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Business Development Services For the CHENNAI LEATHER & LEATHER PRODUCTS CLUSTER



Project Partners



DFID Department for
International
Development

MSMEs-Backbone of Economic Growth

The micro, small & medium enterprises (MSMEs) worldwide have been accepted as the engine of economic growth. They promote equitable development. MSMEs constitute over 90% of total enterprises in most of the economies. They are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, MSMEs play a pivotal role in the overall industrial economy. It is estimated that in terms of value, this sector accounts for about 39% of the manufacturing output and around 33% of the total export of the country. Further, in recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs an estimated 31 million persons spread over 12.8 million enterprises.

Enhancing Competitiveness of MSMEs

Ever since globalization of the Indian economy, the governments at the centre and states levels, have been taking policy as well as supporting initiatives for enhancing the competitiveness of MSME sector. Cluster approach for the development of MSMEs is a new concept introduced in India by UNIDO in late nineties. This is vigorously pursued by the central and state governments, private and public institutions to develop MSMEs in India. International funding agencies are also supporting such activities and programmes. As a prelude to Cluster Development, a number of Diagnostic Studies on Industrial Clusters in India have been conducted by various agencies. An important aspect that came to light out of these Studies is that MSMEs have not been able to make effective use of Consultants for improving management and manufacturing practices to international standards. The reasons are lack of awareness and high cost of expert services. MSMEs, with limited human and financial resources, cannot afford to employ full time experts. Thus the services of consultants and experts, otherwise known as Business Development Services (BDS) have been by and large beyond the reach of most of the MSMEs.



What is Business Development Services (BDS)?

"..... services that improve the performance of the enterprise, its access to markets, and its ability to compete. The definition of 'Business Development Service'... includes an array of business services, both strategic [medium to long term issues that improve performance] and operational [day-to-day issues]."

(Committee of Donor Agencies for Small Enterprise Development, 2001)

Extending BDS to MSMEs

Small Industries Development Bank of India (SIDBI), the premier institution in the country mandated to make credit accessibility easy and comfortable to the MSMEs, and anchor development oriented projects and programmes for the overall growth and development of the MSME sector is creating enabling and support environment for fostering the growth of a strong and sustainable nexus between MSMEs and BDS Providers through BDS Market Development Project. As the Nodal Agency, SIDBI has selected 18 clusters for this World Bank-led multi agency-IBRD, DFID, GTZ and KfW- funded project. For more details visit the web site www.smefdp.net

In view of the huge contribution of Chennai Leather Cluster for the overall manufacture and export of leather and leather products, it has also been selected for this project. The implementation has been entrusted to Entrepreneurship Development Institute of India (EDI), Ahmedabad, Gujarat.

EDI-The Facilitating Agency

EDI is a National Resource Centre jointly promoted by the IDBI Bank Ltd., IFCI Ltd., ICICI

Bank Ltd. and SBI. Established in 1983, it has been actively involved in entrepreneurship development and training. It has implemented various programmes focusing on growth and enhancing competitiveness of MSME sector. EDI is the premier institution for training Cluster Development Executives in the private sector as well in the industries departments of state governments. EDI has been involved in implementation of cluster development initiative for more than one decade. For more details visit the web site www.ediindia.org

Geographical Area covered by the Project

The geographical area of Chennai Leather Cluster is broadly the Chennai Metropolitan Development Area (CMDA). The tanneries are mostly clustered in Pallavaram, Nagelkeni and Chromepet which are adjacent areas, scattered in Madhavaram and Kelambakkam areas. Even though footwear and garment units are not clustered like tanneries, sizeable number of units is located in Guindy, Ambattur and Arumpakkam Industrial Estates. Others are spread all over the city. The units manufacturing other leather goods are predominantly micro enterprises, with a few exceptions, and operating all over the metropolitan area.

Brief Profile of Chennai Leather Cluster

Chennai Cluster has the advantage of being located in a state that accounts for major share of about 60% of the Indian leather industry's output. The clusters in Tamil Nadu are located in Chennai, Ambur, Ranipet, Vaniambadi, Trichy, Erode and Dindigul. The Chennai cluster alone accounts for about 25% of the sector's production in Tamil Nadu.

Over a century, the cluster had evolved from a trading and exporting center of hide and skins to semi finished leather, finished leather and onwards into a product manufacturing and export.

The Chennai cluster has the advantage in terms of – access to raw material (tannery base), port facilities, skilled labour and the cluster hardware in terms of service providers in training, R&D and promotion of exports. These service providers include the Central Leather Research Institute and Council for Leather Exports. However,

equally important have been active clustering initiatives by cluster stake holders.

The Chennai Leather Cluster produces approximately Rs. 2,000 crores worth of leather and leather products out of which Rs, 1,000 crores is exported worldwide.

There are 170 tanneries and 300 product manufacturing units functioning in the cluster employing about 40,000 people.

Project Extended to all Sectors of Leather Industry

The BDS market development project is extended to:

- Tanneries processing raw hides/skins to wet-blue, raw hides/skins to finished leather and wet-blue to finished leather
- Shoe and shoe upper manufacturers
- Enterprises manufacturing garments like, jackets, ladies blouses, sportswear, fashion-wear, etc.
- Goods manufacturers, gloves, belts, ladies hand bags, wallets, travel goods, etc.

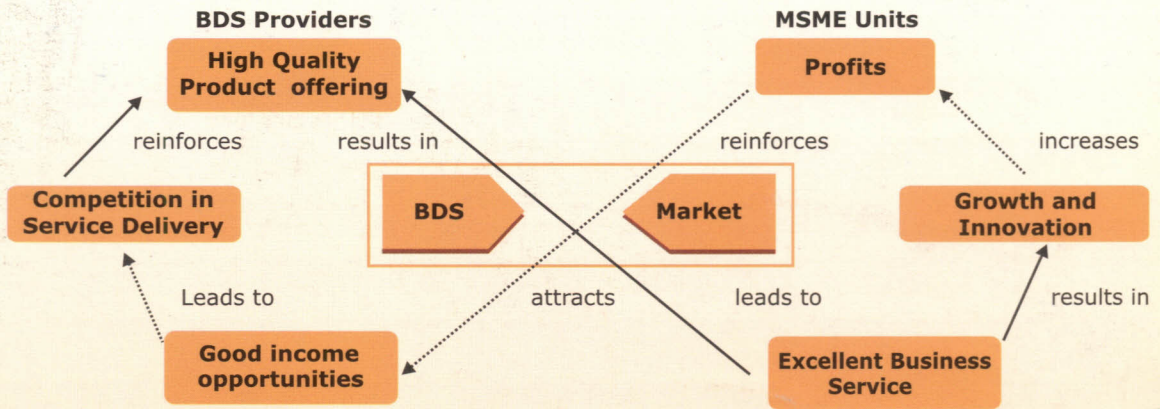
Areas identified for introducing BDS

The basic objective of the project is to make BDS available to the MSMEs in two broad areas, namely, strategic and operational. Since the manufacturing and business operations of different sectors in the cluster, namely, tanneries, footwear and garment and other products manufacturing units, differ in many aspects, the interventions have been planned according to the specific needs of each sector.

The important areas where initiatives have been planned are:

- Optimising sourcing of raw materials and inputs within the national value chain
- Viability orientation of energy saving & environmental compliance facilities/ infrastructure
- Cleaner production technologies
- BMO capacity building
- Introducing new BDS providers & BDS practices by bridging the gap in the BDS market
- Access to finance leveraging collateral guarantees
- Improving production and productivity

Project Dynamics - Improving Enterprise Competitiveness in Cluster using BDS Providers



- Technology upgradation taking full advantage of government schemes
- Creating new enterprises
- IPR and patenting
- Training and skill upgradation
- Socio-environment compliance and social infrastructure
- Skill development in designing

subsidising the cost to some extent depending upon the need and the paying capacity of MSMEs

Role of Business Management Organisations (Industry Associations)

Business Management Associations are the key link in implementing this project in the cluster. Associations have to play a predominant and proactive role in anchoring the numerous programmes and activities proposed under the Action Plan. Fortunately, AISHTMA, Indian Shoe Federation (ISF), Indian Finished Leather Manufacturers and Exporters Association (IFLMEA), Indian Leather Products Association (ILPA), Madhavaram Leather Manufacturers Facility Pvt. Ltd. (MLMF), Pallavaram Tanners Association (PTA), Pallavaram Tanners Industrial Effluent Treatment Company (PTIET), etc have already taken initiative and extending maximum possible cooperation for the success of the project.

BDS Providers in the Cluster

Chennai leather cluster, being an integral part of Chennai Metropolitan Area, there is no dearth of BDS providers in the cluster. It also has the advantage of two major public BDS providers, Central Leather Research Institute and Council for Leather Exports functioning in the cluster.

Financial support available to MSMEs under the Project

Besides lack of awareness on importance and usefulness of BDS in business development, the cost of BDS is also beyond the reach of most of the MSMEs. This project aims at taking the BDS to the door steps of MSMEs and making their services affordable through

Project Tenure

The project would be implemented over a period of 32 months ending October 2011. For more details, please contact:

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