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Micro Small and Medium Enterprises (MSME) and Economic Development of Odisha

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ABSTRACT

"Small is beautiful" as appropriately remarked by E F Suchamachar is justified in the state of Odisha. Development and sustainable development is largely depended on MSME rather than on big industrial hubs. Sustainable development of any economy depend not only on large scale organized industries but also equally depend on other employment generation avenues to utilize locally available natural and human resources. Micro, Small and Medium Enterprises (MSME) is one such sector. In recent years the State Odisha has attracted multinational companies like Vedanta, POSCO and Arcelor Mitall Group (Mittal Steel NV) to set up large industries in steel, aluminum and power sectors. However, these industries facing large scale resistance by displaced people. This is also the general phenomena in other parts of the country. To mitigate the situation of displaced, it is but necessary to adopt a strategy, whereby displaced people are gainfully employed else where. It has been seen in the past, in many places, displaced people were not resettled in a manner of better living. Therefore it is necessary to have a strategy to encourage setting up of MSME units side by side of large industries, which can generate employment with lesser investment and even people without moving to urban areas in large scale as there are some traditional categories of MSME units which can be set up to utilize locally available natural resources with very less space and capital. People displaced/unemployed can be trained and suitably employed. Holistic view may be taken to mitigate the situation of displacement/unemployment cases else where in the world.

Key words-Sustainable development, MSME, NTFP,

INTRODUCTION

MSME plays a vital role in the process of development. It generates employment at low cost and helps the society to move on the path of prosperities & growth. According to the Fourth Census of MSME in 2006-07 in India, the number of MSMEs was estimated at 26.1 (only 1.55 million registered-*source MSME annual report.2009-10, Govenrment of India*) million employing about 59.73 million persons. Out of these MSMEs 72 percent are engaged in manufacturing and 28 per cent in service enterprises. In terms of size of enterprises 94.67 per cent are micro enterprises, 5.05 per cent are small enterprises and the rest 0.25 per cent are medium enterprises. This sector contributes to more than 45 per cent of the total manufacturing output and accounts for over 33 per cent of the total exports of the country and forms the second largest source of employment. MSME sector is better employment generating sector. The organized industrial sector requires an investment of 0.67 million rupees to generate employment of one person, whereas the MSME sector generates employment of 1.27 persons with the same investment. On this back ground, we have analyzed the position of Orissa state to find out the areas of strength, weakness and opportunities to make them more effective and follow the path of accelerated growth in MSME sector.

Odisha state has been blessed abundantly with some important natural resources like, coal, iron ore, manganese ore, chromites, nickel, bauxite and fireclay to name a few. It also has large forest cover area and vast sea cost. During the last one decade, to utilize these natural resources some of the large scale industries mainly in sector of steel, power and aluminum have been set up. By the end of 2008-09, the State Government had signed 79 Memorandum of Understandings (MoU) on various industrial sectors with a total investment of Rs. 3653,270 million. Besides these large industries MSME units have also been set up by entrepreneurs. The importance in utilization of local resources to generate employment and improve living standards of people, who are not employed in large industries, agriculture and services sector, Government of India and like wise State governments including State Government of Odisha have also started giving stress for the development MSMEs. The number of small scale industries and what is called MSME has been increasing overtime in the state of Odisha. During 2008-09 the maximum number of MSME was set up in Sundargarh district, Cuttack district was the next followed by Khurdha and Ganjam district.

DEFINATION

Enterprises from small scale to medium scale grouped together are called "Micro, Small and Medium Enterprises" (MSME). MSME is defined in India like this: *"The Micro, Small and Medium Enterprises Development Act, 2006" of Government of India. According to the act MSMEs have been classified in terms of sector and investment in plant & machinery for manufacturing sector and investment in equipment in case of service sector as under:*

Definition of MSMEs in India	
Manufacturing Sector	
Micro enterprises	does not exceed Rupees 2.5 million
Small enterprises	More than Rupees 2.5 million but does not exceed Rupees 50 million
Medium enterprises	More than Rupees 50 million but does not exceed Rupees 100 million
Service Sector	
Micro enterprises	does not exceed Rupees 1 million
Small enterprises	More than Rupees 1 million but does not exceed Rupees 20 million.
Medium enterprises	More than Rupees 20 million but does not exceed Rupees 50 million

Many countries have defined MSME differently:

European Union: The European Union makes a general distinction between self-employment, micro, small and medium sized businesses based on the following criteria:

Number of employees:

0	Self-employed
2-9	Micro business
10-49	Small business
50-249	Medium-size business

In USA, when small business is defined by the number of employees, it often refers to those with fewer than 100 employees, while medium-sized business often refers to those with fewer than 500 employees.

Both the US and the EU generally use the same threshold of fewer than 10 employees for small offices.

Breaking down the SME definition, Industry Canada defines a small business as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business). A firm that has more employees than these cut-offs but fewer than 500 employees is classified as a medium-sized business.

OBJECTIVES

1. to evaluate the performance of MSME in changing situations
2. to identify constraints faced by MSME sector
3. to recommend specific measures to improve outcome
4. to compare MSME in Odisha with that of India, and
5. to examine the impact of UNIDO intervention.

METHODOLOGY

This paper examined the importance, contribution and development potential of micro, small and medium enterprises in the state of Odisha. Data are collected from primary and secondary source. Primary data are collected from various clusters. In addition to that data are collected from success story of MSME clusters. Secondary data are collected from published and unpublished reports, books, journals and various seminars. The present paper dealing with MSME in Odisha is concentrating on two important sectors i.e; handloom and handicraft in a wider prospect in comparison to other MSME sectors.

MSME IN INDIA

It is indeed necessary to bring before you the growth trends of India so as to understand the real situation of State of Odisha. From **Table - 1**, it is observed that at end of year 2008-09 an estimated total of 28.52 (a growth of 4.53 per cent than previous year) million MSME units present in the country and generating employment of about 65.94 million people a growth of 5.35 per cent than previous year.

From **Table - 2**, it can be seen the contributions of MSME sector to the Gross Domestic Product (GDP) of the country and also the growth trend. In the year 2007-08 this sector had given an estimated contribution of around 45 per cent of total industrial production and 8 per cent of GDP which was about 39.74 per cent of industrial production a decade ago (1999-2000) and was contributing to 5.86 per cent of GDP at that time. From this data it is clear that there has been a positive growth in industrial production and contribution to GDP in all the years of last one decade. Another important factor is over the last one decade this sector has always inched up its contribution to GDP.

One of the factors of smooth functioning of any sector is its ability to finance. The credit flow from banks to any sector is an indicator of its importance. The **Table - 3** gives us the vital information that about 11.4 per cent of the total credit was directed towards MSME sector by the banks net credit in the year 2009.

The per capita income of major states and all India per capita income is mentioned in **Table - 4** to understand about the position of average income of people of Odisha. This data can be read in conjunction with poverty statistics given in this paper and understand the situation of people living in poverty, which needs urgent attention.

MSME IN ODISHA

MSME units are increasing day by day in the state. It is important to understand the MSME sector development in terms of number of units and employment opportunities generated which will give vital information of the opportunities that may be explored in development of MSME sector in Odisha. The details of MSME are presented in **Table - 5 & 6.**

The table 5 and 6 reveals that the number of MSME units set up during a year has been increasing over the years. The total amount of investment is also revealing an increasing trend except for 2002-03 and 2008-09. By looking into the intra MSME units it reveals that the maximum number of MSMEs belongs to the repairing and services sub-sectors. It is the food and allied sector that has the highest number of MSMEs with highest investment of 28.04 per cent. In employment generation it is the second highest employment sector (20 per cent), followed by glass and ceramics (21 per cent). As a whole the number of MSMEs has increased from 66206 to 101933 over a period of time from 2000-01 to 2008-09.

The traditional employment oriented industries are under the coverage of MSME. These industries are Handloom, Handicraft, Sericulture and Coir industries.

WEAKNESS OF LARGE SCALE INDUSTRIES

1. Displacement:

Development projects no doubt have the potential to bring enormous benefits to human society but the cost imposed by these is often borne by the poorest and the most marginalized sections of society. For millions of people around the world- development has cost them their homes, their livelihoods, their health and even their very lives. It is often characterized by impoverishment & disempowerment with especially harsh consequences for vulnerable groups like women and children.

The empirical studies on displacement reveals that, according to estimate made by Dr. Walter Fernandes and Md. Asif on the displacement of human population in Orissa due to the establishment of mega projects from 1951 to 1995 clearly states that Hydro-electric multi-purpose projects have displaced 3,25,000 people of which only 90,000 people (27.69 per cent) have been rehabilitated. Similarly, due to industrial projects out of 71,794 displaced people in Orissa, only 27,300 (30.03 per cent) have been rehabilitated; while mining projects displaced around 1,00,000 people of which 60 per cent have been rehabilitated and due to declaration of sanctuary around 50,000 people have been displaced of which only 15,540 (31.08 per cent) are rehabilitated. In total these mega projects during a period of four and half decades have displaced around 5, 46,796 people of which only 35.27 per cent (1, 92,840) people have been rehabilitated. According to official estimates the total number of families displaced due to river dam projects and other development projects in Orissa in 1950-1953 was 81176 of which 80 per cent families have been displaced due to irrigation projects only.

In Odisha, Mittal Steel NV is in the process of acquiring land for setting up of a 10 million ton per annum capacity green field steel plant in Keonjhar district, Odisha. Around 9,377 people from 16 villages will have to be relocated for the project. People from these villages are demanding relocation of the project. Similarly POSCO India Private Limited is acquiring land for its 12 million ton (per annum) steel plant in Jagatsinghpur district which again is facing large scale opposition from people of the villages who will be loosing their land and livelihood permanently.

2. Unemployment

The estimated employment-Unemployment situations need to be analyzed to understand the situations of unemployed people in the state. The Economic Survey of Odisha for 2009-10 shows that there are 697 thousand job seekers registered in different employment exchanges in Odisha at the end of 2008 where as a mere 3638 placements were made during the year. The Economic Survey of Odisha, 2009-10 provides the vital statistics as given in **Table - 7.**

From **Table - 7** we will be able to observe that an estimated 1.40 and 1.39 million employable people will remain unemployed at the end of 2010-11 and 2011-12 respectively, which is 8.92 per cent and 8.76 per cent of the total employable work force of the state. The unemployment situation gives rise to multiples of problems such as labour migration especially unskilled/semi-skilled labours migrate to neighbouring states to work in unhealthy conditions and some times fall into the hands of labour contractors and get exploited. In some cases youths get lured to anti social activities such as "Naxalism", with the hope to earn easy money. Odisha is one state severely affected by "Naxalism".

3. Poverty

Though Odisha has been able to reduce the poverty percentage by 7.25 per cent from 47.15 per cent to 39.90 per cent (All India Average 21.80 per cent) during the period 1999-2000 to 2004-05, still Odisha has the highest percentage of poverty among the major states. There is disparity in reduction of poverty among NSS (National Sample Survey) region and by social groups also. The rural Odisha had poverty percentage of 39.80 per cent as against the urban Odisha percentage of 40.30 per cent. The incidence of poverty in coastal, southern and northern region was 18.37 per cent(45.33 per cent in 1993-94), 62.50 per cent (68.84 per cent in 1993-94)and 43.69 per cent (45.87 per cent in 1993-94) respectively. By social groups Scheduled Tribe (ST) communities had the highest incidence of poverty of 64.30 per cent (71.31 per cent in 1993-94) followed by Scheduled Caste (SC) communities of 38.60 per cent(49.79 in 1993-94) and Other Backward Castes (OBC) 24.50 per cent. About 65 per cent of the total poor in rural Odisha belong to either ST or SC groups. Majority of these communities reside in the districts of Keonjhar, Mayurbhanj, Sundergarh, Koraput, Kalahandi, Boudh, Phulabani and Malkangiri which have the large forest coverage and incidentally having full of natural resources.

STRENGTH OF MSME:

From the data as in **table no.5** it is observed that during the last 10 years there were 39,403 (registered) MSME units setup with an investment of 19542.80 million rupees generating employment for 183,740 persons i.e; average employment generation of about 18374 persons per year. As such there is tremendous scope for growth in this sector in Odisha. The rate of employment generation in MSME sector is very low. This can further be supplemented that during the year 2007-08 only 4710 new units have been set up with an investment of 2955.12 million rupees and providing employment of 23301 persons.

It is observed from **table no.6** that, the glass and ceramics sector is the major employment generating sector followed by food & allied sector, repairing & services sector and engineering & metal sector. These four sectors alone are employing about 71.51 per cent. In terms of investment also these four sectors attracted about 77.53 per cent of the total amount invested.

ROLE OF MSME

The traditional industries of Orissa which are famous for its aesthetic design, vibrant color and durability are stone carving, coir, filigree work, handicraft and handloom works. All these industries form part of MSMEs. The promotion of these industries gives more importance now so as to accelerate employment at local level with abundantly available local resources and employing local people. The State government provides administrative, managerial and financial support for the revival, promotion and diversification of these traditional industries through various schemes. MSME is playing a vital role in the state of Odisha and promoting economic development by addressing three obstacles of big industrial hubs, i.e; unemployment, poverty and displacement.

HANDLOOM

Handloom sector occupies an important place in preserving the state’s heritage and culture. The handloom products of Odisha have got wide recognition all over the country and abroad for their highly artistic design, colour combination, superior craftsmanship and long durability, for example Khandua of Nuapatana, Maniabandha of Maniabandh, Habaspur of Kalahandi, Bomkai of Ganjam, Katki of Jagatsighpur and Bichitrapuri of Bargarh. During 2008-09, nearly 49,095 looms operated in the state and produced 16.67 million square meters of handloom products and employed 98 thousand persons with an investment of Rs.1662.10 million.

Weaving is the basic process among the various manufacturing stages of handloom cloths. It is defined as a frame for weaving equipped with some wooden devices. The sound of the handloom is the music of rural homes. In the process of weaving the handloom weavers achieve harmony of motion and rhythms. The basic objective of handloom clusters is aimed at to bring about socio-economic development of weavers through new design, accessing wider markets and providing working capital. Weavers are making considerable improvement by availing capital, skill up-gradation, improvement of design and opportunities to modernize the looms. The weavers develop a community life oriented towards collective addressing of common issues and to access better opportunities to further optimize their income. These cluster helped them to unite under a single forum and to address day to day issues by themselves. The skill up-gradation program and exposure visits strengthened their confidence in providing non-conventional items. Weavers become more market conscious and market friendly. This change will enable them for product diversification, adoption of better design, colour combinations and meeting market specific requirements in future years.

HANDICRAFT

Handicrafts are known for its heritage of Art and Craft which contribute a lot for development of the rural economy. Odisha has the richest tradition of handicrafts in the country. The ancient rocks cutout carves and beautiful stone carving engraved in the temples of medieval Odisha provides a glimpse of the rich tradition of crafts, arts and sculpture. The traditional crafts like wood and stone carving, tie and dye weaving, Folk and Patta paintings, appliqué, filigree and jewellery work had flourished side by side with royal patronage and ritualistic needs of the temples of the state. Next to agriculture, handloom & handicrafts provided employment to the people of the state.

Artisans of handicrafts are yet to develop general and direct contact with the market, especially with the emerging larger markets where the effective demand for handicrafts is really felt. In order to tap these potentials, products are to be more users friendly, aesthetic and often disposable. As there is an increasing awareness on replacement of plastic products craftsmen should explore this market. An eco-friendly carry bag with paper, jute, sisal fiber, coir, palm leaves may have alternative possibilities. It remains to be explored.

CLUSTER DEVELOPMENT-As visualized from the field

We have seen the fruits of UNIDO (United Nations Industrial Development Organization) cluster approach to the development of MSME. UNIDO has been working in Odisha since last one decade for development of clusters which have been very successful. An MSME cluster is a sectoral and geographical concentration of micro or small and medium enterprises producing a similar range of goods or services and facing similar threats (e.g. product obsolescence or lack of markets) and opportunities (e.g.

scope for increasing turnover through quality up-gradation or the introduction of new products or increasing exports through targeted marketing). Among such firms, geographic proximity can encourage the development of intensive business relations. Over the past one decade, United Nations Industrial Development Organization (UNIDO) has worked intensively in the field of micro, small and medium enterprises cluster development in India which is increasingly recognized as an important contributor to fight against poverty. Clusters enable poor producers to share resources, lower costs and undertake joint activities that generate incomes and returns which would have been out of reach for individual enterprises.

UNIDO started a cluster development program in the state of Odisha as part of the DFID (Department of International Development of the UK) funded program " Enabling Pro-Poor Economic Growth in Odisha" Under this project called the MSME Cluster Development Program in the state of Odisha, which conducted during April'2005 to May'2008. A two-pronged strategy was adopted by UNIDO. It provided direct assistants to four clusters in the state, one each in handloom sector at Barpalli, handicraft (Stone Carving) at Puri, Konark and Bhubaneswar, non-timber forest products (Sale leaf) at Baripada and small scale light engineering industries at Rourkela. Simultaneously the relevant agencies of Government of Odisha were assisted through capacity building and policy advice for scale up of the clusters. A concise analysis of these four clusters given as under:

I. IKAT HANDLOOM WEAVING CLUSTER-BARPALLI

The ikat handloom cluster of Barpalli in Odisha consists of seven villages of the Barpalli block and one village of Bijepur block, both located in the district of

Bargarh. The cluster accounts for nearly 68 per cent of the total looms of the district. The growth of weaving activity dates back to the advent of the (Bhulia) Meher community in 1726, who were followed by the Costa Mehers (tussar weavers) and Kuli Mehers (less skilled weavers). Impetus to the weaving activities came with the establishment of the Sambalpuri Bastralaya in 1942, which supplied dyed yarn to the production units of Barpalli from where it used to be made available to the weavers. State Government in the meantime supported the creation of cooperative societies in the region and provided support in the form of subsidies, rebate and technical assistance. As such while lot many things were carried out in the capacity building of production side, there was hardly any capacity building of the local weavers or societies in the market or market-led design and product development. Later support from the apex cooperative societies started dwindling due their inherent problems and off-take for marketing by these agencies declined to as low as 10 per cent of the total output.

Obstacles:

- **Limited Access to and Mismanagement of Credit:** Only two financial institutions were linked to the cluster. While providing credit to group of weavers, they were not able to infuse financial discipline into the cluster which resulted in the weavers utilizing loans for consumption rather than production.
- **Lack of appropriate technology:** All pre-loom processes were done manually and outdoors, it means all activities coming to a halt during bad weather.

- **Problem of Access to Raw Materials:** There was no linked yarn supplier to the cluster as such they use to source from neighboring towns. Non-availability of quality dyes was another major issue.
- **Access to market:** Ordinary weavers had to satisfy themselves to market their products within the local markets only. Even the national awardees weavers and master weavers, who had access to market were facing problem of not meeting the volume demand.
- **Social Issue- Health and Gender:** Poor health and sanitation. Woman handling a disproportionately large share of workload but having limited decision making role in most weaving families.

Impact:

- **Weavers Earn More with Better Access to Credit:**

By January 2008, credit worth Rs.7.59 million was extended to these groups, enabling weavers to produce and supply more products (mainly sarees and dress materials) and stop distress sales. Around 600 families in the cluster were earning at least Rs.500 more per month with the facility of credit flow. Some contractual weavers who were working for Master Weavers on low wages are now able to buy raw materials and have become entrepreneur weavers themselves.

- **Improved Productivity, Mechanization of Pre-loom Processes:**

All pre-loom activities have been mechanized. The motor operated **warp** winding machine has enhanced the loom's productivity. ***With the help of the winding machine more than 50 warps are being produced at a time which is 25 times higher than the previous output***. Smaller size of the machines allows the weavers to work indoors, thus work become possible round the year and with optimum capacity.

- **Skill Up gradation**

UNIDO has promoted skill upgradation of semi-skilled Kuli weavers. As a result, 145 Kuli weaving families are using their own tie and dye yarn for weaving instead of buying them from the market, and are also selling these yarns directly in the market. Weavers are now producing higher end products which earn them a margin 60 per cent higher than low cost products.

- **Social Development**

Weavers are now aware of the availability of health and life insurance schemes. Health conditions of the weavers have significantly improved with the construction of a number of sanitary latrines as well as sanitation camps organized to raise health awareness.

- **Women Empowerment**

Women weavers, confined to their homes stepped out, and set up their own federations with the help of UNIDO, undertaking joint social and economic activities including design and product development projects and participating increasingly in decision making at household as well as community levels.

- **Exposure visit:**

Exposure visits to nearby state was conducted to provide weavers live work experience else where. They were also allowed to select appropriate technology for their cluster. They were helped to set up Common Facility Centre (CFC) for shared used of machinery, as well as for reproducing the machinery and selling it to other cluster stake holders with the combination of bank loan and cost-sharing. This helped them develop high degree of ownership among the stake holders and success of cluster initiative.

II. STONE CARVING CLUSTER-PURI, KONARK & BHUBANESWAR

Stone carving is one of the major crafts of Odisha and also one of its oldest. The origin of stone carving in Odisha dates back to the 13 century when the Kalinga school of architecture flourished and the world renowned Sun Temple of Konark stood as one of the finest examples of artistry carved in stone. Since then families have passed on this tradition from generation to generation. Stone carving has been characterized by the state government as “a craft with a development dimension”. Stone carving takes place within craft production units and in households. The units are established by a master craftsman, often in a rented premise where he employs a handful of artisans - both skilled and semi-skilled - to produce stone carving products. Production takes place mostly within the craft production units rather than in individual households. Owners of the units secure orders from local traders and very few have direct linkages with the national and international markets. Skilled artisans work as subcontractors for a daily wage or are paid on a piecemeal basis, while semi-skilled artisans are hired on a daily wage basis only.

Obstacles:

- **Market access:** The cluster was catering to low end markets, and had no brand image for products. It had no linkages to the higher end national markets such as Mumbai, Delhi where margins are much higher than in the local markets.

- **Low Standard of products:** Product range unsuited to the needs of export market
- **Informal credit:** There was no access to formal credit to most of the units as the institutional financial system does not pay small amounts to the artisans. Hence they resort to informal sources of credit.
- **Lack of Raw materials:** Non-availability of raw material (sand stone, soft stone) hampers the production process.
- **Lack of technology:** Limited use of machinery, especially in cutting, sizing, polishing etc, leading to higher costs compared to competitors who use mechanized methods.
- **Limited product development:** There is a lack of organized effort to take care of the larger interests of the artisans, who have not been able to forge business partnerships to take care of their common problems and issues. Despite sporadic efforts to organize artisans through cooperatives and self-help groups (SHGs), these have lacked the market-driven approach and not been very efficient in tackling issues on a sustained basis, coupled with lack of trust among the major players like the craft production units, marketers etc.
- **Poor working conditions:** Poor housing, poor health, poor working environment and added with no proper lighting facility at the work place hinders cluster production.

Impact

The essence of the project intervention was to improve the collective efficiency by enabling the artisans to reap the benefits of economies of scale and engaging in joint actions. Artisans belonging to the same categories were organized in networks such as SHGs and cooperatives to cater following strategies:

1) To address the issue of access to credit
2) To establish direct market linkages at the national and international level
3) To enhance productivity through up-gradation of technology and better management practices; and
4) To empower women artisans.

- **Access to credit:** Loans of 7.5 million rupees worth were extended to artisans at lower rates of interest than what was being charged from them earlier by informal money lenders. And 100 per cent of the credit is invested in productive activities namely, purchase of raw materials, tools and machines and payments to the work force.
- **Market Linkages:** Artisans were made aware of market requirements, market trends and consumer preferences. About 15 buyers have been linked to the clusters and linkages have been established with 10 premier national exhibitions and 3 institutions CCIC (Central Cottage Industries Corporation), Utkalika and Self Employed Womens' Association (SEWA) which have sales outlets all over India.
- **Higher Quality:** There has been a shift in the clusters from the production of low quality, cheaper goods to higher quality, higher priced products, as a result of establishment of direct linkages with retailers and demanding buyers.

- **Higher Margins:** Margins earned by artisans and master craftsmen have increased very substantially from a meager 5 per cent to as high as 35 to 50 per cent. As many as 45 units have reported average increase of 20 per cent in sales, which in turn has resulted in higher incomes for the 400 artisans employed in these 45 units.
- **Higher Incomes:** The income of the skilled artisan has risen from an average of Rs 3000 to Rs 5000 per month, while the corresponding increase for semi-skilled artisans is estimated to have gone up from Rs 1000 ($ 22 approximately) to Rs 2500 ($53 approximately) per month. All trained young people have found employment or self-employment in the cluster.
- **Increase in productivity:** Intervention has increased productivity of the units by 15 per cent to 20 per cent through the introduction of modern machinery (such as stone cutting machines) and best business management practices.
- **Empowered women artisans:** Women artisans have gained increasing self-confidence, going to the markets to directly sell their products and have taken the lead in addressing, other social issues including health and hygiene, leading to better sanitation and better environment for work.

III. MACHINING AND FABRICATION CLUSTER -ROURKELA

The Machining and Fabrication cluster in Rourkela, Odisha a major iron and steel industrial belt in the eastern region of India was one of the clusters identified for direct assistance within the framework of the cluster development program. There are approximately 140 small and micro enterprises in the cluster which operate as ancillary units of the mother plants viz., Rourkela Steel Plant; the cement factory OCL; Larsen and Toubro etc who provide them with job specifications and occasionally, raw materials, and medium and large scale units including sponge iron and casting units located within and outside the district.

Obstacles:

Irregular supply of raw materials and dependence on traders charging high prices; insufficient orders and lack of market intelligence, lack of credit facility, lack of technology and business management practices and absence of skilled manpower were among the major problems facing the cluster.

Impact

The objective of the project was to promote economic growth of the cluster by helping the stakeholders to collectively address bottlenecks, and take advantage of emerging opportunities. This cluster improved its status by increasing productivity, net working, availability of credit, quality improvement and providing gainful employment to youths.

IV. NON-TIMBER FOREST PRODUCTS (NTFP) CLUSTER-BARIPADA

The UNIDO cluster development program covers 15 of the 95 villages in the Sal Leaf Cup and Plate cluster in Baripada in the Mayurbhanj district of Odisha. Families mostly tribal living in the cluster depend directly or indirectly on Sal leaf and Sabai grass for their livelihood. Since time immemorial, Sal leaf plates and cups - described here as non-timber forest products (NTFP) - have been used on festive occasions as the leaves are considered auspicious. Over four decades ago, some traders began trading hand made Sal cups (donas) - round in shape and stitched with bamboo sticks - within Mayurbhanj. In the 1970's introduction of the electric-driven pressing machines gave a boost to the production and trade of pressed cups and its popularity spread to other Indian states. The market at Betnoti, just 15 kms away from the cluster, became the hub for buyers and sellers. About 2000 Sal leaf plates and cups were even exported from Calcutta to Europe and South East Asia. The main players in this humming cluster are the Primary Collectors, majority of them tribal women living below the poverty line who collect leaves from the forest and sell the raw or semi-processed Sal leaves (known as Khalis or Dwipatris to earn a livelihood; Agents (called Cycle wallas as they go around villages on bicycles to procure Dwipatris) which are then carried by agents to Betnoti ; household processing units; and traders (medium and big). Interestingly, a Participatory Poverty Assessment undertaken by UNIDO found poverty to be particularly relevant among the primary collectors, household processors and the cycle-wallas. It also identified the major problems of the cluster.

Obstacles:

- **Mismanagement of credit rather than availability of credit:** Banks being unaware of credit requirements of SHGs were over-loaning leading to the loans being utilized for consumption and not productive purposes; low value addition in processing by the primary collectors;
- **Lack of technological innovations:** Lack of technology hampering the capacity of producers to meet the demand, and the emergence of substitutes like plastic, thermo-col and paper eroding the market of Sal leaf cups and plates.

- **Forest depletion:** With felling of trees being a common practice for fuel, poor health, and education and social security issues posing a persistent and serious problem among the poor.

Impact:

The objective of the intervention was to support cluster development in a sector where the incidence of poverty is among the highest in the state, identify good practices for cluster development, and transfer them to relevant institutions for replication in other NTFP clusters. The project focused on revitalizing SHGs of primary collectors and processors and building their capacities to undertake collective activities.

- **Improved credit utilization:** In this cluster 400 SHGs are utilizing credit in potential business activity instead of consumption. And 160 families are earning extra Rs 400 a week due to proper credit utilization and application of business plans.
- **Direct marketing linkage helps primary collectors to earn more:** Primary collectors were made aware of the prices of their products and a market linkage has been established with a buyer visiting one village of Sal leaf collectors every week.
- **Increased value addition:** Higher value addition meant higher margins and this was achieved through introduction of pressed cups using cup pressing machines; new product development (paper patri); and skill improvement for Sabai grass handicraft production.

- **Improved skill:** Improving skills in Sabai handicraft was identified as an important activity alongside Sal leaf collection and processing, sabai rope production was a major activity, mostly by women, and also because value addition in sabai handicraft production is six times higher than for existing sabai ropes. 105 women have acquired new skills in sabai handicraft production; and a marketing forum has been established and linked to marketing agencies. 25 women are now regularly producing sabai handicrafts and earning additional income during the off season of Sal leaf production.
- **New technology**: UNIDO introduced appropriate technology in the form of modern sabai rope twisting machine and sabai rope making machine which has reduced the cost and doubled production. Unemployed youth are trained in sabai rope making on machine and the increased production capacity of the machine is motivating the tribal community to increase the cultivation of sabai, further reducing the pressure on forests.
- **Improved health, education and insurance:** It has promoted awareness about health, education and insurance services in the cluster. About 300 women and 300 children have received health education and 80 children have attended education clubs, education rallies and street shows organized by SHGs.

CONCLUSIONS:

MSME being the second highest employment generation sector is next only to agriculture, this sector need special attention of the state government, policy makers and implementation. This is all the more necessary and a very powerful engine realizing the twin objectives of ‘accelerated industrial growth’ and ‘creation of additional productive employment potential’ in rural and backward areas.

Out of the total number of 15,51,550 MSME units only 101933 (6.57 per cent) units are registered and employment of only these units are recorded with the government. There is an urgent need to have a policy to record all units in the state to understand the actual position of employment as on date and employment generation in this sector in future. This will enable policy makers to decide the course of action, such as creation of cluster, providing suitable infrastructure, market, product development, finance etc.

Cluster approach the real success seen already must be followed to the extent possible, so as make easy availability of credit, infrastructure, raw materials, markets and labour. This ultimately results into better quality at competitive price which is the need of the hour. Another advantage of cluster is to faster adapt to changes, because of easy access to information on changes in technology and market demand. There should be a procedure of regular monitoring of Clusters and units located within it.

There is a need for industry ready manpower; as such there is an urgent need for up gradation of existing MSME institute to a national level institution with branches in Rourkela, Berhampur and Sambalpur. The institute should have R & D facilities specific to MSME sector.

There should be a very close co-relation among the industry, technology provider, bankers, industry associations, government agencies, local/international agencies like UNIDO who are always working for the betterment of people.

Considering the vastness of MSME sector, its requirement, opportunities for growth in terms of revenue, employment generation potential, it is felt that there should be a separate MSME ministry in Government of Odisha.

In MSME, handloom sector play a dominant role. The data indicated that weavers in general like to have alternate investment in income generating activities within the local area. The weavers produce variety of fabrics such as sarees, dress materials, dhoti, pasapalli, sonepuri pata and bichitrapuri. The cluster development program enabled the weavers to develop a better community life. It helped them to unite under a single forum i,e; WCS. Handloom sector for its inadequate skill, limited market exposure, lack of capital and initiative remain less market friendly. Its master crafts men became too traditional, self centered and less development friendly. They were often reluctant in sharing their skill with other and hesitate to interact with successful business man. As most of the weavers belong to OBC, there were limitations in getting the required assistant from government administration which is dominated by higher caste.

Handicrafts have a high potential in our market. It can meet the global demand of eco-friendly products provided the craftsmen attain the product efficiency. The development of handicraft cluster is strengthening the rural-urban economic dependence and minimizes forceful migration of rural poor. The existing traditional system practiced over a long period of time weekend handloom and handicraft production system limiting all possibilities of product improvement and improved standard of living. Along with the changes taking place in the economy new awareness came in even to the village through electronic media and social re-engineering forum like, SHG and Co-operatives. The initiative taken under RLTAP, WODC and UNIDO triggered the much desired change process. The impact assessment as revealed from the field bring out visible changes happening specially in craftsmen clusters with a new vigor, working in group, addressing changes to optimize income and employment, upgrading the quality of product based on market demand with added skill.

SUGGESTIONS:

By looking into the strength, weakness and opportunities of MSME in Odisha, we would like to suggest the following for the benefit of the stake holders in particular and economic development of the state in general.

1. A cluster centric development plan for each potential clusters may be prepared for long term development.
2. There is need for making handloom and handicraft sector more market friendly and competitive to strengthen MSME.
3. Weavers need further capacity building. They have to be trained in texture design market required color combination and better technology.
4. Special training and exposure visit of weavers and crafts men.
5. Development of "Handloom mark" in the line of "Wool mark".
6. Private sector participation may be encouraged.
7. Government may establish suitable handicraft training school (NID) standard at Bhubaneswar.
8. Government may nominate master craftsman to Rajya Sabha for empowerment.
9. Government may like to develop suitable infrastructure at the developmental hubs.

10. For improving the welfare of the participants following instruments may be introduced.

    (a) Issue of photo identity card

    (b) Extending insurance coverage to all family members

    (c) Providing educational scholarship to their children

Table - 1

ALL INDIA TREND ON MSME, GROWTH ON INVESTMENT AND EMPLOYMENT:

Year	Total No of Units (in lakh)	Investment (Rs. Crores)	Employment generated (lakh persons)	Production at current price (in Rupees Crores)
2004-2005	118.59	178699	282.57	429796
	(4.07)	(4.98)	(4.11)	
2005-06	123.42	188113	294.91	497842
	(20.76)	(4.07)	(12.32)	
2006-07	261.01	500758	594.61	709398
	(21.50)	(111.48)	(42.49)	
2007-08**	272.79	558190	626.34	790759
	(4.51)	(11.47)	(5.34)	
2008-09 **	285.16	621753	659.35	880805
	(4.53)	(11.39)	(5.35)	

The figures in brackets show the % growth over the previous year. The data for the period up to 2005-06 is only for small scale industries (SSI). Subsequent to 2005-06, data with reference to micro, small and medium enterprises are being compiled.
**Projected
Ten lakh is equal to one million, One crore is equal to Ten million

Source:MSME annual report 2009-10 Government of India

Table - 2

CONTRIBUTION OF MSMEs SECTOR IN THE GROSS DOMESTIC PRODUCT (GDP) OF INDIA

Year	Contribution of MSMEs (%) at 1999-2000 prices	
	Total Industrial Production	Gross Domestic Product (GDP)
1999-2000	39.74	5.86
2000-2001	39.71	6.04
2001-2002	39.12	5.77
2002-2003	38.89	5.91
2003-2004	38.74	5.79
2004-2005	38.62	5.84
2005-2006	38.56	5.83
2006-2007**	44.12	7.44
2007-2008**	45.00	8.00

** The data for the period upto 2005-06 is only for small scale industries (SSI) . Subsequent to 2005-06, data with reference to micro, small and medium enterprises are being reflected. ***Source:MSME annual report 2009-10 Government of India***

Table - 3

OUTSTANDING BANK CREDIT TO MICRO AND SMALL ENTERPRISES IN INDIA

(Rs.crore)

As on last reporting Friday of March	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks	Percentage of MSE Credit to Net Bank Credit
2005	67,800	8,592	6,907	83,498	8.8
2006	82,434 (21.6)	10,421 (21.3)	8,430 (22.1)	1,01,285 (21.3)	7.5
2007	1,02,550 (24.4)	13,136 (26.1)	11,637 (38.0)	1,27,323 (25.7)	7.2
2008	1,51,137 (47.4)	46,912 (257.1)	15,489 (33.1)	2,13,538 (67.7)	11.6
2009 (Provisional)	1,91,307 (26.6)	47,916 (2.1)	18,138 (17.1)	2,57,361 (20.5)	11.4

Source: Reserve Bank of India.

Note:

1. Figure in parentheses indicates year-on-year growth.
2. The high growth witnessed during 2008 is on account of re-classification of MSEs as per MSMED Act, 2006. Firstly, the investment limit of small (manufacturing) was raised from Rs.1 crore to Rs.5 crore and small (services) was added to include enterprises with investment limit between Rs.10 lakh to Rs.2 crore. Secondly, the coverage of service enterprises were broadened to include small road and water transport operators, small business, professional and self-employed and all other service enterprises as per definition provided under MSMED Act, 2006.
3. One crore equal to 10 million

Table - 4

PER CAIPTA INCOME OF MAJOR STATES AND NATIONAL INCOME FOR 2007-08

In Rupees

Sr No	**Name State**	**Per capita income**
1	Haryana	58531
2	Maharashtra	49058
3	Gujarat	45773
4	Punjab	44923
5	Kerala	43104
6	Tamil Nadu	40757
7	Himachal Pradesh	40134
8	Karnataka	36266
9	Andhra Pradesh	35864
10	West Bengal	31722
11	Rajasthan	23933
12	Orissa	23403
13	Madhya Pradesh	18051
14	Uttar Pradesh	16060
15	Bihar State	11135

National per capita income during the period was Rs.33283

Table - 5

MSME (Registered) units and employment generation-Orissa

Year	MSME units setup (Cumulative)	MSME units set up during the year	Investment made (Rupees in million)	Employment generated (number of persons)
2000-01	66206	3676	1531.80	18115
2001-02	70125	3919	1652.30	16582
2002-03	74133	4008	1551.40	16320
2003-04	78568	4435	1701.30	20547
2004-05	83075	4507	2455.90	21898
2005-06	87861	4786	2704.40	25142
2006-07	92417	4556	2711.40	20839
2007-08	97127	4710	2955.10	23301
2008-09	101933	4806	2279.20	20996
	TOTAL	**39403**	**19542.80**	**183740**

Source: Economic Survey, Orissa: 2009-10

Table - 6

Sector-wise classification of MSMEs

Category	No of units set up	Investment (Rupees in million)	Employment (No. of persons)
Food & Allied	23026	9392.40 (28.04)	120217 (19.99)
Chemical & Allied	2742	1747.10 (5.21)	21108 (3.51)
Electrical & Electronics	1090	455.40 (1.35)	6961(1.15)
Engineering & Metal	11641	7109.50(21.23)	86747 (14.42)
Forest & Wood based	6316	572.60 (1.70)	40032 (6.65)
Glass and Ceramics	7670	3998.10 (11.93)	126197 (20.99)
Livestock & Leather	425	69.00 (0.20)	2423 (0.40)
Paper & Paper Products	2736	848.80 (2.53)	14967 (2.48)
Rubber & Plastics	1675	1186.40 (3.54)	9810 (1.63)
Textiles	7842	1011.00 (3.01)	46508 (7.73)
Misc. manufacturing	5951	1624.80 (4.85)	29331 (4.87)
Repairing & Services	30819	5470.80 (16.33)	96904 (16.11)
TOTAL	**101933**	**33485.90**	**601205**

Source: Economic Survey, Orissa:2009-10.
Figures in parenthesis are percentage to total

Table - 7

Estimated Employment-Unemployment of Orissa

In million persons

Attributes of labour force	2007-08	2008-09	2009-10	2010-11	2011-12
Estimated Labour Force at the beginning of the year	14.84	15.05	15.52	15.47	15.68
Projected Annual Growth Rate (%)	1.38	1.38	1.38	1.38	1.38
Addition during the year	0.21	0.21	0.21	0.21	0.22
Labour Force at the end of the year	15.05	15.25	15.47	15.68	15.89
Total Work Force at the the beginning of the year	13.43	13.64	13.85	14.06	14.28
Projected Annual Growth Rate of Work Force (%)	1.55	1.55	1.55	1.55	1.55
Additional Work Force/Employment generation during the year	0.21	0.21	0.22	0.22	0.22
Magnitude of Unemployed at the beginning of the year	1.41	1.41	1.41	1.40	1.40
Magnitude of Unemployed at the end of the year	1.41	1.41	1.40	1.40	1.39
End of the year Unemployment (%)	9.37	9.22	9.07	8.92	8.76

Source: Economic Survey, Government of Orissa, 2009-10

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