



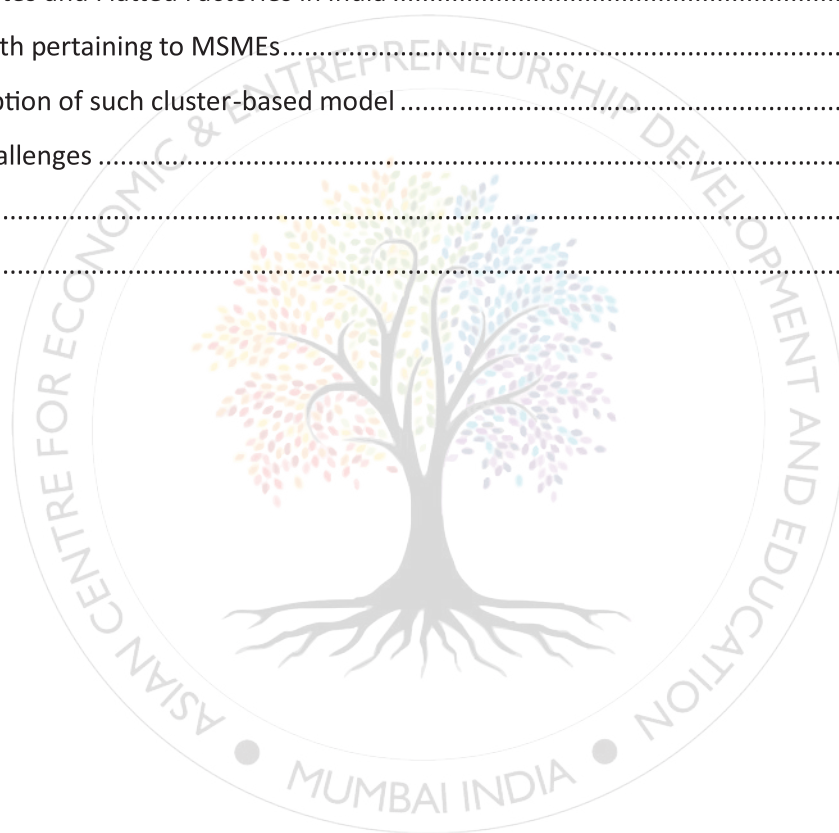
ASIAN CENTRE FOR
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AN INDIA SME FORUM INITIATIVE

Industrial Estates and Flatted factories for MSMEs as the key to MSME development



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Introduction

- I. According to William Bredo, who has defined the term Industrial estates for the first time in 1960, "an Industrial Estate is a tract of land which is subdivided and developed according to a comprehensive plan for the use of a community of industrial enterprises. The plan must make detailed provisions for streets and roads, transportation facilities and installation of utilities".
- II. According to the United Nations: Industrial Estate is defined as, "a planned clustering of industrial enterprises, offering developed sites, pre-built factory accommodation and provision of services and facilities to the occupants."
- III. The industrial estates activities are involved from the stage of acquiring and developing land and plots for housing small industrial units, maintaining of infrastructure and industrial services on a regular basis via government intervention and support. These industrial estates are basically growth centers or can be called as "Incubators" that run on Plug and Play approach, protecting the MSMEs units from multiple problems and ensuring their growth and focus on core aspects of business.
- IV. The concept of Industrial Estates holds that governments provide public goods, particularly infrastructure, for industrial firms to be competitive; co-located firms generate agglomeration economies; and so the public goods should be concentrated on areas of collocation. If the firms are not there yet, the provision of infrastructure will somehow induce them to be. If the area is demarcated, and the general economic environment difficult, exemptions can be made that will further entice firms and create competitiveness. Thus in Simple words Industrial Estates is an area where Land acquisition, infrastructure development, agglomeration of industries, availability of labour, relaxation of labour laws, tax rebates, subsidies etc, all at once are provided by government to businesses. This model is promoted to provide a conducive business environment and handholding of MSMEs.
- V. On Similar Lines, the concept of Flatted factories has been gradually budding in India. The concept of a flatted factory includes industrial buildings with more than one storey. The buildings are usually subdivided into separately occupied units used for manufacturing, assembly and associated storage. The building will have separate lifts for material and passengers. Ramps will be available for light vehicles while administrative office space, a telecommunication centre, optical fibre network, conference halls, board room, exhibition area, centralized data centre, food court, parking will also be provided going on step ahead of Industrial Estates. The difference between Industrial estates and flatted factories is that the former is suited to Greenfield investment, manufacturing and rural

areas whereas latter is more suitable to urban areas, micro and small enterprises and requires lesser space.

Industrial Estates and Flatted Factories in India

I.

The primary responsibility for the development of MSMEs and industrial estates lies with the State Governments. Government of India supplements their efforts through a range of initiatives like Mega Food parks, Mega Textiles parks, SEZs, Industrial Infrastructure Upgradation Scheme, Scheme for integrated textiles parks, Apparels Exports parks etc. However the Industrial Estates program started in 1952 itself, over years there have been certain successful as well as unsuccessful Industrial estates in India.

II. On the other hand, Flatted Factories have been into limelight in India recently and have initiated by various states like UP(Agra), Delhi(Jhandewala), Telangana, Karnataka etc on a pilot basis. Flatted factories are inspired by cluster development program in urban centres and have a special focus of providing Plug and play support to MSMEs.

Benefits of both pertaining to MSMEs

MSMEs in India regularly face problems such as-

1. Low availability of capital complemented with lack of access to finance.
2. Land and building a burdensome fixed costs over and above Plant and Machinery.
3. Lack of awareness as well as access to government schemes and initiatives.
4. Fragmented and unevenly distributed in terms of geographical spread.
5. Supply chain management and storage issues.

Industrial estates and Flatted factories have tried to overcome such problems by:

1. Providing an easy and appropriate place for manufacturing and other operation.
2. Benefits of Agglomeration of industries- leading to networking along with reduction of production cost.
3. Better government service delivery since industries are concentrated in a geographical area.

4. Easier access to Market since majority Industrial estates and Flatted Factories connected via efficient sources of transport along with areas being closer to market.
5. Easy availability of skilled labor as well as the availability of seasonal labor.
6. Minimizing Legal compliances and red-tapism.
7. Benefits in form of Tax rebates and Subsidies to MSMEs located in the area.
8. Leasing of Machinery leading to reduced fixed cost.

Other Benefits:

1. Large scale employment generation, can be a model for development of regional resource based manufacturing.
2. Focused Public service delivery.
3. Multiplier effect associated with infrastructural development.

Need for adoption of such cluster-based model

- I. Urban areas facing spatial constraints along with unemployment, flatted factories built in such areas can solve multiple problems at once. (Flatted factories introduced in agra)
- II. Highly scattered and fragmented MSMEs often end up lacking capacity and concentrated efforts, such a model can serve as a one-stop solution.
- III. As per the economic survey 2019-20, India needs an investment of 1.5 trillion \$ to achieve the target of 5 trillion \$ economy thus such models can complement Infrastructure development along with having a much stronger multiplier effect associated with it.
- IV. Centre and State require a model of cooperative federalism to move forward in case of development of MSMEs, such agglomerations can ensure synergy of benefits and channelize efforts in a common direction.
- V. Such clusters play a critical role in propagating depth by facilitating technological learning and manufacturing through the presence of the entire ecosystem in the same geographical location.

Issues and Challenges

- I. Maintenance of industrial estates is a critical component for the successful functioning of Industrial Enterprises in any Industrial estate/area. SPV and PPP model of management of such estates remains underworked, thus maintenance of such estates remains neglected. For Eg Industrial Estates and residential areas around Chennai have a history of poorly-maintained roads. Be it Guindy or Ambattur or even Maraimalai Nagar far away from the city, roads inside the industrial estates and even in localities around them are always in a poor condition
- II. Many experts have equated these estates equivalent to a white elephant. Various Industrial Estates, parks and SEZs remain scarcely occupied, in Karnataka majority of benefits associated with Industrial estates like tax rebates are taken up by IT companies housing them rather than MSMEs which were meant to the original beneficiaries.
- III. The top-down approach of Planning leads to a mismatch between the demand and supply of these estates. Thus there are location problems, resistance from businesses to move in along with underutilization. Municipalities which can be a game changer in development and maintenance of industrial estates and flatted factories lack capacity and involvement.
- IV. Environmental concerns, due to relaxation of regulation and provision of self-certification especially in case of industrial estates leading to uncontrolled Air, water and another sort of pollution issues. A classic example of this is the impact of OKHLA estate on ecology of Yamuna river.
- V. MSMEs often end up considering benefits equivalent to their entitlement, getting used to it and often failing to grow and compete.
- VI. Certain Dominant coalitions often end up limiting the movement of goods, people and business within the estates. trade associations as well as outside politics end up interfering free and fair trade in the area.
- VII. Internal Roads and Transportation- Normally an Industrial Estate has an area of 19 acres to 20 acres having around 100 units. Supply of raw material, loading and unloading of material and for commuting inside the IE itself demands properly constructed internal roads. Good transportation has to be backed by a good internal road
- VIII. Labor laws relaxation and little legislative support for labor rights lead to poor living conditions and quality of life.
- IX. Uninterrupted power, as well as water supply, still remains a major hurdle. (Frequent power outages and poor quality of power supply are hurting the small-scale industries

in Machohalli in recent times, a private industrial area near Magadi Road, Southwest Bengaluru.)

- X. Federal structure fixing responsibility of MSMEs and infrastructure with State government however Central sector schemes adopting one size fits all approach still dominates, also central sector grants still need to pick up. Also local government needs to take proactive measures in the development of such establishments.

Road Ahead

- I. Availability of Land for MSEs has to be ensured. State governments may earmark at least one industrial estate in each block. The government may identify barren lands and allot it to MSEs at an affordable price or set up industrial estates
- II. Deemed Local Body Status should be given to manage Industrial estates by bringing necessary changes in rules/procedures. SPVs should be formed in each estate with representation from the Government and the Developing agency. It should be empowered to collect charges and maintain the estate.. In smaller estates, where the Deemed Local Body Status / Industrial Township act could not be invoked, the local body can share the revenue with the SPV.
- III. Many states are providing uninterrupted power supply to MNCs and depriving even the normal power to SMEs. Priority in providing Power connection as well as uninterrupted power should be ensured for MSEs. The electricity Act may be amended to stop any unfair practice.
- IV. Land and infrastructure constraints are a major problem, particularly in bigger and metro cities. Flatted Factory Complexes may be encouraged under MSE -CDP. Likewise, the accommodation problem of industrial workers may be addressed by supporting dormitories. SPVs may run the dormitories on a sustainable basis
- V. To complement the efforts of the State and Central governments, the private sector (companies and SPVs) should also be allowed for the development of infrastructure.
- VI. Testing Labs, Flatted Factory Complexes, Modular Industrial Estates, Tool Rooms/TDCs, etc. can be addressed simultaneously under the Umbrella Scheme on Infrastructure whenever the land and building under different components are planned in the same place. The greatest advantage of the implementation of the Umbrella Scheme under each vertical is the visibility of the impact of the implementation of such Schemes

- VII. modular industrial estates with plug and play facilities in the respective areas may be launched as pilot projects. Towards providing starting capital, globally angel/venture fund are the prime source of funds to start-ups. The venture capital fund launched by SIDBI can play a major role in this regard.
- VIII. creation and maintenance of a comprehensive database of the MSME sector, including the unorganized sector, is a prerequisite for sound policy formulation.
- IX. The roles of location selection and park dimensioning should rest on the initiative and decision of the entrepreneurs, though at the outset catalyzed by the government.
- X. Best practices from states like UP, Maharashtra must be replicated as per requirements in other states as well.

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