

DEVELOPMENT OF COMMON FACILITY CENTRES FOR MSMEs: A FEASIBILITY STUDY

Dr. Neelam Dhall*; Mr. Deepak Sharma**; Ms. Disha Garg***

*Professor-Management,

Jagan Institute of Management Studies,
Delhi, INDIA

Email id: neelamsharma@jimsindia.org

**Research Scholar,

Jagan Institute of Management Studies,
Delhi, INDIA

Email id: deepak.sharma@jimsindia.org

***Assistant Professor,

Rukmini Devi Institute of Advanced Studies,
Delhi, INDIA

Email id: dishagarg95@gmail.com

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ABSTRACT

The Badli industrial area is one of the major industrial clusters located in the Delhi region as there are over 400 MSMEs running operations in various fields. The prime focus of this research study was to undertake a feasibility study regarding Common Facility Centres (CFCs) for MSMEs in the Badli industrial area. This study is based on both primary and secondary data. The research findings indicate that there is a lack of awareness amongst MSMEs about the concept of CFCs and that can be attributed as the major deterrent in their progress. Thus, the study suggests that there is a strong need to address this roadblock by building an effective communication network amongst the MSMEs operational in the region.

KEYWORDS: *Common Facility Centre, Msme, Cluster Development Programme, Badli Industrial Area.*

1. INTRODUCTION

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. The MSME also play an important role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. The MSME sector contributes notably to the country's overall industrial production output, employment and exports. It is recognized for generating the maximum employment growth as well as accounting for a major share of industrial production and exports. In many developed and developing country, a facility called Common Facility Centre has been introduced, which can offer all sorts of support within the same area where a group of industries are located by providing the most commonly needed facilities such as centres for marketing, testing laboratory, quality measuring etc. The basic objective of this facility is to help MSME reduce their operational costs and investment in their entrepreneurial commitment. As per MSME annual report 2022-2023, the Ministry of MSME is implementing Micro and Small Enterprises - Cluster Development Programme (MSE-CDP) for development of clusters.

The objective of the scheme is to enhance the productivity and competitiveness of Micro and Small Enterprises (MSEs) by extending financial assistance as Government of India (GoI) grant for establishment of Common Facility Centers in the existing clusters and for establishment of new / upgradation of existing Industrial Areas / Estates / Flatted Factory Complex. MSE-CDP is a demand driven scheme and Central Sector Scheme and as per the annual report 2021-2022 of MSME government, Ministry has released an amount of Rs 154.81 cr during the year 2021-22 for implementing the activities prescribed in the detailed project report such as setting up of Common facility Centres, procurement of machineries, conducting soft intervention activities such as marketing initiatives, awareness programmes, etc. It is visible progress that the GoI has taken up many initiatives to boost the MSME sector by encouraging entrepreneurship. Moving towards this direction, the GoI has launched many schemes such as Prime Minister Employment Generation Programme and Other Credit Support Schemes, Development of Khadi, Village and Coir Industries, Technology Up-gradation and Quality Certification, Marketing Promotion Schemes, Entrepreneurship and Skill Development Programme, Infrastructure Development Programme (IDP), etc. Micro & Small Enterprises Cluster Development (MSE-CDP) is also a part of this IDP scheme. Building up of new CFCs is also a part of this flagship scheme called MSE-CDP. Moreover, the CFCs has proved their worth in various places throughout the world and in India too.

The development of clusters for micro and small enterprises moved at a slow pace in the last fiscal with only three of the 28 approved projects completed as of 1 January, 2023 as per the data from the annual report of the MSME ministry for FY23. The report also showed that out of the revised budget estimate of ₹120 crore for the Micro and Small Enterprises Cluster Development Programme, only ₹78.68 crore was spent as of 1 January'2023. The revised estimate was significantly lower than the budget estimate of ₹262 crore for FY23. The scheme started in FY18, with an objective to enhance the productivity and competitiveness of micro and small enterprises (MSEs) by extending financial assistance as central grant for establishment of Common Facility Centers in the existing clusters and for establishment of new industrial areas. For the last financial year, a total of nine common facility centres and 19 infrastructure development projects were approved, out of which only one common facility centre and two infrastructure development project were completed by January 4, 2023. Even, over the years the scheme has witnessed a lacklustre progress. A total of 258 projects including 111 common facility centres and 147 infrastructure development projects have been approved, since FY18 to FY23, out which only 113 have been completed. Under the programme, the development of common facility centers, the Centre provides up to 70% of the project cost in case of projects worth ₹5-10 crore and the contribution would be capped at 60% for projects worth ₹10-30 crore. In case of northeastern and hill states, island territories, clusters with more than 50% women or SC/ST-owned units, Centre's contribution would be higher. Similarly, the Centre's support for infrastructure development would be restricted to 60% of the project cost, for projects worth ₹5-15 crore for setting up of new industrial estate or flatted factory complex, the Centre grant will be 50% of project cost for up-gradation of existing industrial estates and complexes. The slow progress comes despite government's emphasis on supporting MSMEs in the backdrop of the COVID pandemic. On May 13, 2020, Emergency Credit Line Guaranteed Scheme (ECLGS) as part of the Aatma Nirbhar Bharat Abhiyaan to provide collateral free loans to pandemic-affected MSMEs. The scheme was launched as an emergency measure to combat the unprecedented crisis caused in the wake of COVID-19 pandemic and thereby help businesses including micro, small and medium enterprises (MSMEs) to meet their operational liabilities and resume their business. Against this backdrop, a feasibility study for the establishment of CFCs in the Badli Industrial

Area has been undertaken. The paper is divided into the following sections: Section 2 discusses the literature review on the subject; Section 3 presents the research methodology; Section 4 provides findings and discussion while conclusion & implications are provided in Section 5.

2. Literature Review

The vast literature on the subject suggests that several studies have been conducted on CFCs and have established their role in the development of MSMEs. Some of the major research studies have been consolidated in Table 1.

S.No.	Year	Authors	Major Findings
1.	2007	Cherukara & Manalel	The authors studied SME cluster development in Kerala where it was found that CFCs have also worked as a facilitator in the skill development of workers across various industries.
2.	2009	ChandyIttyerah	The authorevaluated the efficiency of Cluster Development Programme of MSMEs. The results indicated that capacity utilization of several MSME firms got significantly increased as a result of CFCs. Also it was inferred that CFCs has improved production quality of various firms. Possibilities of diversification have also been improved for various firms and CFCs have also enabled them to improve position in the value chain network.
3.	2012	Foundation for MSME clusters report	The report focuses on the current challenges and opportunities of cluster development where it was found that CFCs provided a number of services to MSME clusters, such as improving technical competency, quality improvement, testing, marketing, etc. Consequently CFCs has played a key role in the cluster development programme for MSMEs.
4.	2013	Shahzad	The author developed a framework to evaluate the effectiveness of CFCs. It was found that Cluster marketing can play a significant role in the development of CFCs. Moreover, road network, railway, telecommunication, water facilities, ports, etc. are some essential requirements for efficient CFCs which were needed to be addressed.
5.	2013	Ramanigopalet. <i>al.</i>	The authors studied the significance of CFCs in entrepreneurship development. It was found that most of the entrepreneurs feel sceptical about the success of their ventures. However, CFCs can be a milestone for developing a successful entrepreneurship as they provide a number of services that can lead to cost minimisation for entrepreneurs.

6.	2013	Bortamulyet. <i>al.</i>	The authors examined the variables that can motivate workers to involve in handloom industry. It was inferred that CFCs have considerably improved handloom worker's conditions by making them more efficient in terms of productivity. Moreover, findings suggest that many handloom workers have transformed themselves from weaver to unit owner because of CFCs.
7.	2015	Shahzad	The author studied the performance of Cluster-based Industrial Common Facility Centre (CFC) in Pakistan. The findings revealed that CFCs has showed positive impact on many MSMEs. It was also observed that some of the firms had very less awareness about the technologies provided by CFCs. Hence, it is necessary to build awareness through various techniques such as workshops, conferences, simulation, etc.
8.	2018	Shameena	The author studied the role of CFCs in the development of Micro units. It was found that CFCs have played a key role in improving technical efficiency of Micro and Nano units throughout various districts of Kerala. CFCs also generated economies of scale for Micro units. Similarly, the product quality has also been improved as a result of quality testing labs developed in the CFCs.
9.	2019	Nairet. <i>al.</i>	The authors studied the abilities of IT adoption of SMEs. It was found that many SMEs have developed and taken membership of CFCs to overcome various challenges faced by them.
10	2020	Alok & Verma	The authors studied MSMEs and their contribution to the Indian economy. It was found that financial assistance for establishment of Common Facility Centres for testing, training centres, research & development (R&D), effluent treatment, raw material depot, complementing production processes, etc. are supported by the policy developed by the government and they have contributed significantly in the growth of MSMEs.
11	2022	Mahajan <i>et. al.</i>	The authors studied performance of MSMEs in Indian economy. It was found that due to introduction of CFC scheme for MSME, the performance of MSMEs has improved significantly.

3. Research Objective and Methodology

3.1 Research Objective

To conduct a feasibility study for the establishment of Common Facility Centres (CFCs) for MSMEs in the Badli Industrial area.

3.2 Research Methodology

The research design utilized in this framework of the study is exploratory in nature. The research project includes both primary as well as secondary method of data collection. The primary data was collected through a survey of thirty-nine (39) MSMEs operating in the Badli industrial area. However, the secondary data involves the analysis of existing literature on the subject from various journals, research projects, and reports.

4. Findings and Discussion

4.1 Research Findings

- Approximately fifty percent of these companies have also stated that there is a lack of information regarding CFCs in the area, and nineteen percent do not see the need for CFCs.
- More than eighty percent of the firms that participated in the study had a negative view of the CFC scheme and did not find it worthwhile to join a CFC.
- Another aspect that has been uncovered is that the MSME association lacks a communication channel, and ideas/announcements are not effectively communicated to the members. Even the concept of establishing CFC was not properly communicated.
- It has been observed that the majority of firms in the Badli Industrial Area produce a variety of engineering products, and that the requirements for common machinery is extremely uncommon.
- Due to the confidential nature of their operations, many business owners are skeptical of CFCs and do not wish to disclose the need for machines. Also, they do not wish to conduct business operations under the same roof due to similar reasons.
- Many businesses believe the CFC model may not work in their industry because they are self-sufficient and do not require additional inputs for production.
- These results indicate that the concept of CFCs in the Badli Industrial Area is currently not a viable option.

However, the majority of these claims are refuted by the findings from the existing literature on the subject. Majority of the studies have established the role of CFCs in assisting SMEs and fostering an entrepreneurial spirit. There is enough evidence from the previous studies that reveals that the firms' capacity utilization increased after they began adopting the CFC scheme.

4.2 Discussion

As evidenced by the research findings, there are certain concern areas that must be addressed first.

- Based on research findings, most of the MSMEs are not aware about CFCs. Even if, few of them are aware, they are not convinced about the utility of CFCs in their development and growth. Therefore, first and foremost, there is a need to raise an awareness about the CFC scheme and how it can benefit the MSMEs in the Badli region.

- There should be proper planning and vision for the establishment of CFCs in this region which can be done after gaining an understanding of the type of MSMEs and their challenges in the Badli region.
- Since some businesses operating in the industrial area are related to one another, it is possible to establish a temporary networking hub for all such businesses in the area.
- Through this networking hub, a common website and directory containing information about the businesses and their products/services can be created which can be maintained and updated on a regular basis.
- As part of the networking hub, various events can be organized where businesses can showcase their products, allowing them to interact directly with customers, as in the case of the Auto Expo.
- A social media community group can be created where important announcements and communications can be done.
- A monthly newsletter can be published wherein the businesses in the Badli Industrial area can advertise their products/services and even share significant updates and events.

5. CONCLUSION

MSME sector is a vibrant and dynamic sector known for its flexibility and comparatively lesser investment requirements. Considering the contribution of this sector to the GDP, regional growth, and overall development of the country, it is extremely important to provide right kind of push to this sector. But there are many challenges coming in the way of growth and functioning of this sector. Difficulty to acquire timely funds for working capital needs, expansion and internationalization needs, lack of consultancy support, prolonged processes, complicated documentation, unavailability of collateral, etc. are few of the finance-related challenges. However, Government of India on its part has commenced various programmes for providing adequate support to MSMEs. One such initiative is the setting up of Common Facility Centres which is a part of the flagship scheme, Micro & Small Enterprises Cluster Development by the Government of India. Keeping this in mind, a feasibility study regarding Common Facility Centres for MSMEs in the Badli industrial area was undertaken. The research findings indicate that there is a lack of awareness about the concept of CFCs amongst the MSMEs in this industrial area. Moreover, the majority of the MSMEs were skeptical about joining a CFC. Additionally, many of them believe that the CFC model may not work in their industry as they are self-sufficient and do not require additional support. Overall, the present study suggests that though CFC is one of the most effective ways to support the MSMEs, but currently the firms in Badli industrial area are not prepared for it. However, for a good start, a communication center will aid in the promotion of these industrial clusters, and once people are accustomed to it, a CFC proposal can be made. After the success of this networking hub, a CFC in the Badli Industrial Area can be planned. By utilizing this networking hub, an effort can be made to address the concern areas highlighted in this study. Thus, the networking hub may serve as a precursor to the development of a Common Facility Centre in the Badli region. Since the present study is limited to just one region, similar studies can be undertaken in other industrial areas of the country as well.

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