

Setting-up MSME Clusters: Roadmap for Growth, Competitiveness and Sustainability

INTRODUCTION

India's growth story cannot be written without highlighting the central role played by Micro, Small and Medium Enterprises (MSMEs). With over 6.3 crore MSMEs employing more than 11 crore people, contributing nearly 30% of GDP and 40% of exports, this sector truly embodies the spirit of Atmanirbhar Bharat. Yet, despite their massive contribution, MSMEs often face limitations of scale, technology adoption, branding, and access to finance.

It is here that the concept of MSME Clusters emerges as a transformative solution. By bringing together enterprises engaged in similar or complementary activities within a defined geographic region, clusters enable collective efficiency, shared resources, common branding, and a higher degree of competitiveness. Globally, countries such as Italy, Germany, and Japan have demonstrated how clusters can drive industrial transformation. India too has begun leveraging this model through schemes like SFURTI (Scheme of Fund for Regeneration of Traditional Industries) and MSE-CDP (Micro & Small Enterprises Cluster Development Programme).

This article delves into the concept, process, and governance framework for setting up MSME clusters in India, along with the role of Company Secretaries and professionals in ensuring their long-term success.

What is an MSME Cluster?

An MSME cluster is a geographically proximate group of interconnected companies, suppliers, service providers, and associated institutions working in a particular sector. These firms collaborate and compete simultaneously, thereby enhancing productivity and innovation.

The United Nations Industrial Development Organization (UNIDO) defines Clusters as *"sectoral and geographical concentrations of enterprises that produce and sell a range of related or complementary products and services, and face common challenges and opportunities."*

Global Experiences

- **Italy:** Leather and fashion clusters have enabled Italian brands to dominate global luxury markets.
- **Germany (Mittelstand model):** Engineering and automobile ancillary clusters form the backbone of its export-oriented economy.
- **Japan:** Technology-driven clusters, especially in robotics and electronics, have given Japanese SMEs a competitive edge.

Indian Context

India has more than 6,000 clusters across various industries:

- **Textiles & Apparel:** Tirupur, Surat, Ludhiana.
- **Handicrafts:** Moradabad Brass, Jaipur Gems, Banarasi Silk.
- **Engineering & Auto Components:** Pune, Chennai, Gurugram.

- **Leather:** Kanpur, Agra, Vellore.
- **IT & Services:** Bengaluru, Hyderabad, Pune.

Clusters have proven to be powerful drivers of employment, exports, and skill development, especially in Tier-II and Tier-III cities.

WHY MSME CLUSTERS?

- **Collective Competitiveness** – Shared infrastructure, common procurement, and bulk marketing help reduce costs.
- **Access to Technology** – Technology centres and R&D labs within clusters promote innovation.
- **Finance Facilitation** – Banks and institutions prefer lending to organized clusters due to lower risk.
- **Skill Development** – Training centres within clusters upgrade local talent.
- **Branding & Exports** – Joint participation in trade fairs and collective branding increases global reach.
- **Compliance & Governance** – Shared advisory and compliance services reduce burden on individual enterprises.

TYPES OF MSME CLUSTERS

- **Product-based Clusters** – Knitwear in Ludhiana, Carpets in Bhadohi, Gems in Surat.
- **Service-based Clusters** – IT cluster in Bengaluru, BPOs in Gurugram, Logistics clusters near ports.
- **Regional/Geographic Clusters** – Chanderi Sarees in Madhya Pradesh, Coir in Kerala, Handicrafts in Rajasthan.

POLICY & INSTITUTIONAL FRAMEWORK

Key Schemes & Institutions

- **MSE-CDP (Micro & Small Enterprises Cluster Development Programme)** – Financial assistance for common facility centres (CFCs).
- **SFURTI (Scheme of Fund for Regeneration of Traditional Industries)** – Cluster-based development for traditional industries.
- **ODOP (One District One Product)** – State-driven initiative for local product specialization.
- **SIDBI & NSIC** – Financial and marketing support.
- **KVIC & Coir Board** – Support for khadi, village industries, and coir-based enterprises.

ROLE OF STATE GOVERNMENTS

Many states (e.g., Tamil Nadu, Gujarat, Maharashtra) have introduced specialized cluster policies with land support, subsidies, and tax benefits.

STEPS TO SET-UP AN MSME CLUSTER

Setting up an MSME cluster requires systematic planning, stakeholder participation, and governance mechanisms.

Step 1: Cluster Identification

- Conduct diagnostic studies and baseline surveys.
- Identify natural clusters where enterprises already exist in concentration.

Step 2: Stakeholder Consultation

- Engage local entrepreneurs, industry associations, chambers of commerce, and government agencies.
- Build trust and create a sense of ownership.

Step 3: Formation of SPV (Special Purpose Vehicle)

- Registered legal entity (company, society, or trust) formed by cluster members.
- Ensures accountability and collective decision-making.

Step 4: Preparation of DPR (Detailed Project Report)

- Outlines infrastructure needs, common facilities, technology upgradation, and financial requirements.

Step 5: Financial Planning

- Funding from Central/State Government schemes, SIDBI, banks, CSR support, and PPP models.

Step 6: Land & Infrastructure Development

- Allocation of land through industrial development corporations.
- Development of CFCs, testing labs, warehouses, and logistics facilities.

Step 7: Technology Adoption & Skill Development

- Establishing Technology Centres, Tool Rooms, and Training Institutes.

Step 8: Governance & Compliance Management

- Transparent governance through board meetings, audits, and reporting.
- Compliance with environmental laws, labour laws, and corporate governance standards.

Step 9: Marketing & Branding

- Creation of cluster-level brands.
- Participation in international trade fairs and exhibitions.
- Leveraging e-commerce and ONDC platforms.

ROLE OF COMPANY SECRETARIES & PROFESSIONALS

Company Secretaries (CS) can play a pivotal role in MSME cluster development:

- Legal Structuring of SPV – Incorporation of cluster SPVs as companies, LLPs, or societies.
- Governance Framework – Drafting Articles of Association, governance charters, and compliance manuals.
- Financial Advisory – Raising funds through banks, equity participation, or CSR channels.

- Compliance Management – Labour laws, environment clearances, corporate laws.
- Contract Management – Drafting vendor agreements, MOUs, and joint venture contracts.
- ESG & Sustainability Reporting – Helping clusters adopt green practices and report on sustainability.
- Capacity Building – Training entrepreneurs in corporate governance, digital adoption, and risk management.

Thus, professionals like CS, CAs, and CMAs act as knowledge partners in ensuring long-term cluster success.

CHALLENGES IN SETTING-UP CLUSTERS

- Funding gaps and delayed subsidy disbursement.
- Land acquisition hurdles.
- Trust deficit among small entrepreneurs.
- Skilled manpower shortages.
- Global competition & rapid technology shifts.

CASE STUDIES

- Tirupur Textile Cluster (Tamil Nadu) – From a small town to a global hub for knitwear exports worth \$8 billion annually.
- Moradabad Brass Cluster (Uttar Pradesh) – Known as “Peetal Nagri”, exports brass handicrafts worldwide.
- Ludhiana Knitwear Cluster (Punjab) – Employs lakhs, contributing significantly to domestic and global woollens.
- Surat Diamond & Textile Cluster (Gujarat) – World’s largest diamond cutting hub, with 90% of diamonds cut here.
- German Mittelstand Clusters – Integration of SMEs into global supply chains through innovation.

FUTURE OF MSME CLUSTERS IN INDIA

- Digital Transformation – Adoption of AI, blockchain, IoT, and Industry 4.0.
- Green & Sustainable Clusters – Focus on renewable energy, waste recycling, and carbon-neutral operations.
- Integration with E-commerce & ONDC – Enabling global reach through online platforms.
- Export-led Growth – Clusters positioned as global supply chain leaders in textiles, auto components, electronics, and handicrafts.

CONCLUSION

MSME clusters represent the next growth engine for India’s economy. They enhance productivity, promote innovation, and empower small entrepreneurs by offering them collective strength. Setting up clusters is not merely about infrastructure – it is about creating ecosystems of trust, governance, and competitiveness.

For India to achieve the vision of Viksit Bharat 2047, MSME clusters must be at the core of policy, entrepreneurship, and professional practice. And here, the role of Company Secretaries as governance architects becomes indispensable. By guiding SPVs, ensuring compliance, and strengthening governance, CS professionals can help transform clusters into engines of inclusive and sustainable growth.

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