

Implementation

The implementation strategy is to first identify the needs of Kanpur leather cluster through a diagnostic study and prepare an action plan, duly validated by the stakeholders in the cluster to address the identified needs. The project would promote and leverage partnership amongst various stakeholders of the cluster, in implementing the action plan.

A detailed inventory of BDS providers, present and potential, will be prepared. Activities will be implemented to strengthen and enhance the outreach of existing BDS providers, and also capacity building of existing and potential service providers. Special attention will be paid to develop local service providers within the cluster, forging linkages between local industry and service providers and strengthening of local institutions.

Wherever possible, PPP arrangements are being explored in rolling out BDS. Efficient ways of working with Government supported institutions in the intervention areas will be a part of the agenda under the project.

IL&FS Cluster Development Initiative Ltd. (IL&FS CDI) has been engaged by PMD, SIDBI to facilitate and implement the project in Kanpur leather cluster. A multi-disciplinary team has been deployed by IL&FS CDI to implement the project in Kanpur.

Time Frame

The project will be implemented over 4 years from June 2007 to August 2011.

Expected Impact

The expected impact of the programme is as follows:

- Enhanced and sustainable market for services and their providers.
- Availability of competent and market-oriented service providers within the cluster to address various critical needs of the enterprises
- Sustainable and responsible partnerships of local stakeholders – Government at various levels (DICs, MSME-DI and other institutions in project intervention areas), cluster SMEs, BMOs and service providers.
- Public institutions involved with direct BDS provisioning are moved to effective facilitation models

SIDBI

SIDBI is the Principal Financial Institution for the Promotion, Financing and Developing of the Small scale sector and Coordination of the functions of the institution engaged in similar activities. The business domain of SIDBI consists of MSMEs. SIDBI has been, through various tailor-made schemes, meeting the diverse needs of the sector by adopting direct, indirect and promotion & developmental support channels.

SIDBI is implementing the SME Financing and Development Project (SMEFDP). The Banking Division, Ministry of Finance, GOI is the nodal agency and IBRD, DFID, UK, KfW Germany and GTZ Germany are the international partners in the Project. SMEFDP addresses both demand and supply side issues concerning SMEs through its project components comprising Credit facility, Risk Sharing Facility and Technical Assistance.

Business Development Services (BDS) is the cornerstone of the Project and aims at strengthening BDS in select SME clusters and developing them as "Role Models", with a strong demonstration effect. Pilot phase is being implemented in three clusters. Kanpur is one among them.

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IL&FS CDI Ltd.

IL&FS Cluster Development Initiative Limited (IL&FS CDI), a wholly owned subsidiary of Infrastructure Leasing & Financial Services (IL&FS) Ltd, has been implementing several projects for enhancing the competitiveness of the manufacturing sector, particularly, SMEs, on Private Public Partnership (PPP) and cluster basis. Some of the important cluster development initiatives are in the sectors of textiles, leather, food processing, unorganised micro enterprises of artisans, pharma, etc.

IL&FS CDI has been assigned the responsibility of implementing the project on Business Development Services for Kanpur leather cluster by SIDBI.

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IL&FS Cluster Development Initiative Ltd



Business Development Services

for SMEs in Kanpur Leather Cluster
Implemented by IL&FS Cluster Development Initiative Ltd. on behalf of SIDBI



Project Partners



Context

The contribution of Small and Medium Enterprises (SMEs) to Indian economy in terms of employment, industrial output and exports is very significant. One of the characteristics of the SME sector is clustering of units that produce related products in identified geographical locations. Such clustering provides critical mass for customisation of services and collaboration on mutually beneficial business operations, thereby leveraging the advantages of economies of scale.

Leather is one of the prominent sectors in Indian economy with employment of 2.5 million workers and contribution of US\$ 5 billion to the value of manufactured goods. The majority of this output is contributed by the SMEs clustered in around 6 major locations.

Given the importance of SMEs and clusters, Small Industries Development Bank of India (SIDBI) has launched a programme to enhance the competitiveness of SME clusters through strengthening of Business Development Services (BDS). "BDS refers to the wide range of services used by entrepreneurs to help them operate efficiently and grow their businesses". This intervention is funded by the Department for International Development (DFID) of UK as a part of a larger multi donor project for Financing & Development of SMEs in India.



Kanpur leather cluster comprises of about 1600 SMEs providing employment to more than a lakh persons and contributing Rs. 2400 crores

of production annually. The exports have doubled over the last 5 years from Rs 1068 crores in 2000-01 to Rs 2039 crores in 2005-06. The cluster has created a niche for processing buffalo leather and stands out as the only center in the country producing saddlery items and safety shoes for export markets. It is also a global player in upholstery leather, footwear and leather goods. In view of its pre-dominant share, Kanpur leather cluster has been selected as one of the clusters for the project.

Project Objectives & Activities



In order to sustain its growth and remain competitive, SMEs in the Kanpur leather cluster need to address several constraints, including non-

availability of skilled workers; limited access to finance; low end technology; inadequate infrastructure; widening gap between demand and supply of raw material and inability to meet social and environmental standards.

Advancing business in such a challenging environment requires access to highly specialised BDS to improve performance and competitiveness. The project will facilitate provisioning of demand-driven services which cluster SMEs can use to address some of their constraints.

Thus, the project seeks to identify and strengthen BDS providers, both institutional and commercial, in the following major areas:

- **Skill Development**
- **Product Development, Productivity and Diversification**
- **Access to Finance**
- **Access to Market**
- **Compliances – Quality, Environment and Social Standards**
- **Infrastructure facilitation**
- **Supply of Inputs**
- **Market linkages**

The target group for the project shall comprise of:

- Existing BDS providers – institutional and commercial
- Cluster SMEs
- Business Membership Organisations (BMOs)
- Support institutions of Government

The BDS intervention under the programme focuses on:

- Building the capacity of existing and potential BDS providers to serve the cluster SME market more effectively;
- Facilitating networking between SME business associations and other BDS providers;
- Developing linkage programs between large corporations and SMEs, working through the major SME business associations;
- Entrepreneurs training programme to train new entrepreneurs
- Developing high quality, affordable management training for local SMEs;
- Providing SMEs with better access to technology, for example, through technology transfer agents; dedicated institutions to facilitate dissemination of information on technology transfer and match-making between SMEs and service providers.

