

A Tool Cluster Development Impact on the Automobile Industry

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Abstract

Small and medium-sized businesses, which are now seen as the foundation of the nation, are confronted with serious issues related to funding, technology, demand, and efficiency. The initiative, like the cluster development program, serves as a catalyst to offer safety mechanisms to the industries that are leading in terms of providing the most jobs. The study's goal is to determine how cluster development initiatives affect MSMEs' capacity-building efforts. The productivity and competitiveness of this sector have greatly benefited from numerous capacity-building initiatives. The MSMEs department and its policy makers, new business owners, researchers, as well as governmental and academic institutions, may find value in the findings.

Keywords: Cluster development, MSME, Auto Mobile Industry, Capacity building

1. Introduction

The Indian economy's resilience and the growth is largely due to strong contribution of micro, small, and medium-sized businesses (MSMEs). Despite its strong support the sector is fighting for its existence due to intense competition from big manufacturers as well as from big corporate. To completely preserve this sector the cluster development programme (CDP) is an effective stage and best programmes run by the ministry of MSME for MSMEs. In a social network with the appropriate resources and enhanced confidence building, CDP acts as an agent to bring about major change that makes them competitive with international industries. Increasing productivity and developing MSMEs' capability are the top priorities CDP. It strengthens MSMEs so that they can compete effectively on the domestic front and against external challenges in the highly competitive business climate of today. The two subsequent interventions that make up CDP are referred to as soft and hard interventions. MSMEs are protected by CDP through soft interventions, the development of soft skills and hard interventions, or the expansion of the common facility centre (CFC). With the auto-mobile industries in Vijayawada (Andhra Pradesh) as a case study, the study's goal is to find out the effects of the CDP on the development of MSMEs' capability. The structure of the study has been broken down into five components to make the study's goal clearer. The Indian auto component market has kept up with technical advancements and now serves both Tier I and OEM automakers outside of India. Today, a number of Indian auto part manufacturers have also been successful in becoming the preferred supplier for major international automakers. In order to improve quality control and technology transfer, all automotive component manufacturing businesses must implement a "cluster approach."

1.1. Indian MSMEs' role in the success of industrial clusters - Over time, the MSME environment has changed and advanced along the value chain. The manufacturing of conventional goods has given way to the production of considerably more hybrid goods and the segment of value-added services in the MSME sector. The cooperative strategy used by MSMEs has greatly aided in supporting this. Industrial clusters have made it easier for MSME firms to innovate and achieve economies of scale that they previously found difficult to do because of their modest size. Small businesses can benefit from both running a small unit and the scale and specialization offered by large units by utilizing clusters and related networks. In India now, there are about 7,000 artisan micro enterprise clusters and over 600 industrial SMEs clusters. Additionally, the nation has roughly 2,500 undeveloped rural industry clusters. Some of these clusters are so big that they produce close to 80 percent of a certain product's domestic production. The networking strategy has assisted MSMEs in overcoming obstacles such technical staleness, weak supply chains, international rivalry, and a lack of funding. Additionally, clusters are divided into domestic ones with a focus on specialization and export-oriented ones to capitalize on the advantages of a particular target customer base. The textile and marine processing clusters in Tirupur and Vizag are mostly focused on exports. On the other hand, MSMEs in specialized domestic clusters, such as the

engineering cluster in Jamshedpur and the auto cluster in Vijaywada, Pune, supply the needs of large domestic enterprises.

Emphasizes on Introduction

- (1) Address the CDP situation as it stands in the MSME sector.
- (2) Concentrates on a variety of ways to enhance capacity.
- (3) Looks into the effects of CDP on enhancing MSMEs' capabilities
- (4) Concludes the study.

Table 1: The examples of some globally recognised clusters

Clusters in Developed countries	Clusters other than Developed countries
Film industry in Hollywood in USA	Film industry in bollywood India.
Wine industry in California	Information technology in Bangalore, India.
Information technology in Silicon Valley, Boston.	Surgical Instrument in Sialkot, Pakistan.
Ceramic tiles, Leather, and footwear industries in Italy	Footwear in Agra, India.
Automobiles and Engineering industries in Germany	Woollen Knitwear in Tripura, India.

2. Objective of the study

1. To examine the current CDP situation in the MSME sector.
2. Considering CDP, to concentrate on capacity-building measures.
3. To research CDP's influence on MSMEs' capacity development.

3. Methodology

This is empirical case study, its basic aim is to explore the relation between cluster approach and entrepreneurship development with collective effort i.e. build up strong skill and infrastructure development as well as build up strong competitiveness in Vijayawada district based clusters. Hence for the understanding the relation between cluster development programme and its role in skill and infra with their functional management, researchers selected automobile cluster which identified hard invention and soft intervention impact on selected respondents with use of stratified and convince sampling methods, those are involved in selected clusters and opinion collected with the help of structured questionnaire and selected data represent in tabular form, researchers have developed 17 attributes and rated with Likert scale for more accurate result. The current investigation combines exploratory and empirical methods. The thorough current literature review on the topic, which includes books and journal articles, will help the exploratory portion of the study newspaper reports, etc. The empirical study uses data from both primary and secondary sources. The data collected are from the secondary source and the auto components cluster in the Vijayawada, Andhra Pradesh. The study's primary objective is to evaluate how the CDP's soft interventions—which are based on capacity building—affect MSMEs' capacity building. Presently six MSME industrial clusters in Andhra Pradesh have completed soft interventions and completed nearing to complete hard interventions. Auto component cluster that is chosen for the present study has already received two successive interventions of CDP. For present study data analysis and finding primary data sources are used. The present Study is data based on highly structured questionnaire. Respondents are basically from the automobile spare parts industry those are in number. Karl Pearson's' correlation (r value) between individual measure and capacity building will be used for the study. Three hypotheses are formulated to be tested whether there is any impact cluster development programme (CDP) on capacity building on MSMEs or not. Most the primary data have been collected during 2020-2022 two consecutive financial years and statistical tool and package have been used to analyse the data.

4. Relevance of the Study:

The cluster approach is a crucial element in economic development, contributing significantly to eradicating rural poverty, boosting rural income, and fostering regional economic growth. Recognizing its success globally, the Government of India adopted the cluster approach, highlighting its positive impact on regional entrepreneurship

development. This case study demonstrates that cluster development serves as a catalyst for MSMEs, leading to the overall development of regional economies. (Das, Rinku and Das Ashim Kumar, 2011). Hence, it appears that selected clusters in Vijayawada (AP) are actively engaged in cluster development under the MSE-CDP scheme of the Government of India. In this study, researchers aimed to emphasize the significance of cluster development in strengthening MSMEs in the automobile sector, ultimately fostering entrepreneurship development.

4. Cluster Distribution in India

MSME clusters have naturally evolved because of factors such as proximity to raw material sources, suppliers and business partners, better coordination, and economies of scale. As per a 2011 report by the Department of Industrial Policy and Promotion (DIPP, renamed the Department of Industry and Internal Trade (DPIIT)) on clustering of MSMEs, there are about 7,000 clusters in India. The table shows the distribution of 4,700 formal and semi-formal clusters. In addition, there are an estimated 2,500 unmapped rural industrial clusters spread across the nation. (Ipshta Sinha, 2022).

Figure-1 Handloom in Micro sector Figure-2 Handicraft in Micro sector

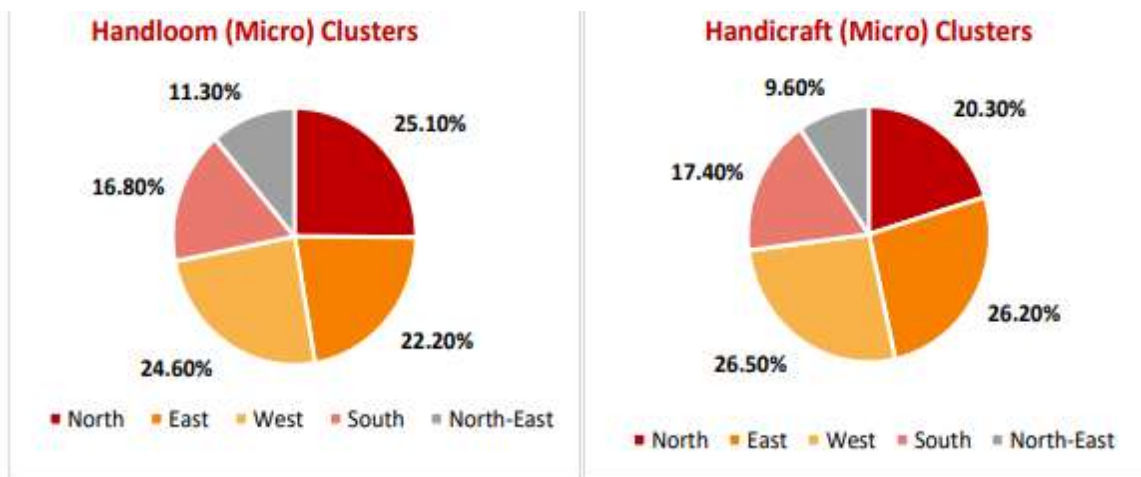
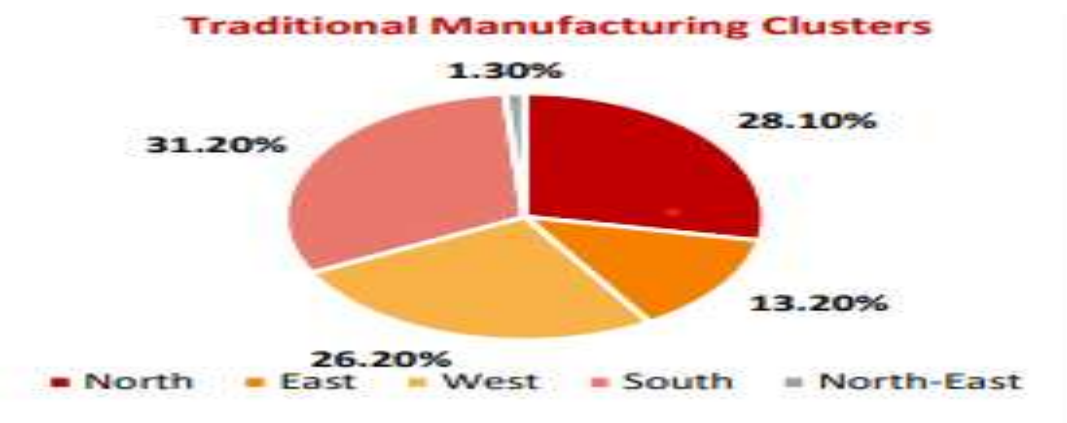


Figure-3 Contribution of manufacturing clusters



Source- Compiled by Author

4. Some of the common characteristics of enterprises in a cluster are: -

1. Similar or complementary methods of production, quality control & testing, energy consumption, pollution control, and more
2. Similar exposure to technology and marketing strategies/practices
3. Similar communication channels
4. Common market and skill need with similar challenges.

5. Overview of auto cluster in Andhra Pradesh

The Cluster Development Program (CDP) is now one of the most successful tools for ensuring the survival and expansion of current micro, small, and medium-sized businesses (MSMEs). Experience has shown that the Cluster

Development Programme (CDP) might assist MSMEs in improving their business performance, implementing the right technology, improving quality and productivity, increasing turnover and export, and improving HR and overall management effectiveness. (Entrepreneurship & (NIESBUD), n.d.) The cluster enterprises' joint endeavours that are supported by CDP may aid them in pursuing value addition, product customisation, brand building, and enhanced marketing and export performance. This would ensure their holistic development and contribute towards Local Economic Development (LED). The goal of CDP is to provide small business owners with sufficient holdings by helping them acquire contemporary equipment that will allow them to compete with large-scale companies. The SPV's development benefits will be distributed equally among all members because it must have at least 25 entrepreneurs. As a fundamental strategy for raising the productivity and competitiveness of Micro and Small Businesses (MSEs) and their collectives in the nation, the Ministry of Micro, Small and Medium Enterprises (MSME), Government of India (GoI), has embraced the cluster development method. A cluster is a collection of businesses that are all situated within a defined and, to the greatest extent possible, contiguous area or along a value chain that extends beyond a specific geographic area and produce the same or similar goods or complementary services. These businesses can be connected by shared physical infrastructure facilities that help them address their shared challenges. Enterprises in a cluster must have certain common things to share like. (a) Similarity or complementarities in the methods of production, quality control & testing, energy consumption, pollution control, etc., (b) Similar level of technology & marketing strategies/practices, (c) Similar channels for communication among the members of the cluster, (d) Common market & skill needs and (e) Common challenges & opportunities that the cluster faces. According to the CDP officials, while 52 clusters are proposed to be established during fiscal 2022-23 at a rate of two clusters per district, the state has set a target of grounding 100 clusters over the next two years. The State is building a tech entrepreneurial ecosystem by the promotion of incubation centres under the aegis of Andhra Pradesh Innovation Society, a nodal agency set up to spearhead the start-up activities in the State and promote budding entrepreneurs amongst universities and colleges.

Development of Clusters Using International Agencies

The intervention criterion proposal format used by foreign organisations like UNIDO, GTZ, DFID, etc. for cluster development is different from that used by the MSE-CDP. For the development of clusters at the national and regional levels, it is occasionally important to collaborate with organisations that have the requisite international experience. The Steering Committee may take such programmes into consideration in order to relax the established standards.

3. Capacity Building Measures

Capacity building to the change or development so it becomes easy when collaborative approach is followed in place of individual attempt. A micro or small business entity cannot do this on its own due to financial constraints, a lack of technological support, and infrastructural challenges. In this situation programme and scheme such as cluster development programme is enormously useful and greatly appropriate action, which was introduced by the ministry of MSME Department, government of India in June 2019. Some of the prominent cluster development techniques are: -

Special purpose vehicle (SPV) Formation: Special purpose vehicles are permitted by law that is a self-contained legal entity which may be formed through co-operative society act, trust, registered society, and company under section.

Seminar and workshop: Academic and corporate people are enhancing their skills through the seminar and workshop, and these are the promotional activities and specific subjects are the highlighted. The participants are improving the knowledge and through reciprocally active during interactive session create awareness as well as try to relieve their confusion. In seminar group of experts presenting the power point presentation or papers are also presenting by the participants on the specific or related issues. In addition to the workshops are also presented through projectors mode and or in practical fields.

Training programme: To increase efficiency various form of training were adopted for newly joined employees. Generally, it assumes that programme must impact highly on the development of organisation as well as employee.

Counselling and motivation: When employees are motivated by an act of motivation, which is a method of energizing employees, they feel motivated. Counselling, on the other hand, serves as a path for choosing the best alternative from the available ones and prescribing some actions. This will enable employers to make the most possible use of their workforce's physical and mental capabilities, as well as their financial and human resources.

Participation in Foreign Fairs: The primary method for discovering new markets for the promotion of a product without incurring significant costs is to attend foreign fairs. Market fairs are referred to as a means of immediately

popularizing the produce goods to the consumers, who eagerly want to put significant orders for the products. The businesses get some confidence and information about several facets of their products by participation in overseas fairs, including testing and new innovation. The needs of the consumer also increase the value of the product.

Visits for Exposure to Model Clusters: They gain exposure and find it easy to address any difficulties or come up with new ideas when they visit clusters that share comparable items and are distributed throughout different geographies. By using the model cluster, one can examine the corrective actions taken to fix the issues and increase consumer confidence in the products.

Technology Demonstration: A large expenditure is necessary to implement new technology. Without extensive study and development, it can be ineffective. By expanding capacity, technology demonstration will upload new MSMEs capabilities.

Interlinked with industry and Academia: Academic institutions encourage the use of specialized solutions to solve the problems faced by MSMEs. For mass manufacturing and sales, clusters should have been connected to industry.

Backward linkage programme: The objective of the scheme is to provide efficient and smooth backward integration for the auto component sector by filling in the supply chain's holes in terms of raw material availability and connections to the market. In order to offer essential inputs, spare parts, and equipment, businesses collaborate in clusters. The ongoing production of goods of higher quality is supported by cluster development plans, which also help to make products' costs and efficiency competitive.

Forward linkage programme: It happens sometimes that producers are unable to access domestic and international marketplaces in order to export their goods or travel abroad. Clusters are crucial in this scenario because they operate as a conduit to advertise manufactured goods and get not just name recognition but also foreign revenue.

Analysis of CDP's effectiveness in enhancing MSMEs' capabilities

The study's present emphasis is on Vijayawada's extent to which CDP's effectiveness with auto components. The study's primary objective is to evaluate if CDP has had an impact on the development of MSMEs' capabilities. Only three capacity-building measures connected to soft interventions, like SPV development, exposure visits to model clusters, and industry and academic involvement, are taken into account for analysis and decision-making in order to determine the effectiveness of CDP.

Analysis of the MSMEs' capacity-building measures

Different sets of questions have been designed in order to assess the impact of cluster growth on the improving the MSMEs' capacity producing auto components in Vijayawada. Two questions with a common theme make up each set. With the aid of primary data sources, the effectiveness of capacity building may thus be evaluated. Lessons learned from the implementation of the auto cluster project.

The role of formation of Special Purpose Vehicle

Table-2: The role of forming an SPV (Special Purpose Vehicle)			
Agree	Frequency	Percent	Cumulative percent
Neutral	44	77.19	77.19
Disagree	11	19.29	96.48
Total	2	3.52	100

Source: Compiled by the Researcher

According to the aforementioned chart, 77.19% of respondents agreed that forming SPVs was important; while 19.29% remained silent and only one responded negatively.

Impact of SPV on capacity building

Table-3 : The effect of SPV on capacity building			
	Frequency	Per cent	Cumulative percent
Agree	43	75.43	75.43
Neutral	12	21.05	96.48
Disagree	2	3.52	100
Total	57	100	

SSource: Computed by the Researcher

According to the above data, 75.43 percent of respondents thought that the formation of SPVs had an impact on the capacity development of MSMEs. Even though 21.05% of respondents declared themselves to be neutral, the remaining 3.52% of respondents were disqualified because there is no correlation between the two variables.

Relationship between SPV and Capacity building

Chi-square test:

Hypothesis- i

H₀ = There is no relation between SPV formation and capacity building of the MSMEs

H₁ = There is a relation between SPV formation and capacity building of the MSMEs

A cross tabulation is drawn in order to determine sample opinion regarding impact of SPV formation on capacity building of the MSMEs and outcome is shown below in the following table.

Table-4: Cross Tabulation: The enhancement of production by Special Purpose Vehicles * The impact of Special Purpose Vehicles on the capacity building of MSMEs.					
		The impact of SPV on the capacity building			Total
		Agree	Neutral	Disagree	
SPV enhances Production	Agree	40	2	0	42
	Neutral	0	12	1	13
	Disagree	0	0	2	2
Total		40	14	3	57

Source: Computed by the Researcher

Table-5 : Chi-Square Test				
	Value	df	Asymp.sig.(2-sided)	
Pearson Chi Square	74.40 ^a	4	.00	
Likelihood ratio	58.03	4	.00	
Linear – by-Linear connection	47.37	1	.00	
No of Cases	57			

More than 74% of respondents agreed, according to the cross-tabulation, that the creation of SPVs would increase capacity building. One of the key challenges under CDP is a special-purpose vehicle.

Table-6 : Exposure visits to model clusters boost confidence building.			
	Frequency	Percent	Cumulative percent
Agree	44	77.10	77.10
Neutral	9	15.6	92.7
Disagree	4	7.3	100
Total	57	100	

Source- Computed by the Researcher

Using Pearson Chi-square The purpose of the test is to determine whether there is any connection between the creation of SPVs and the capacity development of the beneficiary units. At the two-tailed significance level of 0.01 and with a Pearson correlation of .935, this correlation is significant. The following below table displays the results of the chi-square test. At the 5% level of significance, the test's Pearson Chi-Square, or P value, is 0.00, which is less than 0.05. In this case, the alternative hypothesis prevails over the null hypothesis. Now, it is conceivable to assert that the development of SPVs and the capacity of MSMEs are significantly related. Regarding the importance of exposure visits to model clusters, approximately 77.10% of respondents expressed their extreme satisfaction, while 15.6% and 7.3% of respondents remained silent or disagreed with this statement.

Approximately 77.10% of respondents agreed that exposure visits to model clusters have a positive impact on the capacity building of MSMEs. However, around 16.7% of respondents remained neutral or did not express an opinion, while the remaining 9.3% of respondents did not believe that such visits contribute to capacity building.

Table-7 : Exposure visits accelerate the capacity building of MSMEs.			
	Frequency	Percent	Cumulative percent
Agree	43	75.43	75.43
Neutral	9	15.80	91.23
Disagree	5	8.77	100
Total	57	100	

Relationship between Exposure Visits and Capacity Building

Chi-square test:

Hypothesis- ii

H_0 = There is no relation between Exposure Visits and Capacity building

H_1 = There is a relation between Exposure Visits and Capacity Building

Table-8 : Cross-tabulation: Exposure to model clusters and visits boosts confidence * Exposure visits improve the capacity building of MSMEs.					
		Exposure visits intensify Developing MSMEs' capacities			Total
		Agree	Neutral	Disagree	
Exposure visits to model clusters strengthen confidence building.	Agree	39	4	0	43
	Neutral	1	7	0	8
	Disagree	0	0	6	6
Total		40	11	6	57

A cross tabulation is drawn in between exposure visits and capacity building of the MSMEs under three dimensional scale presented below in the next table.

Source: Computed by the Researcher

The Pearson correlation coefficient between the two variables is 0.933, indicating a strong positive relationship. This correlation is statistically significant at the 0.01 level, indicating a high level of confidence in the relationship between the variables. The Pearson Chi-Square test, which examines correlation, is also included for reference in the table below.

Table-10: Industry and academia provide tailored solutions.			
	Frequency	Percent	Cumulative percent
Agree	42	73.70	73.70
Neutral	8	14.03	87.73
Disagree	7	12.27	100
Total	57	100	

Source: Computed by the Researcher

The test's Pearson Chi-Square, or P value, is 0.000, which is less than 0.05 at the 5% threshold of significance. The alternative hypothesis is therefore accepted and the null hypothesis is rejected. Now, it can be said that exposure excursions to model clusters and MSMEs' capacity building have a significant relationship. and the null hypothesis is rejected. Now, it can be said that exposure excursions to model clusters and MSMEs' capacity building have a significant relationship.

V. Industry and academia involvement in a CDP

Table-9 : Chi-Square Test			
	Value	df	Asymp.sig(2-sided)
Pearson Chi-Square	87.586^a	4	.000
Neutral	58.045	4	.000
Disagree	46.111	1	.000
Total	57	100	

Source: Computed by the Researcher

The majority of respondents—roughly 73.7%—acknowledged the significance of industry and academic participation in a CDP. While 14.03% of respondents were told they couldn't comment at all, the other 12.27% disagreed.

Vi- Impact of industry and academic involvement on capacity building

Table-11: The impact of industry and academia collaboration on capacity building.			
	Frequency	Percent	Cumulative percent
Agree	39	68.40	68.4
Neutral	11	19.30	87.7
Disagree	7	12.30	100
Total	57	100	

Source: Computed by the Researcher

According to the above data, 68.4 percent of respondents indicated that there was a positive association between the two factors, whereas 19.3 percent and 12.3% of respondents were silent or disagreed.

Relationship between Building Capacity and Industry-Academia Linkage

Chi-square test:

Hypothesis- iii

H_0 = There is no relation between Industry and Academia linkage and Capacity Building

H_1 = There is a relation between Industry and Academia linkage and Capacity Building

A cross tabulation is drawn in between Industry and Academia linkage and Capacity Building of the MSMEs under three dimensional scale presented below in the next table.

Table-12 : Cross Tabulation: Industry and academia provide tailored solutions * The effect of industry and academia collaboration on capacity building.					
		The effect of industry and academia partnerships on capacity building.			Total
		Agree	Neutral	Disagree	
Industry and academia support tailor made solution	Agree	41	1	0	42
	Neutral	0	8	0	8
	Disagree	0	0	7	7
Total		41	9	7	57

Source: Computed by the Researcher

The correlation between the two variables has a Pearson correlation of 0.983 and is significant at the 2-tailed 0.01 level. The Pearson Chi-Square test, which examines correlation, is also presented in the following table with the P-value.

Table-13 : Chi-Square Test			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	100.73 ^a	4	.00
Likelihood Ratio	81.53	4	.00
Linear – by – linear connection	51.24	1	.00
No of cases	57		

Source: Computed by the Researcher

The Pearson Chi-Square, or P value, of the test at the 5% level of significance is 0.0, which is less than 0.05. The alternative hypothesis is therefore accepted, and the null hypothesis is disproved. The growth of MSMEs' capabilities has now been demonstrated to be influenced by connections between industry and academia.

The following lessons are important to keep in mind, and they may be drawn from both the analysis of prosperous clusters and the operationalization of the planned auto cluster project:

1. The biggest challenge is getting matching equity contributions from industry parties. Due to the fact that the majority of them are little players, they find it challenging to provide even 15% equity. Furthermore, it is challenging to persuade them of the potential net advantage from such an investment. It's interesting to note that they would be willing to offer advances against services they expect from the cluster rather than equity investments. In such a scenario, the auto cluster must find a novel approach to convince industry stakeholders to contribute matching equity. One option is for a service provider to contribute to the equity and apply for back-to-back loans from the auto cluster.

2. The competitiveness and economics of SMEs and OEMs would both be improved through clusters. It takes proper inter-firm relations, institutional backing, specialized Service Centers or SPVs, etc. for the implementation to be sustainable.
3. Cluster formation is challenging absent adequate infrastructure support and prompts interventions.
4. Cluster interventions must have a structured strategy, and SMEs and OEMs must collaborate to be effective.
5. In the Indian context, where the government or its institutions continue to play a significant role in the regulation and provision of infrastructure and finance, such institutions' involvement is not only essential but also must be creative in order to meet the unique requirements of SMEs and other members.
6. To ensure the success of the intervention, each cluster must have a custom intervention method.
7. The operationalization of clusters requires the right consortia, a strong governance structure, the encouragement of communication for, and the creation of favourable local conditions, best-in-class practices, and adequate incentives for cluster members.
8. Finally, stakeholders in clusters need to learn how to make the most of current programs for collaborative efforts and challenges associated with using a PPP model or a comparable one to achieve the goals.

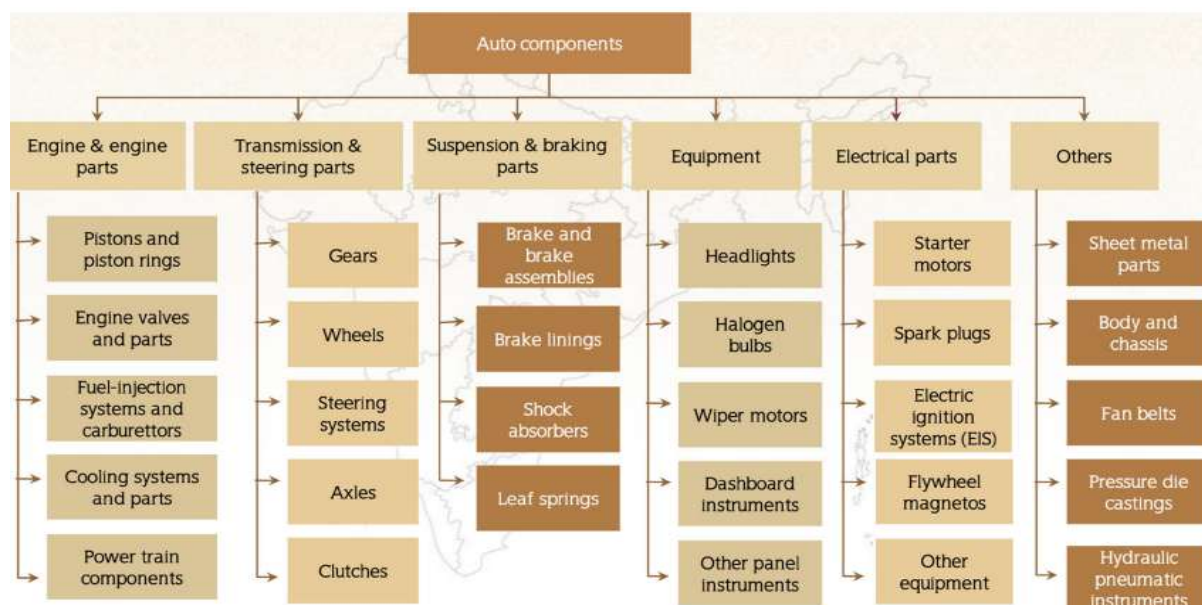


Figure-3 Product segments of auto components (source: Auto components', November 2011)

Modified Guidelines of Micro and Small Enterprises Cluster Development Programme (MSECDP)

Objectives of the Scheme: To promote the sustainability and growth of MSEs by tackling common challenges, including technology enhancement, skill development, quality improvement, market access, and access to capital. By establishing self-help organisations, consortiums, upgrading associations, etc., to increase MSEs' potential for collectively supporting action to build new or improve existing infrastructure in MSE clusters or industrial regions. To establish shared facility centres (for testing, training, raw material depots, effluent treatment, finishing industrial processes, etc.).

The activities admissible under the scheme are:

Diagnostic Study Reports (DSR) - To map the cluster's business operations and suggest improvement initiatives with a verified action plan.

Soft Interventions- For the cluster units, technical help, capacity building, exposure tours, market development, and trust building are provided.

Detailed Project Report (DPR)- Creating a common facility centre for a group of MSE units and a report on a project to create the infrastructure of a new industrial estate or to upgrade the infrastructure of an existing industrial cluster are both technically and financially possible.

Hard Intervention- Development of physical "assets" such as testing facilities, design centers, production centers, sewage treatment plants, training centers, R&D centers, raw material banks, sales depots, product display centers, information centers, and other facilities based on specific needs.

Infrastructure Development - Through soft interventions like general awareness campaigns, counselling, trust-building and motivational activities, exposure visits, market development activities like exports, participation in seminars, workshops, and training programmes on technological advancements, etc., the cluster will be made aware of itself.

Conclusion

The government is dedicated to strengthening the sector by integrating it into its industrial strategy, which is expected to create a more favorable environment for MSMEs moving forward. According to experts, the country's GDP proportion of MSMEs would increase from its current 8.0% to double digits by the end of this decade. By 2025, it is anticipated that SMEs would account for 40% of the national GDP. (Financial express, n.d.) Policymakers' emphasis on growing the nation's manufacturing industry and encouraging more entrepreneurship across sectors can be credited with the predicted increase. For both domestic and foreign investors, this could result in a variety of financially rewarding options. It has been discovered that the sample MSMEs in the auto component cluster in Vijaywada have increased their individual capability with regard to productivity and competitiveness. Consequently, CDP is successful in the MSMEs sector as a whole. To boost the confidence of the beneficiaries of the auto component sector in a given region, seminars and workshops must be held on a regular basis. Adoption of cutting-edge technology also helps to increase the competitiveness of MSMEs that produce auto components.

The following is a summary of specific observations.

1. Enhancing community building and synergy requires the formation of a legal entity, such as an SPV.
2. Exposure excursions to model clusters are a beneficial strategy to boost MSMEs' capacity-building efforts.
3. Participating in a cluster with business and academia is a great idea to boost capacity growth in the benefited units.

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