

Clusters and Cluster Development

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. Clusters arise because they increase the productivity with which companies can compete. The development and upgrading of clusters is an important agenda for governments, companies, and other institutions. Cluster development initiatives are an important new direction in economic policy, building on earlier efforts in macroeconomic stabilization, privatization, market opening, and reducing the costs of doing business.

A special focus on the linkages or externalities across industries that give rise to clusters is to be studied and details should be worked out...

The role of regional cluster composition in the economic performance of industries, clusters and regions. On the one hand, diminishing returns to specialization in a location can result in a convergence effect: the growth rate of an industry within a region may be declining in the level of activity of that industry. At the same time, positive spillovers across complementary economic activities provide an impetus for agglomeration: the growth rate of an industry within a region may be increasing in the size and "strength" (i.e., relative presence) of related economic sectors.

A systematic empirical framework to identify the role of regional clusters – groups of closely related and complementary industries operating within a particular region – in regional economic performance.

Industries participating in a strong cluster register higher employment growth as well as higher growth of wages, number of establishments, and patenting. Industry and cluster level growth also increases with the strength of related clusters in the region and with the strength of similar clusters in adjacent regions. Importantly, we find evidence that new industries emerge where there is a strong cluster environment. Our analysis also suggests that the presence of strong clusters in a region enhances growth opportunities in other industries and clusters. Overall, these findings highlight the important role of cluster-based agglomeration in regional economic performance.

There is significant evidence of the positive impact of clusters on entrepreneurship. After controlling for convergence in start-up activity at the region-industry level, industries located in regions with strong clusters (i.e. a large presence of other related industries) experience higher growth in new business formation and start-up employment. Strong clusters are also associated with the formation of new establishments of existing firms, thus

influencing the location decision of multi-establishment firms. Finally, strong clusters contribute to start-up firm survival.

Economic geography in an era of global competition poses a paradox. In theory, location should no longer be a source of competitive advantage. Open global markets, rapid transportation, and high-speed communications should allow any company to source any thing from any place at any time. But in practice, location remains central to competition. Today's economic map of the world is characterized by what Porter calls clusters: critical masses in one place of linked industries and institutions--from suppliers to universities to government agencies--that enjoy unusual competitive success in a particular field. The most famous examples are found in Silicon Valley and Hollywood, but clusters dot the world's landscape.

Clusters affect competition in three broad ways: first, by increasing the productivity of companies based in the area; second, by driving the direction and pace of innovation; and third, by stimulating the formation of new businesses within the cluster. Geographic, cultural, and institutional proximity provides companies with special access, closer relationships, better information, powerful incentives, and other advantages that are difficult to tap from a distance. The more complex, knowledge-based, and dynamic the world economy becomes, the more this is true. Competitive advantage lies increasingly in local things--knowledge, relationships, and motivation--that distant rivals cannot replicate.

Even as old reasons for clustering have diminished in importance with globalization, new influences of clusters on competition have taken on growing importance in an increasingly complex, knowledge-based, and dynamic economy. Clusters represent a new way of thinking about national, state, and local economies, and they necessitate new roles for companies, government, and other institutions in enhancing competitiveness.

[Chikki in Lonavala, Maharashtra - European Cluster Collaboration ...](#)

[Micro & Small Enterprises Cluster Development Programme](#)

Micro & Small Enterprises Cluster Development Programme
Encourages Entrepreneurship in Maharashtra

Government of India introduced the National Programme on Rural

Industrialisation(NPRI) under which 100 rural clusters had to be developed every year....**Maharashtra Chief Minister Prithviraj Chavan has said the government plans to allow cluster-development of dangerous and illegal buildings, which will enable existing residents to get 300 sq ft dwellings.**

(18) cluster development in vidarbha region of maharashtra - msme ...

The Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 28th January 2010 approved the modifications in the guidelines of Micro & Small Enterprises- Cluster Development Programme (MSE-CDP). The modifications in the guidelines of the MSE-CDP have been notified vide this office Order no. 1(17)/SICDP/Cluster/TM/2006 dated 10th February 2010. The major modifications are:

(i) Enhancement of the maximum project cost for Common Facility Centre (CFC) from Rs.10 crore to Rs.15 crore, with Gol contribution of 70% (90% for Special Category States and for clusters with more than 50% women/micro/village/SC/ST units);

(ii) Enhancement of the maximum project cost for Infrastructure Development from Rs.5 crore to Rs.10 crore, with Gol contribution of 60% (80% for Special Category States and for clusters with more than 50% women/micro/SC/ST units);

(iii) Enhancement of the maximum project cost for Soft Interventions from Rs.10 lakh to Rs.25 lakh, with Gol contribution of 75% (90% for Special Category States and for clusters with more than 50% women/micro/ village/SC/ST units); and

(iv) Enhancement of the cost ceiling for preparation of Detailed Project Report (DPR) for CFC and/or Infrastructure Development to Rs.5 lakh.

- A) Garments Clusters Nagpur & AMRAVATI
- B) HIGH FLY ASH CLUSTERS CHANDRAPUR
- C) CHIKKI CLUSTER LONAVALA (MAHARASHTRA)
- D) The Paithani sarees cluster in Maharashtra.
- E) Auto Cluster Development

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OTHER CLUSTERS IN VIDHARBHA REGION TAKEN UP BY
DIRECTORATE OF INDUSTRIES GOVT. OF
MAHARASHTRA MUMBAI....

The Details of cluster are as follows:

- 1) Bamboo cluster – Gadchiroli
- 2) Rice mill cluster – Chandrapur
- 3) Lime cluster – Rajpur Taluka –wani, Dist. Yavatmal
- 4) Bamboo cluster – Chandrapur
- 5) Rice mill cluster – Gadchiroli
- 6) Garment cluster – Gadchiroli
- 7) Dal Mill cluster – Nagpur

Cluster development scheme - Doing Business In Maharashtra

Doing Business in **Maharashtra** ... The name of scheme is Micro and Small Enterprises- **Cluster Development** Programme.-

Indian SME Clusters

With a contribution of 40% to the country's industrial output and 35% to direct exports, the Small-Scale Industry (SSI) sector has achieved significant milestones for the industrial development of India. Within the SSI sector, an important role is played by the

numerous clusters that have been in existence for decades and sometimes even for centuries. According to a UNIDO survey of Indian SSI clusters undertaken in 1996 (later updated in 1998), there are 350 SSI clusters. Also, there are approximately 2000 rural and artisan based clusters in India. It is estimated that these clusters contribute 60% of the manufactured exports from India. The SSI clusters in India are estimated to have a significantly high share in employment generation.

Some Indian SSE clusters are so big that they account for 90 per cent of India's total production output in selected products. As for example, the knitwear cluster of Ludhiana. Almost the entire Gems and Jewellery exports are from the clusters of Surat and Mumbai. Similarly, the clusters of Chennai, Agra and Kolkata are well known for leather and leather products.

However, the majority of Indian clusters, especially in the handicrafts sector, are very small with no more than hundred workers, so specialised that no other place in the world matches their skills and the quality of their output. This is the case, for example, of the Paithani sarees cluster in Maharashtra. However, only a tiny minority of such artisan clusters are globally competitive.

The formidable challenges created for the SSE sector by the liberalisation of the Indian economy, as well as its closer integration within the global economy, have generated a great deal of interest within India on novel approaches to SSE development. As a result, both private and public sector institutions at the Central as well as the State levels are increasingly undertaking [cluster development initiatives](#).

Cluster Development Scheme

1. What is the definition of Cluster?

A group of enterprises located within an identifiable and as far as practicable, contiguous area, producing same/similar product/ services.

2. What are the features of the cluster?

1. Clusters have common challenges and opportunities
2. Similar level of technology and structures
3. Similarity or complementarity in the methods of production, quality control and testing, energy consumption, pollution control etc.

3. PI. Explain the scheme.

Govt. of India, Ministry of MSME has announced the scheme for Micro and Small enterprises for enhancing their productivity and competitiveness as well as capacity building. The name of scheme is Micro and Small Enterprises- Cluster Development Programme.- MSE-CDP

4. Who implement the Cluster Development Programme?

Cluster projects are implemented by Special Purpose Vehicles (SPV) consisting of the actual/ likely cluster beneficiaries/ enterprises organised in any legally recognition, like

co-operative society, registered society, trust, company etc.

5. What are the main steps in cluster development?

The main steps are :

- 1) Selection of Cluster
- 2) Selection of CDE
- 3) Trust Building
- 4) Diagnostic study
- 5) Preparation of action plan
- 6) Approval of budget and leveraging of funds from various institutions.
- 7) Implementation of action plan
- 8) Monitoring and evaluation
- 9) Handing over and exit
- 10) Self management phase.

6. What are objectives of Cluster Develop Programme ?

To conduct the soft activities and hard activities under soft and hard interventions for following objectives :

1. To enhance the productivity and competitiveness of micro and small enterprises.
2. To facilitate economies of scale in terms of deployment of resources.
3. To built capacity of MSEs through formation of SHG, Mutual credit guarantee funds, BDS development etc.

7. Which are the main activities in cluster Programme?

In cluster Programme there are following two main activities

1. Soft activity : This includes interventions for soft activities viz capacity building, market development activities, management development and technology up gradation

2. Hard Activity : This includes intervention for hard activities viz. Establishment of common facility center (CFCs) etc.

8. Who will make available land for cluster projects?

Cluster developing agencies, Special Purpose Vehicle (SPV) has to arrange suitable and viable land for cluster project by their own.

9. Are there any priority for special categories?

Cluster should have suitable presence of

- (1) Women entrepreneur
- (2) Entrepreneur belongs to SC/ ST/ OBC/ Minorities etc.
- (3) Micro enterprises.

10. What are the special benefit for micro & Village enterprises?

Clusters of micro and village enterprises have the provision of enhancing financial

support by 10%

11. What is the time duration for completion of cluster project?

As per existing guidelines project duration for cluster is 3 years.

12. What is the role of CDE in cluster scheme?

CDE- cluster Development Executive plays very important role in the project. He is the officer from the Govt. agencies and one of the member of SPV. He conceptualizes the overall developmental strategy of the cluster, co-ordinates the activities and initiates implementation.

13. Specify the financial support from GOI under MSE-CDP scheme in the cluster.

Contribution of Ministry of MSME (Govt. of India) **will not exceed 80%** of the total project cost. Subject to a ceiling of Rs. 10 crores per project including Rs. 10 lakh for soft activities under soft interventions.

14. Is there any contribution from beneficiaries in cluster scheme?

Scheme expects at least 10% contribution from stake holders/ beneficiaries of the cluster projects.

15. What will be the ultimate result due to cluster projects?

1. Increased income, investment, capacity utilization, cost deduction, community empowerment, energy conservation, pollution control.
2. Infrastructure creation and linkage through govt. scheme.
3. Enhance collective economic efficiency
4. Developing culture of co-operation and team work
5. Strengthened local governance strength.
6. Creation of competitive market.