

DEVELOPMENT OF TECHNOLOGY BASED VIRTUAL CLUSTERS: APPLICATION FOR MSME SECTOR

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ABSTRACT

Clusters allow small businesses belonging to different sectors to co-exist with their fellow enterprises on the web-portal and enable them to capitalize on the benefits of networking would contribute towards further growth of MSME Sector. India has around 400 industrial clusters and over 3000 artisan clusters that remained an effective policy tool for inclusive and sustainable economic development and cluster development reinforced industrial development. The Virtual Clusters is a single window source of information for all the stakeholders like Industry, Academia, Institutions, Domain Experts, Professionals, Consultants, Prospective Entrepreneurs, etc. Virtual network wherein different clusters of Micro, Small and Medium Enterprises can connect on a common platform and share information to help them expand their business. This will facilitate the stakeholders to leverage the expertise of each other to their mutual growth and benefit. Micro, Small and Medium Enterprises are the backbone of an economy. They are the most prolific job creators and pioneers in developing new ideas.

KEYWORDS: MSME, NGO, NIESBUD, SSI & Virtual Cluster.

INTRODUCTION

A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area and producing similar products or services. The cluster development aims at enhanced competitiveness, technology improvement, adoption of best manufacturing practices, employment generation and marketing of products etc. Virtual Cluster is a unique initiative taken by Ministry of MSME hosted by NIESBUD. Conceived as supplementing Physical Clusters, Virtual Clusters is a dedicated web-portal which will enable small businesses located anywhere in the country and the other stakeholders like banks, other financial institutions, various Government bodies, NGOs, industry experts, consultants and trainers, academia, research & technical institutions etc. to come together which will facilitate the stakeholders to leverage the expertise of each other to their mutual growth and benefit. Virtual Clusters would allow small businesses belonging to different sectors to co-exist with their fellow enterprises on the web-portal and enable them to capitalize on the benefits of networking. The Virtual Cluster Approach will enable MSMEs

to co-exist with their peers on a web-portal; around 2,000 industrial clusters have been identified for undertaking soft and hard interventions with a view to increase the competitiveness of the enterprises. This would contribute towards further growth of MSME Sector. The web-portal will be administered by The National Institute for Entrepreneurship and Small Business Development (NIESBUD), an organization under the Ministry of MSME; Government of India wants to help these businesses in every possible way to facilitate the industry. A new step in this direction is the development of Virtual Clusters where it is a meeting place for:

- Micro, Small and Medium scale businesses
- Academic institutions like engineering colleges, polytechnics, ITI's, MBA colleges and Design Institutes
- Consultants having expertise in specific industries
- Financial Institutions
- Various government departments

CURRENT STATE OF MSME SECTOR

The Small Scale Industries (SSIs) have been renamed as Micro, Small and Medium Enterprises (MSMEs) with the introduction of MSMED (Micro, Small and Medium Enterprises Development) Act, 2006. The MSME has often been termed as 'engine of growth' for all developing economies including India. Micro, Small and Medium Enterprises (MSMEs) play a very significant role in the balanced and sustainable growth of the economy. The MSMEs constitute over 90% of total enterprises in most of the economies. The contribution of MSMEs to country's industrial production, GDP, employment generation, creation of entrepreneurial base, poverty alleviation and exports is quite significant. Recognizing the importance of MSMEs, the Government of India has been implementing several schemes and programmes for the promotion and development of these enterprises in the field of credit, technological up gradation, legal or regulatory framework, marketing, infrastructure development, entrepreneurship, skill development etc. MSME sector has been playing an important role in socio economic development of the country. MSME sector contributes around 8% of GDP. MSME sector accounts for around 40% of the total exports and around 45% of the manufacturing output. As per the Fourth All India Census of the Micro, Small and Medium Enterprises, total number of Enterprises of the MSME sector is 361.76 lakh of which 15.64 are registered Enterprises. The sector provides employment to 805.24 lakh persons. The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. The role of the Ministry of Micro, Small and Medium Enterprises (M/o MSME) and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario. However, current figures related to the aggregate performance (output, employment and exports) of India's MSMEs point to the contrary.

- There are more than 100 lakh MSME units in India with an investment of more than Rs 1 crore.
- The sector has recorded double digit growth in the last four years.
- The contribution of the MSME sector to the entire output of the country is 40% and to the GDP 6%.
- Currently, there are over 11 million MSME units in India that produce more than 8000 products.
- Ninety per cent of the industrial units in India belong to the MSME sector.

- These MSMEs units contribute 35% to Indian industrial exports.

MSMEs lead to entrepreneurial development and the diversification of the industrial sector. They also provide depth to the industrial base of the economy. Employment opportunities are generated and the capital cost per employee is low. With the services sector dominating the MSME, and MNCs outsourcing their requirements to Indian service providers, the scope for MSME finance has increased.

DEVELOPMENT OF VIRTUAL CLUSTERS

Globally, there has been a growing interest for using clusters as a tool to address multiple issues including sustainability, inclusivity, innovation, manufacturing value added, etc. across the world and there is also huge scope for creating win-win growth paradigms by creating local network of producers and linking them to global value chains on a stronger way. There is huge scope for linking agro processing units through the cluster route and strengthen the rural economy and it is also an advantage of the natural network or pockets of trust that exist in clusters both for smoothening forward as well as backward linkages. Such networks are socially acceptable means for channeling finance. SIDBI association has done the due diligence and has made the financing. But such interventions need to be scaled up; there is also need for branding of clusters for higher value addition. Clusters are being used as a tool for development not only in India but also in many European countries too.

The objective of the Micro and Small Enterprises Cluster Development Programmes (CDPs) is to support the sustainability and growth of MSEs such as improvement of technology, skills and quality, market access, access to capital etc. It also aims to build a capacity of MSEs for common supportive action through formation of self help groups, consortia and up gradation of associations. CDPs create and upgrade infrastructural facilities in the new or existing industrial areas of MSEs.

The Virtual Clusters concept consists of a dedicated Web portal to be hosted by the Ministry of Micro Small and Medium Enterprises (MSME) which provides an opportunity for the following stakeholders to register and join.

- MSME's and their business units.
- Academic institutions (engineering colleges, polytechnics, ITI's as well as MBA colleges and design institutes).
- Various experts, consultants and trainers who can provide sector specific help to MSME's.
- Banks and other financial institutions who are interested in providing financing to MSME's.
- Various governmental organizations, NGO's, and volunteering executives who have a special interest in the MSME sector.

BENEFITS TO VARIOUS STAKEHOLDERS

The main stakeholders in this initiative are the small business units. The role of the other stakeholders is to help the business units grow rapidly in the areas of increasing the sales and the profitability. The Virtual Cluster concept is being conceived such that small businesses belonging to different sectors can coexist with their fellow enterprises on a web portal and realize the benefits of focused and targeted networking. Web based Virtual Clusters for different sectors can be created rapidly thereby responding to the needs of the stakeholders quickly.

Business Enterprises

- Awareness of various opportunities such as government tenders and export opportunities.
- Training in new technologies that will improve their operations and reduce costs.
- New product development opportunities.
- Help from students and faculty from nearby academic institutions without having to pay for such help. Such help can be in areas such as quality improvement, cost reduction, new product designs, etc.
- Targeted help from consultants and experts specific to particular business sectors.

Consultants and other practicing professionals

Professionals who have expertise in specific business sectors will be able to quickly reach businesses in that sector who are registered through the Virtual Clusters web portal. This will make the process far more efficient for both the parties.

Students

Studies have shown that a large number of students are not able to get meaningful jobs after completing their studies since they lack the exposure to solving real life problems. Through the Virtual Clusters web site and other associated activities we are aiming to address this problem by linking various academic institutions to businesses. As a part of their industry internship program students can help implement a number of systems at the business units without these businesses having to employ outside experts to provide such services.

Banks and other Financial Institutions

Many banks and other financial institutions offer special funding packages to small businesses through the Virtual Clusters initiative they will be able to offer sector specific funding packages rather than a standard offering in which the small businesses have to fit in. This will enable banks to specialize in sectoral funding and simultaneously spread their risks across a larger number of companies in a given sector. Businesses will benefit by saving time and having ready access to better suited funding options.

Central and State Government Organizations

A number of central and state level organizations offer many programs targeted at the small business community. The Virtual Clusters portal will make it easier for policy makers and other implementing agencies to reach these businesses quickly and more efficiently.

NGO's and Volunteer Advisors

In case of governmental organizations many regional NGO's and volunteer advisors can reach MSMEs that are registered in the Virtual Clusters web site more effectively.

Pilot Project

Virtual Clusters model is being tested through a pilot that will first focus on businesses involved in the Food Processing Industry which includes companies that make food products and those that make equipment used in food processing. The concept will then be readily and rapidly extended to a number of other sectors.

EXAMPLES OF FOOD PRODUCTS

- Packaged honey and various honey based products
- Dry fruits
- Saffron Spices
- Various types of nuts: cashews, peanuts, walnuts, etc.
- Juices
- Herbs
- Biscuits and other baked products Etc.

EXAMPLES OF FOOD PROCESSING MACHINERY

- Pasteurizing machinery
- Baking ovens
- Spice grinders
- Packaging machinery
- Juice making machinery etc.

ACTIVITIES OF VIRTUAL CLUSTERS

MSME Ministry will administer the Virtual Clusters web site and will pro actively perform the following activities:

- Work with bankers and various stakeholders within the government in the best interest of the MSME's.
- The needs of the Food processing sector and organizing the availability of required technologies.
- Facilitating specialized training in the application of such technologies.
- Work with the purchasing arms of the various government departments and PSU's to assess their purchase requirements that have been reserved for purchasing from the MSME's.
- Work with the academic institutions to review their experiences and help fine tune the process as needed.
- Monitor web site usage and suggest any changes that might be necessary to enhance overall user experience.
- Anything else that needs to be done to make the initiative a strong success at an early date.
- Organize a package of software applications that will be of benefit to MSME's.
- Train academic institutions and MSME's in the use of such software applications.

DIFFERENCE BETWEEN CURRENT PHYSICAL CULSTERS & VIRTUAL CLUSTERS

The current "physical clusters" scheme requires the MSME units to be physically located in one geographic area which requires time and significant resources to build and maintain the physical infrastructure. On the other hand Virtual Clusters remove the need to maintain a physical presence

in these regions. Small Businesses or Enterprises can be located anywhere in India and yet be able to realize all the benefits that units in the physical clusters now realize.

CONCLUSION

Indian MSMEs have moved up the value chain from manufacture of simple goods to manufacture of sophisticated products with the overall growth in Indian economy, SMEs have entered the services sector as well. Clustering and networking approach adopted by Government of India and State Governments for development of MSMEs has helped these enterprises in boosting their competitiveness. Indian SMEs are also implementing new and innovative information and communication technologies on a large scale. To foster an inclusive cluster culture for SME, an appropriate balance needs to be struck between autonomy and competition. There are some encouraging examples on successful virtual collaboration that the other stakeholders like banks, other financial institutions, various Government bodies, NGOs, industry experts, consultants and trainers, academia, research & technical institutions etc. to come together which will facilitate the stakeholders to leverage to each other to their mutual growth and benefit.

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