As per the annual report of the Ministry of MSME for the year 2010–11, there are an estimated 28.9 million Small and Medium Enterprises (SMEs) that generate and provide employment to 69.5 million people. There are many resource-intensive SME sub-sectors such as brick, engineering, forging, foundry, chemicals, etc., where energy and material costs account for as much as 40 per cent of the product cost. However the SME sector remains a largely neglected and under-serviced sector from the resource efficiency point of view.

The objective of this study is to carry out a detailed analysis of some clusters and to identify non-financial gaps and suggest appropriate measures to achieve energy efficiency. The major focus was on non-financial issues, infrastructure, and marketing. For this purpose, five clusters were identified and the findings in these clusters are summarized below.

The Mohali–Panchkula–Chandigarh (MPC) cluster is one of the prominent SME engineering clusters in the country. The study revealed that the industries in this cluster urgently require services in the area of skill development, infrastructure, market diversification, productivity improvement (lean manufacturing), energy efficiency/pollution control, and strengthening of Chandigarh-based industry associations.

The Kolhapur foundry cluster is a major hub of castings in India. The present Business Development Service (BDS) market in the cluster is underdeveloped. The MSMEs make limited use of government institutions providing these services. The study revealed that the industry requires services in the area of common product testing, skill development, basic road infrastructure, market diversification, productivity improvement, energy-efficiency, and pollution control.

The engineering industries in the Hubli–Dharwad area form an important segment in the economy of Hubli. The major gaps identified in this cluster are: lack of public transport and canteen facilities; poor street lighting; poor road and rail connectivity; relatively few original equipment manufacturers; few SMEs catering to export market; higher rate of taxation in the state; no local service providers in surface treatment technologies and process automation; difficulty in getting unskilled labour; power fluctuation problem; etc.

Rajkot, in the state of Gujarat, is one of the largest SME engineering clusters in the country. In this cluster, it was found that there is a need to develop better infrastructure like building an exhibition centre and convention halls, common raw materials procurement facility, heat treatment facility, simulation software centre, etc. There is lack of awareness about energy management systems, government schemes, and financial incentives. The indoor air quality is very poor in induction furnace foundry units.
Ankleshwar is the most prominent MSME chemical cluster in Asia. A four-year ‘Prioritized Action Plan’ to develop this cluster and help achieve cluster vision by providing infrastructure and business development services has been formulated. Some of the action plans are: establishment of a common facility for testing, training, and product development; yield improvement through process and environmental audits and implementation of quality management tools; formulate and implement unit level marketing strategies; mobilization and capacity building of candidates on various skills related to chemical industry, general engineering, and skills required for service providers.