

## Poverty Alleviation through Cluster Development

Dr.V. N. Laturkar, SCMS, SRTMUN

Gajanan Bellale, Research Student, SRTMUN

Dr. Amarpreet Kour Randhawa, SCMS, SRTMUN

---

### Abstract:

The development of a country is boosted with the contribution of its industrial sector in the economy. In Indian economy, industrial sector contributes 29.92%. Naturally, it depicts the need for industrial growth and development in a country. Ministry of Industrial development has initiated several schemes through Micro, Small and Medium Enterprises (MSME's) and relevant other sectors. Cluster Development scheme is internationally adopted at huge level and India is not an exception. In India, more than 6000 clusters are mapped under this governmental scheme. India has highest number of cluster compared with other countries. Many clusters in India have proven to be successful and advantageous while on the other hand many clusters are unsuccessful though cautious policy and promotional support has been extended by Government of India to develop MSME's through clusters. This research will be an attempt to study the poverty alleviations through cluster development scheme in India with the selected case studies of successful clusters in India.

### INTRODUCTION:

The Micro, Small and Medium Enterprise (MSMEs) are important sector and play a critical role in Indian economy. MSMEs will continue to play a very important and vital role in our economy in addressing the twin problems of unemployment and poverty which constitute a major development challenge. If the Government, Bank and Financial institutions take proper initiatives in MSME sector, these challenges can be tackled to a large extent through **cluster developments** to achieve the economic growth rate of Maharashtra as well as India that is expected to be 8-10% for the next decades. As per MSME annual report 2021-22, National Statistical Survey report of 73rd round census states 47.88 lakh MSME's are in Maharashtra state among 633.9 lakh total MSME's in India, offering employment to 1109.89 lakh people in the country. As per the Directorate of Industries, Government of Maharashtra there are 71 clusters approved for implementation of Soft Intervention programme under MSICDP out of which 12 clusters got final approval in F.Y. 2015-16.

### Defining Cluster:

- Clusters consist of firms in a region producing similar or related products, utilizing similar processes or engaging in similar functions, the regional suppliers and customers of these firms, specialized labour skills possessed by workers in the region employed by these firms, public and public-private programs that provide services to cluster members.
- The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India (GoI) as well as Govt. of Maharashtra has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country. Clustering of units also enables providers of various services to them, including banks and credit agencies, to provide their services more economically, thus reducing costs and improving the availability of services for these enterprises. Cluster development method is an effective way to develop industries lacking modern technology and all other variety of supporting services. This approach has been adopted widely at international and national level and has given successful sustainable development in long run. The main objectives of this scheme is to improve technology,

skill and quality of MSME's as well as to build support system with collective efforts by upgrading infrastructural facilities in new or existing clusters.

**If clusters are properly developed and their services are properly utilised, the MSME sector can contribute even more towards the socio-economic development and growth of industrial sector and different stakeholders involved into it.** Industries create employment and income generation sources which are particularly important for country like India where unemployment and disguised employment is a major problem. Schemes like cluster development for MSME's are targeted for socio-economic development people belonging to semi urban and rural areas, vulnerable communities and groups including farmers who lack information about marketing, financial and other operating aspects relating to their products or services.

#### **India & World scenario:**

Cluster scheme has become necessity of every developed and developing country and India is not an exception. World economies are growing with cluster schemes; India is also significantly implementing the cluster development scheme at huge level. Indian clusters are divided into six industrial zones i.e. Hooghly Industrial Belt, Mumbai-Pune Industrial Region, Ahmedabad-Vadodara Region, Madurai-Coimbatore-Bengaluru Region, Agra-Mathura-Meerut, Saharanpur belt, and Faridabad-Gurgaon-Ambala Belts. An industrial cluster is a collection of firms and related stakeholders that increase productive advantages from working in close immediacy -- such as supplier, same market, similar machines, tools and equipment, labour with similar skills Presently, there are more than 600 industrial SMEs clusters and more than 7,000 artisan firm clusters working in India.

Governments worldwide regard clusters as potential drivers of enterprise development and innovation. Examples of internationally renowned clusters, such as that of the Silicon Valley cluster in California, the information technology cluster of Bangalore in India, or the Australian and Chilean wine clusters demonstrate that clusters are environments where enterprises can develop a competitive and global edge, while at the same time generating wealth and local economic development in the process. However, the mere fact of geographical agglomeration of enterprises is, in itself, no guarantee of strong economic performance; that is, the advantages associated with clustering do not always emerge automatically. Relatively few clusters in the developing world have been able to achieve high and sustained growth rates. In many cases, they are trapped in a cycle of cut-throat competition, stagnation and poverty and are unable to spontaneously achieve the transition to innovation and growth. Consequently, appropriate policy support and assistance are often required. UNIDO has developed an approach to cluster development that tackles the underlying causes of cluster stagnation and helps seize growth opportunities and overcome obstacles to development.

#### **Cluster Development as a tool for poverty alleviation**

##### **Amla production at Pratapgarh, Uttarpradesh**

Cluster development scheme has its own importance as far as poverty reduction is concern. It has been proved through successful clusters in India. As per the report of centre of technology & Entrepreneurship development Amla cluster of Pratapgarh Uttar Pradesh, it alone produces seventy per cent of amla produced in India. More than 800 families are producing Amla fruit and more than 400 families are engaged in Amla processing. There are around 50 small enterprises in the organized sector. Major part of this fruit production is supplied to pharmaceutical industries. Only 20 percent of total amla production is used to process pickles and A bare 20 per cent of amla is locally processed with traditional skills to produce pickles, jams and sweetmeats. However,

this amla fruit has scope to convert it in chyavanprash, hair oil, amla candy, amla powder (churan). This will result in value addition and thus help in poverty alleviation.

#### **Cashew and Processed Fruit Cluster of Sindhudurg**

Sindhudurg is the smallest district of the Maharashtra state. It has a population of 862,000 where maximum population is living in 710 villages and more than 30 percent population lives below poverty line (BPL). It covers about 5,000 square kilometres restricted in 8 chunks, namely Devgarh, Kankauli, Kudal, Malvan, Savantvadi, Vengurla, Vaibhavadi and Dodamarg. Among the Small Scale Industry (SSI) units, 75 per cent of the micro enterprises and Self-Help Group (SHG) units are located in the four chunks of Kudal, Malvan, Savantvadi, Vengurla, yet it covers only 2000 sq.km with 350 units. This makes difficulty in inter-unit cooperation with respect to group development, regular interaction, inter-group co-operation and joint works like common buying, common packaging, and common marketing at certain identified levels. However, this cluster has developed small units to dream into big units and has strengthened them in the areas of technology, skill and business strategies. In this way this cashew cluster helps in poverty alleviation.

#### **Handloom Cluster of Chanderi**

Chandery is a small place situated in the state of Madhya Pradesh, India. Handloom-based weaving of Chandery is oldest work of country. The cluster is well-known for its unique traditional handloom products which has very high value. In the year 2003, it had 11000 weavers working in 3000 looms. During a Participatory Poverty Appraisal (PPA), the well-being analysis indicated that traders, large master weavers, are benefited the most etc. Small master weavers and independent weavers were moderate benefited. Below average were those weavers who were lowly paid and led a vulnerable existence. And daily workers or wage workers who had become dependent on traders or master weavers were not able to save for the next day. They were estimated to constitute 30-40% of the weaving community and were in need of livelihood improvements. The estimated turnover of the cluster was around USD 2.6 million. This was marketed mostly by 50 traders through their private marketing channels and also through fairs and exhibitions and supportive purchase policy of the state government. As a result, the cluster largely remained untouched by modern design and product development. It therefore got alienated from a typically design intensive rising upper-middle class market catered by high-value chains. Moreover the name of 'Chandery' was constantly being misused by power-loom 'look alike', thereby cutting into the potential clientele of the cluster. These, along with trend decrease in support framework, further aggravated the situation leading to low and irregular wages and at times no-work situations for the poorest weavers. However, if the cluster scheme is being properly utilized and small weavers and workers are supported, then it will increase their income and provide better livelihood.

#### **Conclusion:**

A cluster has wide range of stakeholders. They are connected as members and users (consumers) of the cluster. Principal stakeholders are those who are producing 'product' in a cluster and join as member for availing cluster scheme. These firms get their raw material and supporting services from forward and backward linkages with manufacturer of raw material, machinery, technical, financial assistance from banks, traders, exporters and importers etc. and various other interest groups which form the part of connected stakeholders. The success of a cluster depends upon several factors like proper utilization of resources like technology, marketing activities, skill development through training and using common facility center. If the clusters are fully utilised, it will result in growth of small units and many skilled people becoming entrepreneurs.

**References:**

**Websites:**

1. <https://msme.gov.in/annual-report-2021-22>
2. [http://di.maharashtra.gov.in/\\_layouts/15/doistaticsite/English/investors\\_guide\\_msi\\_cdp.html](http://di.maharashtra.gov.in/_layouts/15/doistaticsite/English/investors_guide_msi_cdp.html)
3. [msmedimumbai.gov.in/html/html/ISP2016.pdf](http://msmedimumbai.gov.in/html/html/ISP2016.pdf) (Industrial state profile of Maharashtra 2016)
4. [http://ijariie.com/AdminUploadPdf/Cluster\\_Development\\_Programme\\_%E2%80%93%93\\_an\\_Empirical\\_Study\\_of\\_Karnataka\\_ijariie1609.pdf](http://ijariie.com/AdminUploadPdf/Cluster_Development_Programme_%E2%80%93%93_an_Empirical_Study_of_Karnataka_ijariie1609.pdf)
5. [https://www.unido.org/sites/default/files/201401/UNIDO%20CLUSTER\\_APPROACH\\_0.PDF](https://www.unido.org/sites/default/files/201401/UNIDO%20CLUSTER_APPROACH_0.PDF)
6. <https://fmc.org.in/wp-content/uploads/2012/10/Pro-Poor-Cluster-Development.pdf>
7. [https://gwipp.gwu.edu/sites/g/files/zaxdzs2181/f/downloads/Working\\_Paper\\_042\\_Clusters.pdf](https://gwipp.gwu.edu/sites/g/files/zaxdzs2181/f/downloads/Working_Paper_042_Clusters.pdf) retrieved on 23 July2022
8. <https://fmc.org.in/wp-content/uploads/2012/10/Theme-Paper-International-Conference.pdf>