



ORIGINAL REVIEW ARTICLE

OPEN ACCESS

INFRASTRUCTURE - CONTRIBUTION AND CHALLENGE FOR DEVELOPMENT OF MICRO SMALL AND MEDIUM ENTERPRISES

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ARTICLE INFO

Article History:

Received 23rd July, 2017
Received in revised form
04th August, 2017
Accepted 17th September, 2017
Published online 10th October, 2017

Keywords:

Infrastructure,
Micro small and medium enterprises,
Power, Water, MSME.

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ABSTRACT

For the development of any country Industries plays a very important role and they form as the back bone for the development and also very important component for the growth of national economy. Now MSME plays a very vital role for overall growth of the industry in any country. Lack of proper infrastructural facilities causes a very serious damage to the enterprise's valuable chain process includes production, consumption and distribution of the products. This constraint is apart from scarcity of finances, inadequate marketing facilities, technological obsolescence, etc that are being already faced by MSMEs. So, there is a requirement of infrastructural development of the industries in general and MSMEs in particular which should include all types of infrastructural facilities like railways, waterways, roadways and airways, proper channels of telecommunication, adequate supply of power and other supporting facilities like Tool Rooms, Testing Labs, Design Centers, etc.

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Citation: Dr. Shashikant Magar, 2017. "Infrastructure – Contribution and challenge for development of micro small and medium enterprises", *International Journal of Development Research*, 7, (10), 15961-15964.

INTRODUCTION

For the development of any country Industries plays a very important role and they form as the back bone for the development and also very important component for the growth of national economy. Now MSME plays a very vital role for overall growth of the industry in any country. Lack of proper infrastructural facilities causes a very serious damage to the enterprise's valuable chain process includes production, consumption and distribution of the products. This constraint is apart from scarcity of finances, inadequate marketing facilities, technological obsolescence, etc that are being already faced by MSMEs. So, there is a requirement of infrastructural development of the industries in general and MSMEs in particular which should include all types of infrastructural facilities like railways, waterways, roadways and airways, proper channels of telecommunication, adequate supply of power and other supporting facilities like Tool Rooms, Testing Labs, Design Centers, etc.

Need and importance for Proper Infrastructure

There is a requirement for common infrastructure projects for MSMEs. By this all MSMEs, come together and share the costs of infrastructure, which are otherwise costly affair for individual MSMEs. This can provide benefit by way of economies of scale, synergy and collective bargaining by collaborating with each other particularly on aspects of common infrastructure, common facilities, raw material procurement, marketing & transportation of finished goods, testing laboratory, common tooling/machining, Research & development. Based on several reports of the Government of India, including the Report of Prime Minister's Task Force on Micro, Small and Medium Enterprises (MSMEs), January 2010, among several common problems for MSMEs in India, Infrastructural constraints requires utmost attention as MSMEs still continues to suffer a lot from infrastructural bottlenecks with increasing competition globalisation and more recently due to uncertainty caused by global downturn. According to the report, to sustain growth it is essential to have availability of proper infrastructure for MSMEs. As per the Task Force

report following are the main issues faced by MSMEs pertaining to infrastructure:

- MSMEs are either located in industrial estates set up many decades ago or are functioning within urban areas or have come up in an unorganised manner in peri urban or rural areas. The state of infrastructure, including power, water, roads, etc. in such areas is poor and unreliable, leading to very high transaction costs.
- With the growth of the industrial sector, including MSEs which are an integral part of the value chain), adequate areas for extension of MSEs are simply not available. This has resulted in crowding of MSE operations in existing areas, often in conflict with environmental and urban regulations. There is an urgent need for renewal and up-gradation of MSMEs infrastructure located in existing industrial estates through cluster development approach. The development process needs to be implemented properly and should be supplemented/ strengthened with ample work space, captive power (within industrial estates), common effluent treatment plants, proper water supply distribution, common tools rooms & design centre facilities, etc. At the moment, there are two major Central Government programmes addressing similar objectives – namely *Industrial Infrastructure Up-gradation Scheme (IIUS)* scheme of Department of Industrial Policy and Promotion and *Integrated Infrastructure Development (IID)* scheme of Ministry of MSME, now subsumed in the MSE-CDP, with all its existing features.

Types of Infrastructure

Work Space: There is lack of ample work space for industries to compete in international markets. Govt. should introduce programs for integrated work space with objective of establishing new MSME clusters and up-gradation of existing ones. There is a need for setting-up of industrial clusters (or up-gradation of existing one) through various Special purpose vehicle formed by group of entrepreneurs in Public Private Partnership mode with facilities such as power plants, laboratories, training centres and MSMEs in particular which should include all types of infrastructural facilities centers, raw material, banks, common marketing facilities, warehouses, administrative blocks, warehousing and sizing units and processing units, etc.

Power: Power plays very important role for the sustainability of any industry. After 2003, when Electricity Act 2003 was introduced many MSMEs individually were not capable to make substantial investments, hence they joined hands and formed Special Purpose Vehicle to set up captive power plant to meet their power requirements. In addition many industrial clusters also set up Group Captive Power Plant to provide quality power to their member units. Though Electricity Act 2003 was introduced to encourage setting up of captive power plant to ease the power supply position as well as to make them eligible for resultant incentives, it has been working negatively unless amendments are prepared in the larger interest of power supply position.

Scheme of Integrated Textile Parks (SITP) - the Ministry of Textiles (MoT) introduced Scheme for Integrated Textile Parks (SITP) with objective of establishing induced textile clusters. In Xth Five Year plan, 30 textile parks were allotted to various SPVs formed by group of entrepreneurs.

Subsequently, in XIth FY plan, other PMCs were added and 10 more parks were allotted. Majority of them are located in Salt Lake City, Kolkata and the largest Park is 1000 acres SEZ at Visakhapatnam. It has attracted huge investment and provided potential employment for thousands of people.

Following are the salient features of these Parks

- Formed with the help of Industry associations they have taken lead in establishing Parks.
- Various institutional structures such as public and private limited companies, section 25 company and cooperative society has been used for Special Purpose Vehicle.
- IL&FS Clusters has assisted Parks in articulating their requirements of common amenities and common infrastructure, prepared Detailed Project Report and recommended the projects for grant funding under the this scheme
- These Parks have availed loans for creating infrastructure including factory sheds and the best feature is without any collateral or personal guarantees from the members, which would have been difficult for smaller units in their individual capacities
- Parks have established facilities such as power plants, laboratories, training centers, raw material storing, common marketing facilities, warehouses, administrative blocks, warehousing and sizing units and processing units as common facilities and common infrastructure
- IL&FS Clusters has helped Parks in designing SITP brand by developing logos for these Parks which at individual level are unique while collectively all the logos are combined by a common theme of tapestry to form a collage.
- Like any other common project, collection of contribution from members is issue in textile parks, particularly when it comes to repayment of loan. This is because loan is in the name of Special Purpose Vehicle and individual members do not have any liability. Banks have started converting common loans to individual liabilities so that businesses of those who are repaying their share of loan are not affected.
- Discriminating in offering wages was one of the challenges within the Park. To avoid conflict, in some Parks, members have agreed upon a fixed salary to be offered to a new entrant for first six months and also not to poach each others workers.

Challenges: The Group Captive Power Plants are facing following challenges:

- Selection of technology, supplier and deciding number of different capacity Engines suitable to its requirements.
- Since they are not having past experience in running such plant the problem in financing was faced by SPVs.
- Continuous increase in Fuel cost and removing the subsidy on cylinder in gas, coal contamination of natural resources as well as ground water due to discharge of untreated effluent over decades. Due to very scanty rainfall the scarcity of water has also been the issue. Due to this water available some industrial clusters is rendered unusable by the industry.

- Heavy Organisation and Management charges especially to supplier of plant as it has no technical capability.
- Payment of fixed charges for standby arrangement
- Litigations on account of wrong interpretations

Water Supply: Water is also as important as power for every industry especially for the industries involved in production process. Industrial water is used for purpose such as fabricating, processing, washing, diluting, cooling, or transporting a product; incorporating water into a product; or for sanitation needs within the manufacturing facility. There are many industries which are really the water based are like food, paper and chemical refined industries. So ample water supply is essential for industrial growth as well as for industrial clusters. Other than for industries the public at large considers water is either available free from natural sources or government should provide it at very low prices. But, In case of some industries (like paint, dyeing, etc.) use of water is a key activity in entire value chain of the industry. Hence, good quality water is backbone of entire value chain for that industry. Water supply situation in several industrial areas is seriously affected due to contamination of natural resources as well as ground water due to discharge of untreated effluent over decades. Issue of proper water supply also prevails due to very scanty rainfall. Due to this water available some industrial clusters is rendered unusable by the industry. Now a common practice is to fetch water by tanker from huge distance. The transportation of water by tanker not only increases the cost of water but also results into unwanted incidents like accidents in the nearby villages.

Waste Management: Growing industrialization is leading to generation of more waste. It has become serious issue now. Even it has now started affecting environment. For small industries its very difficult to run activities in compliance to environment. So the concept of Common Effluent Treatment Plant (CETP) has come up and it is an excellent example for MSMEs in collaborating with each other to manage the effluent and water waste. In this the polluting industries having similar effluent characteristics come together to establish a Special Purpose Vehicle company to act as an Implementing Agency. Since technically it is preferable to have effluent of similar nature, this concept works best in industrial cluster where similar industries operate in small geographic location.

Benefits of CETP - Major benefit of the concept is the compliance with environmental norms which helps the MSMEs in operations and marketing Environmental compliance. Since obligation is external and therefore industry can work free of repeated disturbance of enforcement agencies since in CETP, scale is larger due to collective treatment so economy of scale could be achieved to reduce cost of treatment per cubic meter of effluent.

Common Problems of CETP Projects

A. Recovery of dues from member units has always been an issue for majority of CETPs. Since SPVs do not have powers for penal action against member units, CETP SPVs tie up with State Industrial Development Corporations (IDC), such as MIDC or GIDC and industrial associations for billing. In this, State IDC charges nominal collection fees and include CETP user fees to the bill raised for other charges of IDC. Thus, by making the user charges statutory in nature, adequate deterrent

is built in against defaults. B. Understatement of effluent volume by member units towards capital as well as O&M cost is based on the volume of effluent. In reality, member units discharge much more effluent than that declared by them thereby disturbing entire treatment system. So CETPs have adopted member contribution on the basis of installed capacity of machines. Common argument from members is that though the installed capacity is high, actual production and hence effluent volume is not that high. In several clusters such as textile processing, metal electroplating, food processing industry, effluent treatment charges are based on the maximum installed capacity of the plant. Design and operation of CETP for chemicals and drugs industry is very difficult because of variation in effluent characteristics. It happens every season when pharmaceutical units change their product under manufacturing. Sometimes unexpectedly a solvent or a chemical gets mixed with the effluent and disturbs CETP operation. In order to overcome this problem, individual units are asked to carry out pre/ primary treatment of the effluent before it is discharged in common effluent collection system.

Concept of Tool Room – As a consequence of expanding markets modern manufacturing facilities, MSMEs are required to manufacture goods with technical expertise. These modern facilities and high quality tools are manufactured on extremely precise and computer controlled machines, which are usually not within the reach of small scale enterprises. Moreover, these units lack personnel with the respective expertise. Also, provision of proper tooling, skilled technicians, and modern technology support call for high investments, therefore, small-scale enterprises, who want to develop their business, have to rely on institutions offering such services. Hence, government should focus on the vigorous development of the institutions with common infrastructural facilities for MSMEs; depending upon the requirement of the concerned cluster.

MSME Tool Room – Aurangabad, (Testing Labs)- With the help of Indo- German co-operation organisation was actively supported with generous assistance from the GTZ, development agency of Govt. of Germany, the Government of India and the State Government of Maharashtra. The Organisation implements its programme of technical training through its Training Center located at Aurangabad and sub centers at Pune, Mumbai & Nagpur. The *Try Outs:* All the press tools and moulds manufactured in IGTR are tried out on sophisticated Mechanical Presses and Injection Moulding Machines.

Indo-German Tool Room- Indore, (Design Centres) - Indo-German Tool Room, Indore is one of the four Tool Rooms setup by Govt. of India with assistance from Govt. of Federal Republic of Germany. Started functioning in 1995. The State Govt. of Madhya Pradesh has actively supported the project by providing land, building and infrastructure assistance. The Management of the Tool Room rests with the governing council constituted by the Govt. of India. Development Commissioner, Micro, small & Medium Enterprises, Govt. of India, is the President of the Society & Chairman of its Governing Council. Following are the functions.

- Design of Press Tools, Moulds, Jigs & Fixtures and gauges, etc.
- Computer Aided Design (CAD) with latest software for solid and surface modeling and analysis of products.
- Tool related innovations for improved product designs

- Standardisation of tooling components

Central Tool Room (CTR) – Ludhiana (Tool Rooms) - The Government of India established the Central Tool Room (CTR) in Ludhiana in 1980 with technical and financial support from the Government of Germany and the active support of the State Government of Punjab. Aims and objectives are -To increase the efficiency of small-scale units in the Northern Region in light engineering and allied fields by providing support in the design and production of tools and jigs & fixtures as well as by rendering technical consultancy services. -To manufacture small and medium-size tools such as press tools, jigs & fixtures, moulds, dies, and special purpose tools. -To provide common service facilities to small-scale industries regarding the manufacture of various types of tools, heat treatment, and related services CTR, Ludhiana has ultra modern, state-of-art Tool Room machines under single roof. It is an ideal Tool Room & Die Technology. The wide spectrum of sophisticated machines include all latest and advanced machines, which can cater to various requirements of the industries. It aims at emerging as a top class Design & Product Development Center in country having Rapid Prototyping Machine to cater to the needs of the 21st century.

Conclusion – From the above discussion we can conclude the following.

- Industrialization plays a very important role in development and economic growth of any country.
- Micro small and medium enterprises have very important role in industrialization.
- For growth of industries infrastructure plays a very vital role.
- For infrastructure development of MSMEs plays a very important role.
- Infrastructure development is necessary for the development of the MSME and by the MSME also.
- The government, industrial association and foreign counter part cannot be ignored when we talk of infrastructure development.
- Infrastructure development can't successfully work individually but needs the joint effort.
- To success joint work effort the concept of cluster works very effectively.

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