

CDP ACTS AS DRIVING FORCE TO THE MSME SECTOR A CASE STUDY OF FAN CLUSTER IN WEST BENGAL



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Abstract

MSME sector well-regarded as the backbone of the country is facing with huge problems in connection with fund, technology, demand and efficiency. CDP acts as safeguard mechanism to the MSME sector which is generating second largest employment. The purpose of this study is to evaluate the effects of CDP on capacity building of the MSMEs, using electric fans industry in Kolkata, West Bengal as case study. Based on this sample, the results obtained indicate that CDP has a clear effect on the capacity building of the MSMEs. MSMEs have been immensely benefitted in terms of productivity and competitiveness from various capacity building measures. The findings can prove useful to MSME department and its policy makers, new entrepreneurs, researchers, as well as government and academic institutions.

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are the growth accelerators and considered as the 'backbone of the Indian economy.' In spite of sizeable contribution to the economy, this sector is struggling for existence because of facing stiff competitions from large scale manufacturers as well as global corporations. In such circumstances, Cluster Development Programme (CDP) is an excellent platform and one of the finest schemes for the MSMEs in order to safeguard this sector properly. CDP acts as catalyst for channelizing the necessary resources in a social network towards enhancement

of building confidence and competitiveness of this sector. The key objectives of CDP are to increase productivity and capacity building of the MSMEs. It also strengthens enterprises to combat internal challenges and to defeat global threats of the today's competitive business climate. CDP has its two successive interventions namely soft and hard interventions. CDP protects MSMEs through soft interventions or to build up soft skills development and hard interventions or to build up the common facility Centre (CFC).

The purpose of this study is to examine the effects of CDP on capacity building of the MSMEs, using electric fans cluster in Kolkata, West Bengal as case study. In order to understand

the study's aim, entire study has divided into five sections. Section 1 deals with introduction. Section 2 presents the existing scenario of CDP in the MSME sector. Section 3 focuses on various capacity building measures. Section 4 examines the effects of CDP on capacity building of the MSMEs and Section 5 concludes the study.

Objectives of the Study

- i. To observe the existing scenario of CDP in the MSME Sector
- ii. To focus on capacity building measures in the light of CDP
- iii. To examine the effects of CDP on capacity building of the MSMEs

Database and Methodology

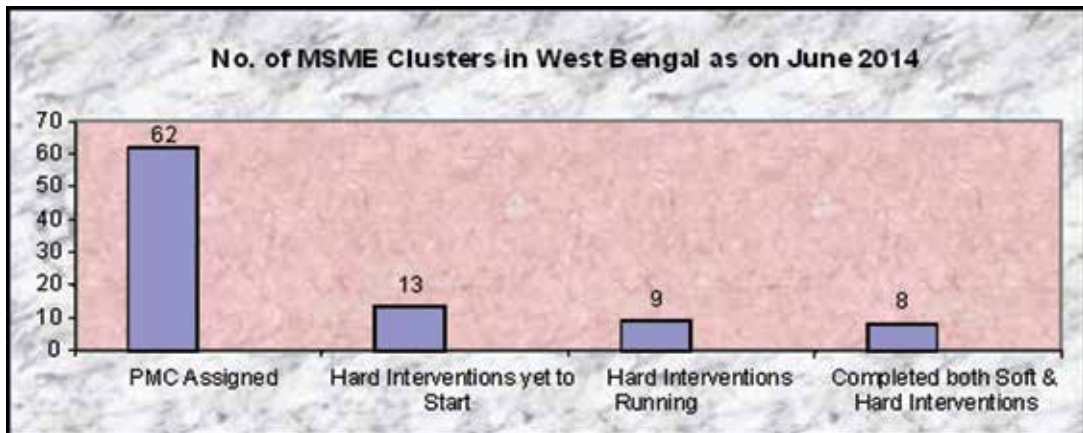
The study is both exploratory and empirical in nature. The exploratory part of the study is supported by the existing literature on the subject including books, journal articles, newspaper reports etc. The empirical analysis is based on both primary and secondary data. Secondary data have been collected from various web resources including electric fans cluster in Kolkata, West Bengal.

The main objective of the study is to examine the effects

of CDP on capacity building of the MSMEs based on soft interventions. Currently eight MSME clusters in West Bengal have completed soft interventions and completed or nearing to complete hard interventions. Electric fans cluster is selected for case study because it has already received two successive interventions of CDP. In order to find out data analysis and findings, primary data have been collected from concerned cluster through structure questionnaire which consist of 6 questions. It has distributed to and collected from 54 respondents. Data have been presented through cross tabulations. In addition, Pearson correlation (r value) between individual measure and capacity building is also attached in this study. Finally, three hypotheses are tested for making valid conclusion whether there is any impact of CDP on capacity building of the MSMEs or not. Most of the primary data have been collected during 2018-19 financial year and SPSS 19 package has been used to analyze the data.

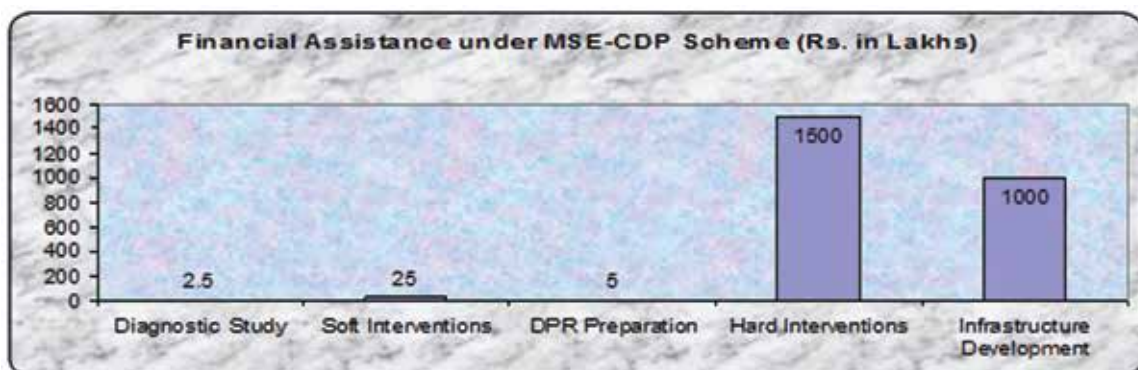
2. Overview of CDP in West Bengal

From the diagrammatic presentation, it is shown that as of June, 2014, 62 clusters were assigned PMCs for making feasibility study report about their future potentiality. 13 clusters yet to start CFCs, 9 clusters are running CFCs and 8 clusters have completed both interventions or nearing to complete hard interventions during the same period.



Source: Compiled by the Researcher

Financial Assistance under MSE-CDP Scheme



Source: MSE-CDP Guidelines, Ministry of MSME, Government of India, 2016

3. Capacity Building Measures

Capacity building becomes easy when collaborative approach is followed instead of individual attempt. A micro or small enterprise can't do this alone due to dearth of financial, technical and infrastructural constraints. In this situation, CDP is extremely useful and appropriate measure which introduced by the MSME Department, Government of India in August, 2007. However, various capacity building measures under soft interventions within the purview of CDP are mentioned below.

- i. Special Purpose Vehicle (SPV) Formation:** SPV is a legal entity which is formed through any mode of cooperative society, trust, registered society and company U/S 25.
- ii. Seminar and Workshop:** These are common promotional activities for both academic and corporate citizens. In seminar and workshop, specific subject is highlighted. Participants are getting knowledgeable and removed their confusions through interactive session. Seminar is presented through power point mode by a group of experts or seeking papers from participants to focus on selected issues. Workshop on the other hand, is presented through power point mode and or in practical fields.
- iii. Training Programme:** It is specially designed programme set for a group of newly appointed or existing employees in order to increase efficiencies for them. It has a positive impact on development of an organization as a whole.
- iv. Counseling and Motivation:** Motivation is an act of stimulating employees. Counseling is a way of selecting best option from available ones and prescribed some remedial measures. As a result, optimum use of physical, financial and human resources can be made possible.
- v. Participation in Foreign Fairs:** It is a strong medium for popularizing and promoting products in foreign markets. Besides, some orders may be executed. Through foreign fairs, entrepreneurs gain confidence and knowledge about various aspects of products including tests and fashions of consumers of their locations.
- vi. Exposure Visits to Model Clusters:** Exchange of ideas between two related clusters can identify their problems and make plan of actions for removing the same and retain confidence in the mind of participants.
- vii. Technology Demonstration:** Research and Development centre plays an important role in regard to consensus of using latest technology in every sphere of manufacturing activities or services. It has been increasing capacity building of the MSMEs.
- viii. Interlinked with Industry and Academia:** Clusters should have interlinked with industry for mass scale production and sales. Academic institutions support through tailor made solution in order to redress the problems of the MSMEs.
- ix. Backward linkage Programme:** Linked with companies for supplying of basic inputs, spare parts

and equipment. This programme helps in continue production uninterruptedly and at the same time cost of product becomes competitive.

- x. Forward linkage Programme:** This programme is linked with export agencies in particular. It helps businesses to explore in foreign markets and earns foreign currencies.

4. Analysis of Effectiveness of CDP on Capacity Building of the MSMEs

This section deals with analysis of effectiveness of CDP of electric fans clusters in Kolkata, West Bengal. In this section, an attempt has been made to examine whether CDP is effective and to what extent. The main focus of the study is to measure whether capacity building of the MSMEs has been achieved or not. In order to evaluate the effectiveness of CDP, only three capacity building measures related to soft interventions such as SPV formation, exposure visits to model clusters and industry and academia involvement are taken into consideration for analysis and decision making.

Overview of Fan Cluster

Kolkata is one of the leading centres of electrical fans manufacturing in the Eastern India and home to leading brands like Usha, Polar, Khaitan and Orient, etc. In 1960, few units were started their activities as auxiliary to the Usha company at Bansdrongi and Naktala areas.

Fan Manufacturers Cluster Foundation of Kolkata (FMCFK) is registered in the year of 2010. Electric Fan cluster in Kolkata started its journey since 1975. This cluster is very popular in West Bengal. The cluster has 260 functional units and predominantly concentrated at Naktala, Bansdrongi, Wellington Square and Tollygunge areas within a radius of around 15 Kilometers from Kolkata Municipal Corporation.

MSMEs are divided into Fan Components Manufacturing Units and Fan Assembly Units. Products from this cluster are highly standardized and price competitive. Products such as Ceiling fan, Table fan, Exhaust fan, Air Circulator fan and Pedestal fan are produced. However, Ceiling and Table fans are produced at large scale due to high market demand while rest three types of fan are also produced by them in a small quantity.

Analysis of Capacity Building Measures of the MSMEs

In order to measure the effectiveness of CDP on capacity building of the MSMEs of fans cluster in Kolkata, three different sets of questions have been formulated. Each set consists of two related questions. Therefore, strength of capacity building can be measured with the help of primary data sources:

- i. Role of Special Purpose Vehicle (SPV) Formation

Table: Role of SPV Formation			
	Frequency	Percent	Cumulative Percent
Agree	41	75.9	75.9
Neutral	12	22.2	98.1

Disagree	1	1.9	100.0
Total	54	100.0	

Source: Compiled by the Researcher

From the above table, it shows that 75.9% of respondents accepted its importance of SPV formation while, 22.2% of respondents were silent and only one respondent had negatively replied in this regard.

ii. Impact of SPV formation on capacity building

	Frequency	Percent	Cumulative Percent
Agree	40	74.1	74.1
Neutral	12	22.2	96.3
Disagree	2	3.7	100.0
Total	54	100.0	

Source: Compiled by the Researcher

It shows from the above table that 74.1% of respondents were believed that there is an effect of SPV formation on capacity building of the MSMEs. Though, 22.2% of respondents were neutral and rest 3.7% of respondents was rejected on the ground that there is no relation between two variables.

Relationship between SPV and Capacity Building

Chi-Square Test:

Hypothesis-1

H_0 = There is no relation between SPV formation and Capacity Building of the MSMEs

H_1 = There is a relation between SPV formation and Capacity Building of the MSMEs

A cross tabulation is drawn in order to determine sample opinion regarding impact of SPV formation on capacity building of the MSMEs and outcome is shown below in the following Table.

		Special Purpose Vehicle effects on Capacity Building of the MSMEs			Total
		Agree	Neutral	Disagree	
Special Purpose Vehicle enhances Production	Agree	40	1	0	41
	Neutral	0	11	1	12
	Disagree	0	0	1	1
Total		40	12	2	54

Source: Compiled by the Researcher

From the cross tabulation, it shows that more than 74% of respondents agreed on augmentation of capacity building through formation of SPV. SPV is one of the core issues under CDP.

Pearson Chi-Square Test is formulated to check out whether any kind of relationship exists between SPV formation and capacity building of the beneficiary units. Pearson Correlation is .935 and correlation is significant at the 0.01 level (2-tailed). Result of Chi-Square Test is shown below in the next Table.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	73.418 ^a	4	.000
Likelihood Ratio	57.003	4	.000
Linear-by-Linear Association	46.376	1	.000
N of Valid Cases	54		

Source: Computed by the Researcher

The Pearson Chi-Square or P value of the test is at 5% level of significance is 0.000 which is less than 0.05. So, null hypothesis is rejected and the alternative hypothesis is accepted. Now, it can be said that there is a significant relationship between SPV formation and capacity building of the MSMEs.

iii. Role of exposure visits to model clusters

	Frequency	Percent	Cumulative Percent
Agree	41	75.9	75.9
Neutral	8	14.8	90.7
Disagree	5	9.3	100.0
Total	54	100.0	

Source: Compiled by the Researcher

With reference to role of exposure visits to model clusters, about 75.9% of respondents expressed their extreme satisfaction while, 14.8% and 9.3% of respondents were silent and disagreed respectively on the same issue.

iv. Impact of exposure visits to model clusters on capacity building

Table 4.10: Exposure Visits gear-up Capacity Building of the MSMEs

	Frequency	Percent	Cumulative Percent
Agree	40	74.1	74.1
Neutral	9	16.7	90.7
Disagree	5	9.3	100.0
Total	54	100.0	

Source: Compiled by the Researcher

Whether exposure visits to model clusters has an impact on capacity building of the MSMEs, about 74.1% of respondents agreed on enhancement of capacity building. Though, roughly 16.7% of respondents were silent while rest 9.3% of respondents did not get approval on the particular issue.

Relationship between Exposure Visits and Capacity Building

Chi-Square Test:

Hypothesis-2

H_0 = There is no relation between Exposure Visits and Capacity Building

H_1 = There is a relation between Exposure Visits and Capacity Building

A cross tabulation is drawn between exposure visits and capacity building of the MSMEs under three dimensional scale presented below in the next Table.

Table: Cross Tabulation: Exposure Visits to model clusters enhance Confidence Building * Exposure Visits gear up Capacity Building of the MSMEs

		Exposure Visits gear up Capacity Building of the MSMEs			Total
		Agree	Neutral	Disagree	
Exposure Visits to model clusters enhance Confidence Building	Agree	39	2	0	41
	Neutral	1	7	0	8
	Disagree	0	0	5	5
Total		40	9	5	54

Source: Compiled by the Researcher

The Pearson correlation between two variables is .933 and correlation is significant at the 0.01 level (2-tailed). Correlation is also tested by the Pearson Chi-Square Test and P value is shown below in the following Table.

Table: Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	87.586 ^a	4	.000
Likelihood Ratio	58.045	4	.000
Linear-by-Linear Association	46.111	1	.000
N of Valid Cases	54		

Source: Computed by the Researcher

The Pearson Chi-Square or P value of the test is at 5% level of significance is 0.000 which is less than 0.05. So, null hypothesis is rejected and the alternative hypothesis is accepted. Now, it can be said that there is a significant relationship between exposure visits to model clusters and capacity building of the MSMEs.

v. Industry and academia involvement in a CDP

Table: Industry and Academia support tailor made solution

	Frequency	Percent	Cumulative Percent
Agree	38	70.4	70.4
Neutral	8	14.8	85.2
Disagree	8	14.8	100.0
Total	54	100.0	

Source: Compiled by the Researcher

With regard to industry and academia involvement in a CDP, roughly 70.4% of respondents were accepted its importance. While, 14.8% of respondents were denied to make any comment and remaining 14.8% of respondents were disagreed.

vi. Impact of involvement of industry and academia on capacity building

Table: Impact of Industry and Academia linkage on Capacity Building

	Frequency	Percent	Cumulative Percent
Agree	37	68.5	68.5

Neutral	9	16.7	85.2
Disagree	8	14.8	100.0
Total	54	100.0	

Source: Compiled by the Researcher

From the above table, it shows that 68.5% of respondents were answered positively while, 16.7% and 14.8% of respondents were silent and disagreed respectively on the ground that there is no relationship between two variables.

Relationship between Industry and Academia linkage and Capacity Building

Chi-Square Test:

Hypothesis-3

H_0 = There is no relation between Industry and Academia linkage and Capacity Building

H_1 = There is a relation between Industry and Academia linkage and Capacity Building

A cross tabulation is drawn between industry and academia linkage and capacity building of the MSMEs under three dimensional scale presented below in the next Table.

		Impact of Industry and Academia linkage on Capacity Building			Total
		Agree	Neutral	Disagree	
Industry and Academia support tailor made solution	Agree	37	1	0	38
	Neutral	0	8	0	8
	Disagree	0	0	8	8
Total		37	9	8	54

Source: Compiled by the Researcher

The Pearson correlation between two variables is .983 and correlation is significant at the 0.01 level (2-tailed). Correlation is also tested by the Pearson Chi-Square Test and P value is shown below in the next Table.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	100.737 ^a	4	.000
Likelihood Ratio	81.533	4	.000
Linear-by-Linear Association	51.244	1	.000
N of Valid Cases	54		

Source: Computed by the Researcher

The Pearson Chi-Square or P value of the test is at 5% level of significance is 0.000 which is less than 0.05. So, null hypothesis is rejected and the alternative hypothesis is accepted. Now, it can be said that there is an impact of industry and academia linkage on capacity building of the MSMEs.

5. Concluding Observations

It is found that sample MSMEs in electric fans cluster, Kolkata have been built-up their individual capacity in terms of productivity and competitiveness. Therefore, CDP in the MSME sector as a whole is effective. However, conducting seminar and workshop at regular intervals are induced to build up confidence level of the beneficiary units and adoption of sophisticated technology is also being enhancing competitiveness of the MSMEs. Based on sample results obtained from capacity building of the MSMEs, specific

observations may be summed-up below:

- ⊙ Legal entity like SPV formation is a crucial step for enhancing capacity building and synergy.
- ⊙ Exposure visits to model clusters is a constructive technique to strengthen their capacity building of the MSMEs and
- ⊙ Industry and academia's involvement in a cluster is an excellent initiative for increasing capacity building of the beneficiary units. MA

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