



SSI Clusters and the perspective for their Development

The phenomenon of a large number of Small Scale Industrial Units manufacturing the same (or similar products) existing or historically developing in close proximity to each other (in “Clusters”) has been observed in different periods and diverse industrial environments. “Clustering” as an engine of growth was noticed internationally in the well-networked Clusters (usually referred to as “Industrial Districts”) in developed countries, especially in Italy. This realization has led to increased interest and research in clustering as well as attempts to replicate the process through planned interventions in the developing countries including India. Much of the research and interventions have been done by the UNIDO, on the international level and particularly in India with the Ministry of Small Scale Industries as the counterpart agency and partner at the national level.

According to UNIDO, a “Cluster” can be defined as a sectoral and geographical concentration of enterprises, in particular small scale enterprises, faced with common opportunities and threats which can

- (i) give rise to external economies. (i.e., specialized suppliers of raw materials, components and machinery, sector specific skills etc.,)

- (ii) favour the emergence of specialized technical, administrative and financial services ; and
- (iii) create a conducive ground for the development of inter-firm co-operation and specialization as well as co-operation among public and private local institutions to promote local production, innovation and collective learning.

A Cluster is generally identified by the product (or product range) and the place where it is located. A complete industry or a sector (like the leather sector) can not be referred to as a Cluster.

Examples of SSI Clusters in India are : Ceramic Pottery Cluster at Khurja, Leather & Leather Garments Cluster at Chennai, Hosiery Cluster at Kolkatta etc.,

The presently adopted approach for Cluster Development consists of drawing lessons from the experience of successful clusters and then replicating them through building up of local capabilities with the active participation of various Cluster Actors such as Small Scale Industrial Units, Industry Associations, Business Development Services Providers, Policy Makers etc. The process of cluster development usually consists of the following steps :-

- ❖ Selection of the Cluster
- ❖ Selection of a Cluster Development Agent
- ❖ Diagnostic Study
- ❖ Preparation of Action Plan for intervention
- ❖ Approval of the project and release of funds through leveraging
- ❖ Implementation of Trust Building between Cluster Actors and Cluster Development Agent, and also among Cluster Actors
- ❖ Monitoring and Evaluation
- ❖ Self Management Phase.

The Ministry of Small Scale Industries, through its successful collaborative efforts with UNIDO, and also independently on its own, has initiated and completed a series of Cluster Development initiatives with a holistic approach spread all over the country. An overview of the same shall be presented in the following chapters.

