

7. INDUSTRY

Tamil Nadu has traditionally been leading in industrial development. Viewed in terms of flow of investment, factor endowments and favourable industrial climate Tamil Nadu has a unique position in the industrial map of the country. Tamil Nadu leads in various sectors such as automobiles, auto ancillaries, IT, spinning textiles, leather and pharmaceuticals. The industrial development in the State is satisfactory as per the index of industrial production. Efforts taken to attract Foreign Direct Investment have started yielding results. In the post reform period, the State is advancing in many facets of industrial development particularly in communication and information technology, automobile and related industries. Various policy formulations made in the textiles, garments, agro based and other manufacturing industries not only increased their production but also increased exports. Modernization and amalgamation of existing industries in the corporate and public sectors shores up their financial position besides increasing their competitiveness. Creation and strengthening of industrial infrastructures in the established industrial growth centers, industrial complexes, industrial parks, apparel parks, footwear parks, food parks, textile processing parks etc. also gave way to the unprecedented development of the services sector which is generating lot of employment opportunities in the State.

The industrial scenario bristles with prospects and uncertainties. In the wake of liberalisation, there is now increasing mobility of the factors of production. Competitiveness, governance, infrastructural adequacy and regulatory environment determines investors preferences. This calls for constant measured and calibrated responses to the dynamic industrial environment.

Policy Initiatives:

The Industrial Investment climate is somewhat vitiated by intense competitive pulls among the States to attract investment. In this context the question of revising the existing Industrial Policy assumes importance. The main objective of the Government is to accelerate the economic growth rate through balanced development of all the sectors in all the regions, especially through industrial and infrastructural infusion in the State by attracting Foreign Direct Investment. By providing conducive investment climate, thrust is given to boost up productivity and quality of products in the manufacturing sector, information technology and automobile industries in the face of stiff competition and generate employment opportunities by all means. Emphasis is also given to harness the potential of the service sector which is thriving. Efforts are being taken to set up Special Economic Zones within the rules stipulated.

The Industrial Task Force under the Chairmanship of the Hon'ble Chief Minister is simultaneously focusing on new industrial initiatives and also addressing the problems of existing industries. Chennai and its suburbs are becoming industrial hubs by attracting new investment. The growth potential of other parts of the State are being tapped. Gas based industries are to be encouraged to meet the energy requirements by tapping petroleum and gas resources available in the State. Agro based industries are to be promoted where fruits, flowers and vegetables are grown in plenty. Based on the availability of natural resources, such type of industries would be encouraged in suitable regions. New investments are to be attracted to strengthen the human resources of the State since it is vital. A new approach is to be taken up with the help of Centre and

financial institutions to attain the anticipated industrial progress. However, to achieve all these things the existing 'Infrastructure Gaps' are to be addressed properly.

Industrial Scenario : Tamil Nadu vis-a-vis All India:

Tamil Nadu is well placed in terms of industrial performance at the national level as per the latest available results of Annual Survey of Industries 2003-04. In terms of number of factories, the State continues to retain the first rank for the sixth successive year starting from 1997-98. During 2003-04 the State has 20246 registered factories, sharing 15.69 per cent of those at the all India level. In the total number of persons* engaged in industrial activity, the State has moved to the first position in the review year (2003-04) from second position in the preceding year. In other principal industrial characteristics taken for analysis viz. fixed capital, productive capital, gross value of output and net value added, the State retains the third position next to Maharashtra and Gujarat. During 2003-04 the State's share at national level is 9.80 per cent in fixed capital, 10.06 per cent in productive capital, 10.09 per cent in gross value of output and 9.41 per cent in net value added as given in the table.

Table - 1 : Industrial Scenario : All India Vs Tamil Nadu

Sl. No.	Characteristics	All India			Tamil Nadu's (Share %)		
		2001-02	2002-03	2003-04	2001-02	2002-03	2003-04
1.	Number of Factories	128549	127957	129074	14.71 (1)	15.23 (1)	15.69 (1)
2.	Fixed Capital (Rs. crores)	431960	444759	473331	8.31 (3)	9.78 (3)	9.80 (3)
3.	Productive Capital (Rs. crores)	532366	544880	592562	8.61 (3)	9.54 (3)	10.06 (3)
4.	Employment (Lakh Nos.)	76.87	78.71	N.A.	14.14 (2)	14.37 (2)	N.A.
5.	Total Persons Engaged (Lakh Nos.)	78.70	79.36	78.70	NA	14.18 (2)	14.77 (1)
6.	Gross Value of Output (Rs. crores)	962457	1130561	1287380	9.80 (3)	9.56 (3)	10.09 (3)
7.	Net Value Added (Rs. crores)	144302	172340	202933	10.13 (3)	8.76 (3)	9.41 (3)

Note: Figures in brackets indicate the position of Tamil Nadu among the States at National level.

Source: Central Statistical Organisation, New Delhi.

Trends in Industrial Characteristics – Tamil Nadu:

The number of factories increased by 696 from 19550 units in 2002-03 to 20246 in 2003-04, registering a growth of 3.56 per cent. The value based characteristics viz. fixed capital increased to Rs.46421 crores in 2003-04 from Rs.43479 crores in 2002-03 recording a growth of 6.77 per cent over and above the 21.12 per cent growth achieved in 2002-03. All other factors like productive capital, gross value of output, net value added

* Includes all workers, employees and all working proprietors and their family members who are actively engaged in the work of the factory even without any pay and unpaid members of the co-operative societies.
Note: ASI data are published with a lag of 2 years.

have also recorded a higher order of growth in 2003-04. In total, 11.63 lakh persons were engaged in the industrial process in 2003-04, which is 3.38 per cent higher than in 2002-03.

Table – 2: Performance of Principal Industrial Characteristics - ASI Tamil Nadu

Characteristics	Unit	2001-02	2002-03	2003-04
Factories	Number	18912 (-8.20)	19550 (3.37)	20246 (3.56)
Fixed Capital	Rs. crores	35896 (-4.10)	43479 (21.12)	46421 (6.77)
Productive Capital	Rs. crores	45823 (-2.43)	51962 (13.40)	59622 (14.74)
Gross Value of Output	Rs. crores	94361 (-8.87)	108075 (14.53)	129937 (20.23)
Net Value Added	Rs. crores	14622 (-11.57)	15100 (3.27)	19101 (26.50)
Employees	Lakh Nos.	10.96 (-3.52)	11.34 (3.47)	N.A.
Total Persons Engaged	Lakh Nos.	NA	11.25 -	11.63 (3.38)

Figures in brackets indicate percentage change over the previous year.

Source: 1.Department of Economics & Statistics. Chennai 2.Central Statistical Organisation, New Delhi.

Key Structural Ratios of Principal Characteristics:

Viewed in terms of the key structural ratios of principal characteristics in terms of per unit and per employee contribution also, the performance was better during 2003-04 compared to the preceding two years. The addition of 696 factories brought an upward movement in the fixed capital and productive capital per unit in 2003-04. There is a corresponding increase in per employee fixed capital and productive capital also which implies that the strength of employees has increased mostly in proportion to the increase in the number of factories. Hence, to get an overall picture, the performance of industry is analysed in real terms in the following section.

Table – 3: Annual Survey of Industries - Tamil Nadu Key Structural Ratios

Characteristics	Unit	Per Factory			Per Employee		
		2001-02	2002-03	2003-04	2001-02	2002-03	2003-04*
Fixed Capital	Rs. lakhs	189.81	222.40	229.29	3.28	3.86	3.99
Productive Capital	Rs. lakhs	242.30	265.79	294.49	4.18	4.62	5.13
Gross Value of Output	Rs. lakhs	498.95	552.82	641.79	8.61	9.60	11.18
Net Value Added	Rs. lakhs	77.31	77.24	94.34	1.33	1.34	1.64
Employees	No.	58	58	-	-	-	-
Emoluments	Rs. lakhs	-	-	-	0.51	0.56	0.58

* - For total persons engaged.

Source: Central Statistical Organisation, New Delhi.

Performance of Industry - A Trend Analysis:

Performance of industry (registered factories) has been analysed over a medium term period of 5 years and a long term period of 10 years with reference to the results of the Annual Survey of Industries (ASI) for the period from 1994-95 to 2003-04. With a view to facilitating meaningful interpretation, the values at current prices have been deflated using the implicit ratios. The following results emerge.

- Over a longer period from 1994-95 to 2003-04, fixed capital, productive capital, output and net value added have all registered a positive growth and it was higher at 6.10 per cent in output.
- During the recent five years ending 2003-04, output registered a higher 6.58 per cent annual average growth rate followed by net value added (4.25%), while productive capital recorded a slower 0.57 per cent growth and fixed capital witnessed a negative growth of (-)0.03 per cent. This trend was against a better performance in the previous five year period during 1994-95 to 1998-99.
- It is significant that in the review year 2003-04, all the characteristics have recorded a positive growth.

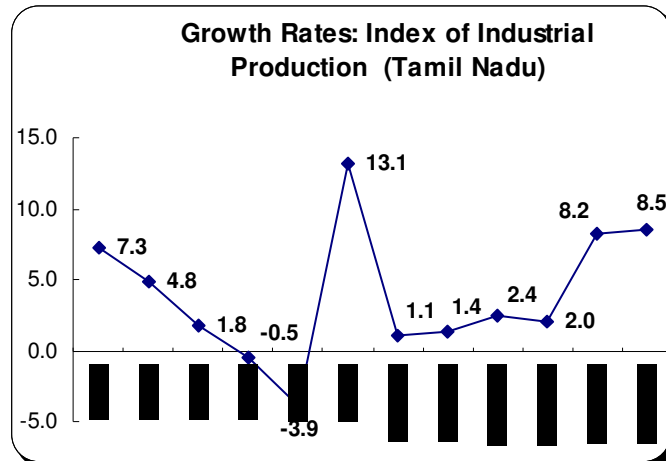
Table – 4 : Annual Survey of Industries (Trend Analysis) - Tamil Nadu

Year	Value at Constant (1993-94) Price (Rs. crores)			
	Fixed capital	Productive capital	Output	Net value added
1993-94	17964	24321	45200	10198
1994-95	25956	34944	55002	12750
1995-96	25812	37748	61344	13889
1996-97	30617	40627	64532	14481
1997-98	30088	41603	74712	8636
1998-99	26320	32925	55221	9195
1999-00	26246	33576	69014	10794
2000-01	26359	33074	72915	11645
2001-02	24928	31822	65528	10154
2002-03	25727	30747	63950	8935
2003-04	26227	33685	73411	10792
AAGR				
1994-95 - 2003-04	4.82	4.37	6.10	2.56
1994-95 – 1998-99	9.66	8.17	5.62	0.87
1999-00 – 2003-04	(-) 0.03	0.57	6.58	4.25

Source: Computed by DEAR.

Industrial Production:

The Index of Industrial production which is a mirror of industrial development had registered a growth of 8.5 per cent during 2005-06 in the State over and above 8.2 per cent recorded in the preceding year. The manufacturing group with highest weight in the index (92.01%)



performed well during the year with a robust growth of 9.3 per cent. But the performance of other two sub groups electricity and mining suffered while growth of electricity group decelerated sharply that of mining registered a decrease.

**Table – 5 : Index of Industrial Production - Tamil Nadu and All India
(Index Base Year : 1993-94 = 100)**

Tamil Nadu								
Year / Weight	Mining (1.27%)		Manufacturing (92.01%)		Electricity (6.72%)		General (100.00%)	
	Index	Growth rate (%)	Index	Growth rate (%)	Index	Growth rate (%)	Index	Growth rate (%)
2002-03	142.8	6.3	127.9	2.4	161.0	0.3	130.3	2.4
2003-04	158.0	10.6	130.3	1.9	164.4	2.1	132.9	2.0
2004-05	171.2	8.4	141.6	8.7	169.4	3.0	143.8	8.2
2005-06	169.6	(-)0.9	154.8	9.3	170.2	0.5	156.0	8.5
All India								
Year / Weight	(10.47%)		(79.36%)		(10.17%)		(100.00%)	
2002-03	139.6	5.8	183.1	6.0	164.3	3.2	176.6	5.7
2003-04	146.7	5.2	196.6	7.4	172.6	5.1	189.0	7.0
2004-05	153.4	4.4	214.6	9.2	181.5	5.2	204.8	8.4
2005-06	154.9	1.0	234.2	9.1	190.9	5.2	221.5	8.2

Source: 1. Department of Economics and Statistics, Chennai-6.
2. Central Statistical Organisation, New Delhi.

At the national level, the index of industrial production registered 8.2 per cent growth during 2005-06, marginally lower than the State. All the three sub-groups registered a positive growth and manufacturing group recorded a growth of 9.1 per cent which is also marginally lower than the State.

Industrial Growth in the Post Reform Period:

The impact of reforms on industrial growth is a matter of profound importance. In the State, during the post reform period of 15 years stretching from 1991-92 to 2005-06, the industrial sector has witnessed an average growth of 3.6 per cent. The largest sub-group viz. manufacturing recorded an average growth of 3.7 per cent as against 6.2 per cent by mining and 5.9 per cent by electricity. The manufacturing group, which dominates the Index of Industrial Production has started showing a good sign by recording a high order growth in the recent two years. To sustain the recent growth rates, the infrastructure sectors such as electricity and others have to be given a sustained thrust.

**Table - 6: Index of Industrial Production - Tamil Nadu
Growth Rates - Post Reform Period**

Year	Mining	Manufacturing	Electricity	General
Weight (%)	(1.27)	(92.01)	(6.72)	(100.00)
1991-92	3.3	4.1	5.1	4.1
1992-93	7.1	(-5.6)	13.4	(-4.2)
1993-94	2.1	(-2.8)	10.3	(-1.8)
1994-95	21.2	6.4	17.0	7.3
1995-96	9.0	4.5	7.3	4.8
1996-97	4.3	1.5	5.6	1.8
1997-98	9.8	(-1.0)	1.3	(-0.5)
1998-99	4.8	(-4.6)	5.7	(-3.6)
1999-00	6.2	14.9	(-3.2)	13.1
2000-01	(-19.5)	1.0	8.2	1.1
2001-02	(-0.9)	0.9	8.1	1.4
2002-03	6.3	2.4	0.3	2.4
2003-04	10.6	1.9	2.1	2.0
2004-05	8.4	8.7	3.0	8.2
2005-06	(-0.9)	9.3	0.5	8.5
Post-Reform Period	6.2	3.7	5.9	3.6
Tenth Plan Period	6.3	5.6	1.5	5.3

Source: Department of Economics and Statistics, Chennai - 6.

Use based Classification:

All the industrial groups in their use based classification showed a good performance during 2005-06 except for basic goods and intermediate goods. Capital goods industries continued to register a highest growth of 34.0 per cent in 2005-06. Consumer goods industries recorded a growth of 6.2 per cent. However, the growth rates of basic goods and intermediate goods, which together constitute 59 per cent of the total weight, has decelerated from the preceding year.

Table - 7 : Industrial Production - By Use-Based Classification Tamil Nadu

Industry Group	Weight (%)	Growth Rate (%)	
		2004-05	2005-06
1. Basic Goods	22.992	10.3	1.90
2. Capital Goods	12.081	29.1	34.0
3. Intermediate Goods	36.083	7.0	3.9
4. Consumer Goods	28.844	(-0.8)	6.2
a. Consumer - Durable Goods	6.395	3.4	17.7
b. Consumer - Non-durable Goods	22.449	(-2.0)	2.8
General	100.000	8.2	8.5

Source: Department of Economics and Statistics, Chennai - 6.

Analysis of Manufacturing Industries:

The analysis of manufacturing sub-group at two-digit level revealed that out of 15 sub-groups, 10 sub-groups recorded positive growth during the year 2005-06. Among the ten sub-groups viz. 'machinery and equipment other than transport equipment' (40.8%), 'rubber, plastic, petroleum and coal products' (26.0%), 'other manufacturing industries' (21.0%), 'transport equipments and parts' (11.1%) exhibited the robust growth. Other

sub-groups viz. 'food products' (8.8%), 'textile products other than mills' (5.3%), beverages and tobacco products' (4.8%) and 'cotton textiles' (3.9%) recorded a modest growth. The remaining two sub-groups viz. basic metals and alloys and non-metallic mineral products registered a lower growth of 2.5 per cent and 2.2 per cent respectively.

It may be noted that the four sub-groups viz. 'wool, silk and synthetic textiles', 'paper and paper products', 'leather products', 'chemical and chemical products' and 'metal products and parts except machinery' which experienced a negative growth in 2005-06 had recorded positive growth in 2004-05 could not affect the manufacturing growth since their weight in IIP is 15.50 per cent.

**Table – 8: Growth Rates in Manufacturing Sub-Groups at Two Digit Level
(Base : 1993-94 = 100) Tamil Nadu**

Ind. Code	Sub-Groups	Weight (%)	2002-03	2003-04	2004-05	2005-06
20-21	Manufacturing of Food Products	12.406	-6.1	-7.4	4.3	8.8
22	Manufacture of Beverages, Tobacco and Tobacco products	1.385	-21.0	9.3	11.0	4.8
23	Manufacture of Cotton Textiles	18.400	3.1	-2.1	-5.2	3.9
24	Manufacture of Wool, Silk and Synthetic Fibre Textiles	1.492	7.7	-14.9	15.3	(-)16.2
26	Manufacture of Textile products other than mills	4.590	31.9	-7.3	-37.4	5.3
28	Manufacture of Paper and Paper Products and Printing, Publishing and Allied Industries	3.359	12.4	-6.4	6.5	(-)3.9
29	Manufacture of Leather Products	5.025	-8.4	-8.0	14.3	(-)8.1
30	Manufacture of Chemical and chemical products	8.695	-16.5	9.8	12.8	(-)5.3
31	Manufacture of Rubber, Plastic, Petroleum and Coal Products	9.404	2.8	6.3	27.3	26.0
32	Manufacture of Non-Metallic Mineral Products	4.162	18.0	9.7	7.6	2.2
33	Basic Metals & Alloy Industries	3.831	3.2	-1.2	17.0	2.5
34	Manufacture of Metal Products and parts except machinery	1.955	4.3	5.8	12.3	(-)5.6
35-36	Manufacture of machinery & equipment other than transport equipment	9.494	8.9	11.3	41.3	40.8
37	Manufacture of Transport equipment and parts	6.294	4.3	16.7	11.9	11.1
38	Other Manufacturing industries	1.521	26.7	20.4	4.7	21.0
	Manufacturing Index	92.013	2.4	1.9	8.7	9.3

Source: Department of Economics and Statistics, Chennai - 6.

Investment Scenario in the Industrial Sector:

Industrial investment in the State increased by 7.47 per cent from Rs.151902 crores as of April 2005 to Rs.163245 crores in April 2006. The State has accounted for 5.74 per cent of the total investment of Rs.2845899 crores made at the national level.

Table – 9: Industrial Investment in Select States
(As on April)

(Rs. crores)

State	2004	2005	2006	% share at All India
Andhra Pradesh	126911	175157	239347	8.41
Gujarat	141395	158465	239659	8.42
Karnataka	114374	151656	225245	7.91
Maharashtra	172186	200114	249621	8.77
Orissa	64769	196538	266652	9.37
Tamil Nadu	131621	151902	163245	5.74
All India	1547525	1995403	2845899	100.00

Source: Monthly Review of Tamil Nadu Economy, June 2006, CMIE.

Investment Project under Implementation:

In Tamil Nadu, of the total outstanding projects was worth of Rs.163245 crores, as of April 2006. Projects with an order of Rs.52087 crores (31.91%) were under implementation. This accounts for 5.8 per cent in total projects under implementation at the national level. In terms of projects under implementation, Maharashtra stands first followed by Andhra Pradesh and Tamil Nadu ranks sixth.

Table - 10: Investment in Projects under Implementation in Select States
(As on April)

(Rs. crores)

State	2004	2005	2006	% share at All India
Andhra Pradesh	58427	61540	87342	9.23
Gujarat	65860	73381	80041	8.92
Karnataka	43388	56494	58663	6.54
Maharashtra	90510	99668	98647	10.99
Orissa	27900	50357	60914	6.79
Tamil Nadu	41200	42830	52087	5.80
All India	713254	813121	897354	100.00

Source: Monthly Review of Tamil Nadu Economy, June 2006, CMIE.

Out of the total outstanding projects, manufacturing sector accounts for 223 projects with a total investment of Rs.53527 crores (32.8%). Within the manufacturing group, Chemical and Chemical Product industry has a significant amount of investment to the tune of Rs.40433 crores. Next to manufacturing, electricity group accounts for a highest investment of Rs.51262 crores followed by services sector (Rs.39886 crores).

Table - 11: Industrial Investment Status in Tamil Nadu

(At the end of April 2006)

(Rs.Crores)

Industrial Group	Announcement		Proposed		Under Implementation		Total	
	No.	Investment	No.	Investment	No.	Investment	No.	Investment
Manufacturing	124	30827	33	12975	66	9725	223	53527
Mining	9	3850	2	2500	4	2221	15	8571
Electricity	41	14201	24	18906	16	18155	81	51262
Services	189	14520	60	4644	105	20723	354	39886
Irrigation	-	-	3	1621	5	426	8	2047
Construction	46	3229	16	3886	19	837	81	7952
All Industries	409	66627	138	44530	215	52087	762	163245

Source: Monthly Review of Tamil Nadu Economy, June 2006, CMIE.

Industrial Entrepreneurs Memorandum (IEMs) Filed:

Tamil Nadu is one of the leading States in terms of IEMs filed. Between August 1991 and March 2006, 5334 IEMs for a total investment of Rs.127615 crores were filed in the State. Maharashtra has filed the highest number of IEMs, but in terms of investment, Gujarat stands first. Tamil Nadu which accounted for 8.31 per cent of the IEMs and 6.8 per cent of the total investment at the national level was placed third in IEMs filed and fourth in investment.

Table - 12: Statewise IEMs Filed

(From August 1991 to March 2006)

State	IEMs filed (Numbers)	% share to All India	Investment (Rs. crores)	% share at All India
Andhra Pradesh	4362	6.79	164974	8.79
Gujarat	7899	12.30	313494	16.70
Karnataka	2536	3.95	87105	4.64
Maharashtra	11968	18.64	272714	14.53
Tamil Nadu	5334	8.31	127615	6.80
All India	64207	100.00	1877257	100.00

Source: Monthly Review of Tamil Nadu Economy, June 2006, CMIE.

Foreign Direct Investment:

In the long-term economic development, the role of Foreign Direct Investment is indispensable. It is not only a source of capital to the country but also enhances the competitiveness of the domestic economy by enabling transfer of technology, reinforcing infrastructure facilities, increasing productivity, generating employment opportunities and also boosting exports.

The State is the most attractive investment destinations for reputed international companies. With the availability of highly skilled and cost effective manpower, the State provides immense opportunities for Business Process Outsourcing, Knowledge Process Outsourcing and Engineering Process Outsourcing. Between August 1991 and March 2006, totally 2758 number of projects have been approved for the State comprising of 631 technical and 2127 financial. The total FDI approval for the State during the reference period at Rs.23094 crores accounts for 8.86 per cent of the total amount of Rs.260596 crores approved at the national level. In terms of amount of FDI approval, the State ranks third next only to Maharashtra and Delhi.

Table – 13: State-wise Foreign Direct Investment Approval
(From August 1991 to March 2006)

Sl. No.	State	No. of Approvals			Amount of FDI approved (Rs. crores)	% to total FDI Approved
		Total	Technical	Financial		
1.	Maharashtra	5244	1351	3893	41138	15.79
2.	Delhi	2914	308	2606	31525	12.10
3.	Tamil Nadu	2758	631	2127	23094	8.86
4.	Karnataka	2703	507	2196	20119	7.72
5.	Gujarat	1263	578	685	12902	4.95
	Total of above	14882	3375	11507	128778	49.42
	All India	NA	NA	NA	260596	100.00

Source: Secretariat for Industrial Assistance, GOI.

Information Technology:

Tamil Nadu which is the first State in India to announce an IT Policy in the year 1997 witnessed tremendous progress in Information Technology. Many schemes are being implemented in the State to promote the IT sector with a world class facilities.

As per Software Technology Parks of India (Chennai), the software exports from the State has increased to Rs.14115 crores during 2005-06 from Rs.10730 crores in 2004-05, registering a growth of 31.55 per cent. The value of Software exports from the three southern States viz. Karnataka, Tamil Nadu and Andhra Pradesh was more than Rs.64000 crores during the year 2005-06

Table – 14: Growth of Software / Hardware Industry in Tamil Nadu

Year	Software Industry		Hardware Industry	
	No. of units	Value of Exports (Rs. crores)	No. of units	Value of Exports (Rs. crores)
1993-94	10	2.40	-	-
1999-2000	601	1914.00	8	399.82
2000-01	766	3116.00	12	575.65
2001-02	865	5223.00	10	482.43
2002-03	934	6315.51	11	698.25
2003-04	992	7621.25	10	251.75
2004-05	1095	10730.03	13	261.87
2005-06	936	14115.00	NA	101.00

Source: Software Technology Parks of India, Chennai.

The Software Technology Parks of India (STPI), Chennai has reported that during 2005-06, the application software and system software units in the State has earned a revenue of Rs.9514 crores followed by IT enabled services Rs.1617 crores, communication software, VLSI design and Web solution Rs.1094 crores, product package Rs.474 crores and consultancy Rs.831 crores.

During the year 2005-06, Software industries in the State have provided employment reported as to 19000 persons and the total employment in this sector at present is 118710.

In the year 2005-06, there were 936 operating software units in the State as reported to STPI. The top 10 software exporting units from the State are Tata

Consultancy Services, Infosys, HCL Technologies, Cognizant, WIPRO, Satyam Computer, Scope International, Sutherland Global, Siemens Information and Tele data (STP Division). Large international hardware manufacturers viz. NOKIA, FOXCON, Flextronics and Motorola have already located their units in the State.

The STPI has reported that in Tamil Nadu 161 units were approved during 2005-06 as compared to 103 in 2004-05. Some of the major new units that were approved during last financial year are Customer Operational Services, Spheris India and Hewlett Packard Globalsoft.

Linking of other Sectors with IT :

Tamil Nadu State Wide Area Network (TNSWAN):

Tamil Nadu State Wide Area Network is a project jointly implemented by the Government of Tamil Nadu and India for providing backbone connectivity utilising the 2 Mbps free bandwidth provided by the Public/Private Communication Providers (PCPs) linking State Headquarters with all the 30 District Headquarters as well as linking District Headquarters with the Divisional, Taluk and Block Headquarters.

Capacity Building:

The National e-Governance Action Plan (NeGAP) was announced by the GOI to introduce e-Governance in selected Government Departments. As a part of it, assistance is provided to the State Governments to enhance the capacity for the implementation of the e-governance projects. The Government has provided an amount of Rs.13.95 crores for this purpose.

E – Governance:

In order to harness e- governance in the digital governance era where services would be made available to the citizens through convenient and easily accessible delivery channels at the earliest. In the State, the Directorate of e-Governance has been created. The Directorate of e-Governance will be helping the departments in ensuring better accountability, enforceability, transparency and increased efficiency in service delivery to the citizens especially to the common people in rural and urban areas. For this purpose, 12 Mission Mode Departments such as Land Records, Commercial Taxes, Registration, Agriculture, Food and Civil Supplies, Health, Panchayats, Education, Treasuries, Municipalities, Transport and Employment have been included.

To bridge the digital divide between rural and urban areas, a framework for rural service delivery through Village Resources and Services Centre (VRSC) has been launched. It will help to bring together all the departments in rural areas through Village Panchayats with the prime objective of "providing hassle free one-stop solution to the citizens". It will also provide a complete financial, technical training and hand holding support to SHGs operating kiosks to help them gain maturity and reach sustainability.

Special Economic Zones:

Special Economic Zones (SEZs) have emerged as an important instrument for rapid economic development. Cross country experiences on SEZs seems to suggest that the SEZs have the potential to trigger economic development in designated areas and regions.

Special Economic Zones Policy was introduced in India on 1.4.2000 with a view to provide an internationally competitive and hassle free environment for exports. Units may be set up in SEZ for manufacture of goods and rendering of services. All the import and export operations of SEZ units will be on self-certification basis.

This policy provides for setting up of SEZs in the public-private joint sector or by State Government. It also envisaged conversion of some of the existing Export Processing Zones into Special Economic Zones. Accordingly, Madras Export Processing Zone was converted into SEZ. During 2004-05, MADRAS SEZ had exported goods to the tune of Rs.1376.91 crores as compared to Rs.1037.96 crores in 2003-04.

Box – 1 Distinguishing Features of SEZ

1. The zones are proposed to set up by private sector or by State Government in association with private sector. Private sector is also invited to develop infrastructure facilities in the existing SEZs.
2. State Government have a lead role in setting up SEZs.
3. A framework is being developed by creating special windows under existing rules and regulations of the Central Government and State Government for SEZ.

Source: Special Economic Zone, GOI.

Approvals for Establishing SEZ:

Since it came into force, many approvals for establishing SEZs were granted . As on March 2005, totally 150 formal approvals and 117 approvals in principle were granted in the country. Of this, 20 formal approvals and 7 approvals in principle relates to Tamil Nadu - as detailed below.

Table – 15 : Number of Approvals Granted for SEZ

Type of Approvals	Number of Approvals		Type of SEZ	Number	Area in Ha.
	India	Tamil Nadu			
1. Formal	150	20	1. IT/ITES Related	18	796.085
			2. Textile	1	101.620
			3. Footwear	1	60.000
2. In Principle	117	7	1. Multi products	3	2863.000
			2. Engineering	1	101.000
			3. Textile	1	107.240
			4. IT / ITES	2	110.110

Source: Special Economic Zones, GOI.

It may be noted that in formal approvals granted to the State, IT / ITES related units are predominant than manufacturing units .

Major Concerns:

The jury is still out about the effectiveness of the SEZ led model of economic growth. From the stand point of policy formulation there are challenges to be met namely:

- The trade offs between land allocation for competing uses,
- Are SEZ driven by the desire to secure tax shelters / rebates,
- How to harmonise the conflict between additional resource mobilisation and incentives in terms of revenues forgone.

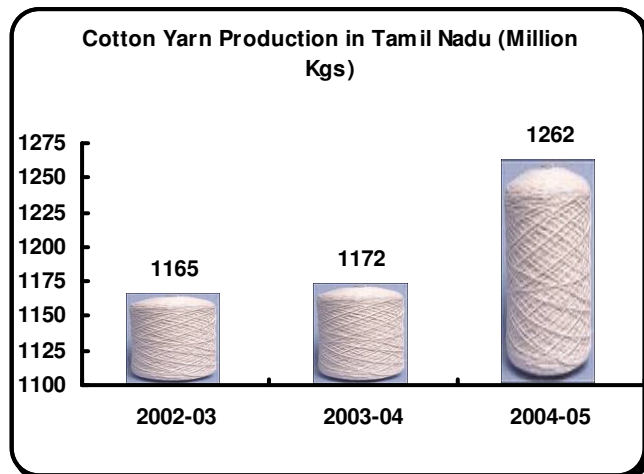
In other words, are the opportunity costs of revenue foregone too high, there are concerns about distortions in land use pattern caused by the perception about the consequences of diverting agricultural land to non-agricultural uses.

Major Industry:

Textile Industry:

Tamil Nadu has traditional strengths in the textile sector and in the post quota abolition regime, the Textile Industry has tremendous opportunities for growth as well as challenges to be met. Availability of cotton at fair prices and the right quality, the backlog in modernisation, supply of inputs particularly credit and power at competitive rates. Above all, textiles has to be competitive in an increasingly uncertain trading environment. Tamil Nadu has strengths in the spinning sector, home made furnishings and apparel sector, handlooms and silks. Growth has to ensure the twin objective of livelihood security and progressive movement to the higher end of the value chain.

The number of textile mills in the State increased from 834 in 2004-05 to 841 in 2005-06 comprising 815 spinning oriented and remaining 26 composite type units. Installed spinning capacity has increased from 158.30 lakh spindles to 164.30 lakh spindles during the corresponding period, registering a growth of 3.79 per cent and number of looms installed also increased from 5.96 thousands to 6.32 thousands. During 2004-05, yarn production increased to



1261.98 million kgs. from 1172.38 million kgs. in 2003-04 registering a growth of 7.64 per cent and cloth production also increased to 95.46 million sq.mts. from 67.16 million sq. mts. recording a hefty growth of 42.14 per cent. The number of workers employed in the textile sector was 2.31 lakhs during 2005-06 was higher than the preceding year.

Table – 16 : Performance of Textile Mills : Tamil Nadu & All India

Parameter	Tamil Nadu			All India		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1. Number of Textile Mills	834	834	841	1787	2727	2756
a. Spinning	814	812	815	1564		
b. Composite	20	22	26	223		
2. Installed Spinning Capacity (lakh spindles)	154.58	158.30	164.30	370.33	374.60	375.10
3. No. of looms installed ('000' nos.)	6.87	5.96	6.32	88.90	104.00	92.00
4. Yarn Production (Million kgs.)	1172.38	1261.98	NA	3051.80	NA	NA
5. Cloth Production (Million Sq.mts.)	67.16	95.46	NA	1433.61	NA	NA
6. No. of workers (lakh nos.)	1.95	2.24	2.31	9.77	NA	NA

Note: Figures in brackets indicate percentage share of Tamil Nadu in All India.

Source: 1. The Southern India Mills Association, Coimbatore - 18.

2. Compendium of Textile Statistics.

Thanks to Technology Upgradation Fund (TUF), modernization, expansion of capacity and new capacity creation has received an impetus. The challenge is to sustain it and policy responses have to be WTO compliant. Apparel parks and clusters hold promise to secure sustainable growth. Labour Reforms in terms of flexibility in hiring workers is increasingly been viewed as imperative. Labour Reforms have a Centre - State dimension as well for Labour Reforms fall within the domain of the Central Government.

Handlooms:

Handloom sector occupies a pride of place in preserving Tamil Nadu's heritage and culture and plays a vital role in economic activity next only to agriculture in providing employment and livelihood. Out of 4.29 lakh handlooms in the State as per 1987 Handloom Census, 2.17 lakh handlooms are in the Co-operative fold covered by 1232 Handloom Weaver's Co-operative Societies. Out of 6.63 lakh people who are either directly or indirectly depended on handlooms, 2.64 lakhs are in the Co-operative Societies.

It is estimated that out of the annual average production of 2500 lakh metres of handloom cloth in the State 1200 lakh meters are from the Co-operative Societies. In the annual average sales value of handloom cloth estimated at Rs.1500 crores, Co-operative Societies alone accounted for Rs.700 crores. The annual average value of handloom cloth exported by the Co-operatives was at Rs.260 crores accounted for 43.3 per cent of Rs.600 crores worth of handloom cloth totally exported from the State.

Given the transformation of the textile sector, the emergence of a powerful powerloom sector, handloom sector is beset with problems of marketing, sickness, financial crisis, lack of training, sale of handloom products face severe competition in the market. A plausible solution lies in adopting right marketing strategies by creating the right product mix based on fusion of traditional strategies and modern technology. Branding and adoption of handloom marks can help in fetching better returns to the weaver.

Powerlooms:

There are about 4.50 lakh powerlooms in the State providing employment to 9.14 lakh workers. Of this only 32087 powerlooms are under Co-operative sector. The Power loom Weaver's Cooperative Societies are producing on an average about 1000 lakh metres of cloth per year valued at Rs.160 crores. They are mainly engaged in the cloth production required by the Government for free supply schemes. The powerloom sector is a vital link in the textile chain. The sector contributes significantly to the textile exports of the State. This sector too has potential for value maximisation through investments in modernisation of looms.

Establishment of Hi-Tech Weaving Parks:

'Cluster Approach' is found to be the most suitable and appropriate module to attain the economy of scale and to compete in the international market. Hence, the Government have proposed to establish High-tech weaving parks in different parts of the State so that each cluster may specialise in the production of a particular textile item as detailed below.

Table - 17 : High Tech Weaving Parks - Tamil Nadu

(Rs. crores)

Name of the Park	Project Cost	Employment potential (No.)	Value of production
1. Cauvery Hi-Tech Weaving Park, Kumarapalayam	109.98	1200	300.00
2. Vaigai Hi-Tech Weaving Park, Andipatti	96.21	1500	300.00
3. Palladam Hi-Tech Weaving Park, Palladam	118.34	2000	300.00
Total	324.53	4700	900.00

Source: Policy Note on Handlooms and Textiles, 2006-07.

Garments and Hosiery Sector:

At present the State is witnessing the fast growth of garment units. There are about 400 garment units in the State providing employment to 2 lakh persons and earning Rs.2500 crores as foreign exchange.

Out of 8000 hosiery units in India, 4000 units are functioning in the State mostly in Coimbatore district providing employment opportunities to three lakh persons, contributing 44 per cent of country's export and earning Rs.8000 crores as foreign exchange.

Processing Sector:

It is a value added segment in the textile sector. The facilities available in this sector are inadequate and technology adoption is low since most of these units are of hand processing type.

There are about 10397 hand processing and 2510 power processing units in India. Out of which 2614 hand processing units and 985 power processing units are in the State. It may be noted that 713 hand processing units are in Tiruppur.

Box -2

Registering Handloom Products under Geographical Indications Act

To protect the "traditional Indian heritage", handloom products such as "Kancheepuram Silk Sarees", "Bhavani Jamakkalam" and "Madurai Sungudi Sarees" have been registered under the above act.

Source: Policy Note on Handlooms and Textiles, 2006-07.

Apparel Parks:

Two apparel parks one at Tiruppur and other at Irungattukottai on par with international standards have been set up to boost up exports at the cost of Rs.600 crores. The Apparel Park at Tiruppur which has commenced production is expected to provide direct employment to 7000 persons and export garments worth Rs.1500 crores. Basic infrastructure facilities have been created at Irungattukottai which has potential to export Rs.2000 crores worth of garments and provide employment to 10000 persons.

Sugar Industry:

The sugar industry is characterised by cyclical swings in production with consequent impact on profitability.

It may be seen from the figures furnished that the production of sugar which has shown an increasing trend upto 2001-02, started to decline from 2002-03 and was at its lowest level in 2003-04. It picked up again in 2004-05 and reached the peak level in 2005-06.

Even after the economic liberalisation, sugar industry continues to face the restrictive policy environment. The international market is also complex due to restrictions in market access, high tariff and other barriers. Exports are not remunerative as international competitors like European Unions get heavy subsidy from their respective Governments and are able to sell at much lower prices.

During the sugar season 2005-06, out of 38 Sugar mills in the State, 35 are functioning with a total installed crushing capacity of 103650 tonnes per day. Among the 35 units, two mills are in public sector, 15 are in co-operative sector and 18 mills are in private sector. The 2005-06 crushing season which is the peak period for the sugar industries in the State witnessed an all time high level in their production as compared to the previous years. During 2005-06, these sugar mills have crushed a total of 231.85 lakh tonnes of cane which is almost double than that of the previous year's level of 114.91

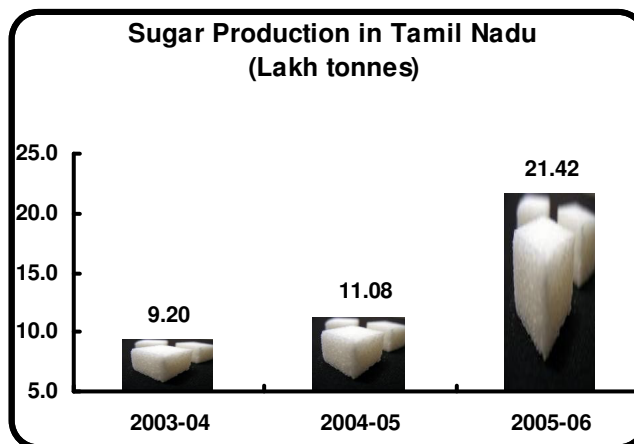
Box-3 Sugar Production: Tamil Nadu and All India

(Lakh tonnes)

Year	Tamil Nadu	All India
1999-00	17.20	182.00
2000-01	17.81	185.19
2001-02	18.39	185.27
2002-03	16.44	201.40
2003-04	9.20	135.60
2004-05	11.08	126.91
2005-06	21.42	192.00

*Source: South India Sugar Mills Association,
Chennai - 35*

lakh tonnes. The production of sugar at 21.42 lakh tonnes with an average recovery rate of 9.24 per cent has registered a growth of 93.32 per cent over the previous year.



The registered area under Sugarcane has almost doubled from 143165 hectares in 2004-05 to 250881 hectares in 2005-06 sugar season registering a growth of 75.24 per cent lead to large scale diversion

of sugarcane to the sugar mills since the State Government has fixed the price of sugarcane at Rs.1014 per metric tonne which is higher than the Minimum Statutory Price of Rs.795 fixed by the Government of India.

In addition to production of sugar, the byproducts such as molasses are also crucial for ensuring not only the health of the sugar industry but also the downstream industries that are dependent on it.

Table –18: Performance of Sugar Industry : Tamil Nadu and All India

Parameter	Tamil Nadu			All India		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
No. of factories	34	34	35	423	400	453
a. Public Sector	16	16	17	-	-	-
b. Private Sector	18	18	18	-	-	-
Installed Capacity (ICD)	100150	101150	103650	188.02 (lakh tones)	189.85 (lakhtonnes)	NA
Capacity Utilisation (%)	77	75	90	-	-	-
Cane Crushed (lakh tonnes)	92.82	114.91	231.85	-	1247.71	1884.64
a. Public Sector	28.05	31.64	62.68	-	-	-
b. Private Sector	64.77	83.27	169.17	-	-	-
Sugar Production (lakh tonnes)	9.20	11.08	21.42	135.60	126.91	192.00
a. Public Sector	2.78	3.12	5.87	-	-	-
b. Private Sector	6.42	7.96	15.55	-	-	-
Recovery Rate (%)	9.91	9.64	9.24	10.22	10.17	10.24
Min. Statutory Price(Rs.)	-	-	-	730	745	795
State Advised Price (Rs.)	-	-	1014	-	-	-

Note: Public sector includes Cooperatives.

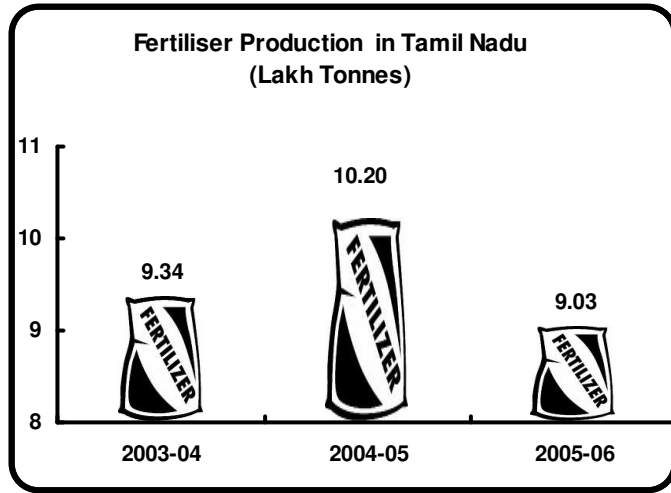
Source: South India Sugar Mills Association, Chennai - 35.

Fertiliser Industry:

The fertiliser industry functions under many constraints. From the supply side, the health of the industry hinges upon the subsidy and pricing policy of the Government of India. From the demand side monsoons determine the offtake of fertilisers. During 2005-06 the monsoon is bountiful resulted that the country experienced a sudden spurt in the demand for fertiliser. There is an acute shortage for DAP and urea which were

imported and Government appealed to the industry to produce more even though it produced near full capacity. New investment in this industry is unattractive realised from the fact that since 1999 no new capacity has been added.

The number of fertiliser plants in the State is 12 during 2005-06 as in the previous year consists of four nitrogenous and eight phosphatic. Instead, the installed capacity of these plants increased to 14.10 lakh tonnes in the review year from 13.05 lakh tonnes in the previous year, both nitrogenous and phosphatic plants witnessed a fall in their production. The fertiliser production in the State declined to 9.03 lakh tonnes from 10.20 lakh tonnes for the corresponding period posted a negative growth of 11.47 per cent.



At the national level, fertiliser production is at 155.28 lakh tonnes in 2005-06 which is marginally higher than the previous year level of 153.43 lakh tonnes. The State accounts for 7.88 per cent of installed capacity and 5.82 per cent in fertiliser production in 2005-06 at the national level.

Table -19 : Performance of Fertiliser Industry : Tamil Nadu and All- India

Parameter	Tamil Nadu			All India		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
Number of Plants	12	12	12	139	138	142
Nitrogenous	4	4	4	55	55	56
Phosphate	8	8	8	84	83	86
Installed Capacity (Lakh Tonnes)	13.02 (7.34)	13.05 (7.31)	14.10 (7.88)	177.35	178.56	178.83
Nitrogenous	8.35	8.35	9.78	122.13	122.55	123.35
Phosphate	4.67	4.70	4.33	55.22	56.01	55.48
Production (Lakh tonnes)	9.34 (6.62)	10.20 (6.65)	9.03 (5.82)	141.84	153.43	155.28
Nitrogenous	6.50	7.20	6.21	105.57	113.05	113.32
Phosphate	2.84	3.00	2.82	36.27	40.38	41.96
Capacity Utilisation (%)	71.7	78.1	64.0	80.0	85.9	86.8
Nitrogenous	77.9	86.3	74.2	86.4	93.4	94.2
Phosphate	59.7	69.2	63.7	67.8	73.7	78.3

Note: Figures in brackets indicate percentage share of Tamil Nadu to All- India.

Source: The Fertiliser Association of India, Southern Region, Chennai-32.

The use of fertiliser as an input has also been a matter of concern since the application of fertilisers has been lopsided with undue importance to NPK and to a lesser degree to DAP.

Usage of organic fertilisers and other micro nutrients has been rather limited even though the benefits have been well established. The distortion in the varietal spread of fertilisers is due to lack of extension as well as availability of subsidy for production of certain types of fertilisers .

Cement Industry:

The cement industries in the country continued to have a sustained growth for the last one and half decades. The infrastructure driven demand for cement is mainly from housing and commercial development in metros - such as Mumbai, Chennai, Hyderabad, Bangalore and Delhi. Another huge demand emerges from National Highways Development Authority. India ranks second in the world cement production but per capita consumption is 118 kgs against 317 kgs at global level.

Box - 4
Cross Country Per Capita Consumption of Cement

Global	- 317 kgs
Thailand	- 366 kgs
India	- 118 kgs
China	- 626 kgs
Malaysia	- 606 kgs
South Korea	- 1216 kgs.

Source: The Hindu, Survey of Indian Industry, 2006.

The production in the State increased to 142.89 lakh tonnes in 2005-06 from 126 lakh tonnes in 2004-05 registering a growth of 13.4 per cent. However it may be noted that, the cement production in the private sector showing an increasing trend whereas it has decreased to 7.85 lakh tonnes in the public sector for the corresponding period. The State accounts for 10.08 per cent of cement production at the national level.

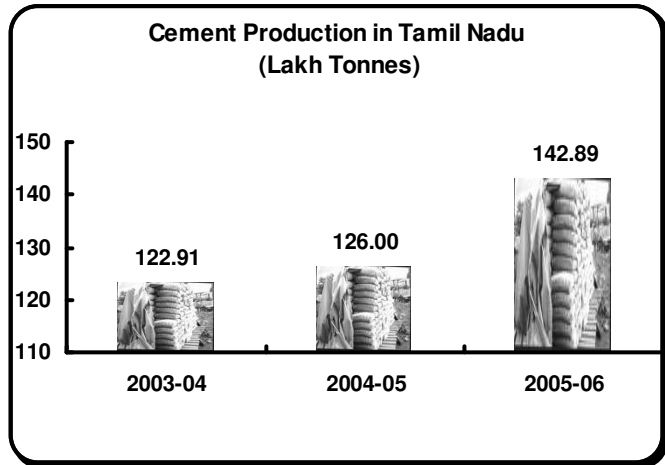


Table - 20 : Performance of Cement Industry in Tamil Nadu

(Lakh tonnes)

Sector / Category	Production		Capacity Utilisation (%)	
	2004-05	2005-06	2004-05	2005-06
Private Sector (TN)	117.94	135.04	86	NA
Public Sector (TN)	8.06	7.85	90	NA
Tamil Nadu (Total)	126.00	142.89	87	98
All India	1255.58	1418.05	87	90

Source: 1. Tamil Nadu Cement Corporation Ltd. Chennai - 2.

2. CMIE Monthly Review of Tamil Nadu, May 2006.

Problems faced by Cement Industries:

The cement industries in the country faced some problems such as - energy costs accounting for half of the cost of production, during 2005-06. They witnessed a 15.16 per cent increase in coal and diesel prices which push up the transport cost. As per Cement Manufacturers' Association (CMA) total taxes and duties on cement come to around Rs.45 per bag.

Paper Industry:

The State continues to be one of the forerunners in the paper production. The paper production in the State increased by 20.29 per cent from 3.07 lakh tonnes in 2004-05 to 3.70 lakh tonnes in 2005-06. The State has the second highest share of 17.30 per cent in the total quantity of paper produced at the national level next to Andhra Pradesh.

Table – 21 : Statewise Paper Production - 2005-06

State	Paper production (lakh tonnes)	% change	% share at All India
Andhra Pradesh	5.36	4.38	25.09
Tamil Nadu	3.70	20.29	17.30
Maharashtra	2.61	0.40	12.19
Karnataka	1.99	3.10	9.32
Orissa	1.82	5.92	8.50
Assam	1.37	(-)30.40	6.43
Uttaranchal	1.25	(-)14.81	5.86
Uttar Pradesh	0.83	(-)3.50	3.89
Other States	2.44	3.60	11.42
All India	21.37	1.22	100.00

Source: Monthly Review of Tamil Nadu Economy, June 2006, CMIE.

Fifth Economic Census - Provisional Results:

Unorganised sector assumes great importance for its significant contribution to gross domestic product as also in generating employment. The earlier Economic Census provides data in respect of unorganised non-agricultural sector of the economy for detailed follow up surveys.

Box -5 **Salient Features of Fifth Economic Census**

In the Fifth Economic Census (2005), it includes all economic activities (agricultural and non-agricultural) except those involved in crop production and plantation which are engaged in production and / or distribution of goods and / or services other than for sole purpose of own consumption

Source: Provisional Results of Fifth Economic Census, CSO.

a. Enterprises:

In the State as per Fifth Economic Census (2005), there are 44.46 lakh enterprises comprising 27.37 lakh enterprises in rural and 17.10 lakhs in urban areas. At the national level, the State's share is 6.55 per cent of the total enterprises, 10.60 per cent in rural and 4.06 per cent in urban areas. Five major States viz. Tamil Nadu, Maharashtra, West Bengal, Andhra Pradesh and Uttar Pradesh in that order together account for about 50 per cent of total enterprises in the country.

Table -22 : Statewise Distribution of Enterprises

State	Number of Enterprises				
	Rural	Urban	Combined	% share at All India	Rank
Tamil Nadu	2736691	1710308	4446999	10.56	1
Maharashtra	2262035	2112632	4374767	10.39	2
West Bengal	2831128	1454560	4285688	10.17	3
Andhra Pradesh	2895711	1127700	4023411	9.55	4
Uttar Pradesh	2194138	1821788	4015928	8.53	5
All India	25809350	42123849	67933199	100.00	

Source: Provisional Results of Fifth Economic Census, CSO.

b. Employment:

All the enterprises in the State provide employment to 98.67 lakh persons in total, comprising 51.88 lakhs in rural areas and 46.78 lakhs in urban areas. It may be noted that though Tamil Nadu tops in number of enterprises, it occupies second in providing employment. At the national level, the State accounts for 9.97 per cent in employment in the unorganised sector. The average employment per enterprise for the State worked out to 2.22 persons whereas it was 2.70 persons for Maharashtra and 2.35 persons for the nation as a whole.

Table - 23 : Statewise Distribution of Employment - Fifth Economic Census

State	Number of persons				
	Rural	Urban	Combined	% share at All India	Rank
Maharashtra	4625398	7201168	11826566	11.95	1
Tamil Nadu	5188276	4678357	9866623	9.97	2
West Bengal	4921382	4396644	9318026	9.42	3
Andhra Pradesh	5718202	3152389	8870591	8.96	4
Uttar Pradesh	4195837	4344201	8540038	8.63	5
All India	50185441	48782201	98967642	100.00	

Source: Provisional Results of Fifth Economic Census, CSO.

Other Features :

- In the State 74.8 per cent of enterprises are non-agricultural enterprises, remaining are engaged in agricultural activities other than crop production and plantation.
- About 1.5 per cent of enterprises are employing 10 or more workers.
- 12.9 per cent of enterprises do not have any premises for carrying out economic activities.
- Hired workers are 52.6 per cent and female adult workers are 28.6 per cent in the total enterprises.

Table -24 : Other Features of Fifth Economic Census - Tamil Nadu

Parameters	Rural	Urban	Combined
1. Percentage of enterprises without premises	13.3	12.3	12.9
2. Percentage of enterprises employing 10 or more workers	0.9	2.5	1.5
3. Percentage of agricultural enterprises	38.7	3.5	25.2
4. Percentage of non-agricultural enterprises	61.3	96.5	74.8
5. Percentage of hired workers	43.2	63.0	52.6
6. Percentage of adult female workers	33.8	22.8	28.6

Source: Provisional Results of Fifth Economic Census, CSO.

Comparing the Fifth Economic Census with Fourth Economic Census (1998), the annual average growth in enterprises was 8.49 per cent and 4.62 per cent in employment in the State.

Small Scale Industries:

The SSI sector occupies a pivotal position in the industries sector. Liberalisation of the economy and reforms have had an impact on the health of this sector. The results of the latest SSI Census are a pointer. They have survived mainly due to product and geographical market segmentation and policy protection. However, globalisation and liberalisation have affected the Indian SSI units to a great extent. The role of segmentation and protection got reduced and shifted them from 'protection led growth' to 'competition-led growth'. The removal of quantitative restrictions, reduction in import duties have opened up foreign markets to Indian SSI units as much as the Indian markets are open to the foreign goods. The efficient and export oriented small firms have been benefiting from this development by stabilising and maintaining the quality requirements. At the policy level the endeavour has been to balance the imperatives of competitiveness and the overall development of the sector.

Final Results: Third All India Census of Small Scale Industries 2001-02:

The SSI sector is vital for its employment generation, considerable contribution to State income and export. Creation of effective data base is imperative in this sector for policy formulation and promotion of this sector. Hence, the Census of SSI sector is conducted at regular intervals. The Third all India Census of SSI units 2001-02 is the latest available comprehensive data on small scale sector is based on the Second all India Census of Small Scale Industries conducted in the year 1990-91.

Box - 6

Tamil Nadu - Final Results of Third All India Census 2001-02

- The total number of units in the SSI Sector in the State is estimated to be 787318. Out of which, 25.37 per cent units are SSIs and the rest are SSSBEs. Ancillary units constitute 4.59 per cent of the total SSI.
- Chennai, Coimbatore, Kancheepuram, Salem and Tiruchirappalli are the top five districts together accommodating 34.60 per cent of the total SSIs.
- The Services Sector which accounts for large number of units share 65.06 per cent of total SSIs.
- The registered SSI Sector is considered as the cream of the total SSI sector, even though registration of SSI is voluntary.
- The maximum number of sick SSI units (about 49.19 per cent) are mostly found to be in Vellore, Virudhunagar, Dindigul, Thiruvannamalai and Coimbatore districts.
- Among the units having outstanding loan with institutional sources like banks and financial institutions, the proportion of sickness was about 7.62 per cent in the registered SSI sector, one per cent in the case of unregistered SSI sector and 2.51 per cent for total SSI sector.
- Incipient sickness identified in terms of continuous decline in gross output was around 13.26 per cent in the registered SSI sector, 10.15 per cent in the unregistered SSI sector and 10.86 per cent for the total SSI sector.
- 'Lack of demand' and 'shortage of working capital' are main reasons for sickness and incipient sickness in both the registered and unregistered SSI sector.

Source : . Third All India Census of SSI 2001-02.

Registered SSI Units:

The number of registered SSI units in the State increased to 5.11 lakh units in 2005-06 from 4.89 lakh units in 2004-05 registering a growth of 4.50 per cent. During 2005-06 alone 20399 number of SSI units secured permanent registration. The fixed capital of all these units are in the order of Rs.16103 crores, produced Rs.103912 crores worth of goods and services by providing employment to 35.93 lakh persons. The structural ratios during 2005-06 shows that a unit on an average worked with Rs.3.15 lakhs of fixed capital, contributing Rs.20.32 lakhs to GSDP by employing 7 persons.

Table -25 : Performance of Small Scale Industry -Tamil Nadu and All India

Parameter	Tamil Nadu			All India*		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06 (P)
Number of registered SSI Units (Lakhs)	4.75	4.89	5.11	113.95	118.59	123.4
Investment in Fixed Capital (Rs. crores)	13291.50	14397.31	16102.51	N.A.	N.A.	N.A.
Value of Output (Rs. crores)	94939.80	99496.77	103911.61	357733	418263	471244
Employment (Lakh Nos.)	34.18	35.26	35.93	271.36	282.91	294.9

All India* - Registered and Unregistered Units. Source: 1. Department of Industries and Commerce, Chennai. 2. Hand Book of Statistics on the Indian Economy, RBI.

At the national level, the State has a share of 4.14 per cent of SSI units, 22.01 per cent in output and 12.12 per cent of employment. During the review year, Chennai district has the highest number of registered SSI units while the minimum was in Perambalur district with 2872 units. Among the registered units, hosiery and readymade garments alone sharing highest number of 1.38 lakh units. Under Prime Minister's

Rozgar Yojana, during the year 2005-06, Rs.85.41 crores have been disbursed to 24773 educated poor for self-employment.

The performance of khadi industry in the State during 2005-06 shows a mixed trend. Both yarn and cloth production increased to 21.18 lakh meters and 1.88 lakh meters in 2005-06 from 13.80 lakh meters and 1.72 lakh meters in 2004-05 respectively. Whereas it is noted that the production of silk khadi declined to 1.08 lakh meters from 1.73 lakh meters and khadi polyester to 1.44 lakh meters from 1.63 lakh

Box - 7
Anna Marumalarchi Pudhia Thittam

As on 30th June, 2006, 1346 projects with a total project cost of Rs.839.99 crores were approved to start industries in all the 385 blocks by using locally available raw materials. Out of which, 402 projects in 242 blocks with a total project cost of Rs.260.32 crores have commenced production by providing employment to 14084 persons including 9698 women. Another 212 projects with a project cost of Rs.112.03 crores are under various stages of implementation and 227 projects with a project cost of Rs.153.99 crores have applied for loan from various financial institutions. Under this scheme, so far, Rs.824.86 lakhs have been availed by industrial units as Special Capital and Low Tension Power Tariff subsidy.

Source : Policy Note on Small Industries Department , 2006-07.

meters. The khadi sales was realized at Rs. 1651 lakhs in 2005-06 and the total number of employees in the khadi industry is 8033 of which 3383 are women.

The total value of production by the village industry sector in 2005-06 was Rs.20650 lakhs and sales realised was Rs.22775 lakhs by employing 6.48 lakh persons.

Industrial Relations:

Industrial relations in the State during the calendar year 2005 may be termed as smooth. As compared to previous year, the State has witnessed lesser number of strikes and lockouts (71) during 2005. The number of persons involved in it was placed at 27160 and number of mandays lost at 1099634. Textiles sector experienced as many as 52 strikes and lockouts involving 22858 workers and causing a loss of 756253 mandays. Among the 71 strikes and lockouts, 25 involved wage related issues, 10 related to bonus and 30 pertained to other issues. Retrenchment of workers and personnel issues caused the remaining strikes and lockouts.

Table – 26 : Incidence of Strikes and Lockouts - Tamil Nadu

Parameter	No. of Strikes and Lockouts		No. of workers involved		Mandays Lost	
	2004	2005	2004	2005	2004	2005
Textiles	55	52	14090(47.19)	22858(84.16)	672290(58.44)	756253(68.77)
Engineering	10	4	4917(16.47)	386(1.42)	229496(19.95)	13124(1.19)
Tanneries	2	4	380(1.21)	1592(5.86)	7880(0.68)	118784(10.80)
Plantations	5	1	7499(25.11)	53(0.20)	110627(9.62)	2131(0.19)
Others	14	10	2995(10.02)	2271(8.36)	130122(11.31)	209342(19.04)
Total	86	71	28861(100.00)	27160(100.00)	1150416(100.00)	1099634(100.00)

Figures in brackets indicate percentage to total. Source: Commissioner of Labour, Chennai - 6.

Labour Reforms - Non-Formal* Sectors:

While the organised segment of labour has been receiving attention, the non-formal sector received rather limited attention. This is largely attributable to the fact that Labour Reforms have been limited and due to a Plethora of Laws mostly in the Central Governments jurisdiction. In the post liberalisation period, the number of non-formal employees is increasing in all the sectors particularly in services sectors. At the cross country level there is a growth of non-formal sector employment** and a decline in standard forms of work. Non-formal employment is usually associated with increasing job insecurity calling for remedial measures.

State Public Sector Undertakings (SPSUs):

There were 47 SPSUs functioning in the State during 2003-04. These SPSUs altogether employed 157101 persons as on March 31st 2004 as against 161279 persons for the corresponding month of the previous year. The total investment in all these undertakings in terms of share capital and loan put together by Government and other sources was Rs.9959.97 crores in 2003-04. It was higher than the previous year level of Rs.9393.25 crores by 12.46 per cent. A hike in investment was noticed in the five groups viz Trading, Development Finance (Industries), Development Finance (Others), Manufacturing, and Mining and Minerals. During the review year 31 Corporations had earned aggregate net profit of Rs.200.12 crores against the aggregate net profit of Rs.195.34 crores by 27 Corporations in 2002-03.

Table - 27 : Performance of State Public Sector Undertakings - Tamil Nadu

Group of Undertakings	Number of SPSUs		Aggregate Investment (Rs. crores)		Net Profit (Rs. crores)	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
Passenger Transport	18	7	1810.78	1686.83	(-)0.06	2.72
Goods Transport	1	1	52.66	48.16	(-)14.66	9.56
Mining and Minerals	2	2	67.10	72.69	0.81	0.54
Manufacturing	8	9	718.49	768.42	27.26	24.10
Trading	2	2	76.99	252.82	1.48	0.89
Development Finance (Ind)	10	9	6008.23	6512.58	(-)26.35	63.86
Development Finance (Others)	5	5	76.78	84.52	(-)0.71	1.39
Agriculture & Allied	4	4	35.69	33.68	0.43	4.51
Construction	3	3	516.51	487.79	1.01	0.37
Miscellaneous	5	5	30.01	12.49	5.04	6.65
Total	58	47	9393.25	9959.97	(-)5.75	114.61

Source: State Public Sector Enterprise and Statutory Boards in Tamil Nadu 2002-03 & 2003-04.

Regarding the overall performance, there was an improvement in the SPSUs of the State. It was noticed that all the groups earned aggregate profit during 2003-04. The aggregate profit of all the SPSUs put together was in the order of Rs.114.61 crores during the year 2003-04 comparing to the net loss of Rs.5.75 crores in 2002-03.

* Informal or non-formal sector is defined as in terms of characteristics of which the activities take place, rather than in terms of characteristics of persons involved or of their job.

** Persons employed in the informal sector are defined as comprising of all persons who, during a given reference period, are employed at least in one production unit of the informal sector, irrespective of their status in employment whether it is their main or a secondary job.

(source: 15th International Conference of Labour Statisticians-1993)

Appropriate reform measures and administrative changes which have been taking place in the SPSUs could have yielded fruitful results in improving the financial performances of some SPSUs during the review year.

Industrial Promotional Agencies:

The industrial activities in the State is being catalysed by the following promotional agencies with their specific objectives.

Table – 28 : Promotional Agencies - Tamil Nadu

Agency	Main Objectives	Activities
1. SIPCOT	Promote medium and large scale industries through developing, marketing and maintaining industrial complexes, parks and growth centres and implementing infrastructure development schemes.	As on 31.3.06, SIPCOT has acquired 22072 acres of land out of which 9622 acres has been allotted to 1410 industrial units. SIPCOT has developed 17 industrial complexes / parks / growth centres in 12 districts.
2. TIDCO	Promoting Infrastructure Projects	TIDEL park - Chennai East Coast Road - Chennai IT Express way - Chennai Nagarjuna Oil Corporation - Cuddalore Mahindra World City - Chengalpattu Ennore SEZ Multi Product Special Economic Zone in Hosur and Denkanikottai. Hi-Tech Industrial Park, Nanguneri are some prestigious infrastructure projects of TIDCO.
3. TANSIDCO	1. Promotes SSI units by establishing Industrial Estates.	So far, SIDCO has developed 43 Industrial Estates besides managing 35 Government Industrial Estates on agency terms.
	2. Distribution of Raw-materials	During 2005-06, it distributes raw-materials to 718 SSI units to the tune of Rs.2943 lakhs viz. 9139 MTs. of iron and steel, 449 MTs of wax, 44 MTs. of potassium chlorate and 1569 MTs. of paper.
	3. Marketing Assistance	During the review year it has assisted to nine SSI units to market Rs.64 lakhs worth of products
	4. Strengthening and Developing Infrastructure of Industrial Estates	Infrastructure upgradation at Hosur Industrial Estate is completed. Upgradation at Guindy Industrial Estate is being implemented.
4. TIIC	Promoting Small Scale Industries through financial assistance	Total disbursement is Rs.247.34 crores out of loan sanctioned Rs.350.30 crores during 2005-06. Share of disbursement to SSI sector is 95.35 per cent. Textile industry has the largest share of Rs.88.60 crores and Engineering Industry is Rs.82.22 crores. Expected direct employment to 15461 persons. Cumulative sanction as on 31.3.06 is Rs.5082.45 crores to 99307 numbers.

Source: Concerned Industrial Corporation.

Tenth Plan Period : A Mid-Term Appraisal of Industry:

For the Industrial Sector an annual average growth of 8 per cent was set as target during the Tenth Plan Period. The strategy envisaged new manufacturing capacity building based on improved competitiveness, attracting FDI encouragement to private-public partnership and above all creating a transparent environment.

- From January 2002 to March 2006, the State has attracted 706 projects. Of which 104 were technically and 602 were financially approved. Between August 1991 and March 2006, the total flow of FDI approvals for the State was Rs.23094 crores.
- During the first four years (2002-06) of the Tenth Five Year Plan, the over all average growth rate of industrial production was 5.3 per cent as against the plan target of 8 per cent. To attain the 8 per cent target, the industrial sector have to achieve a growth of 18.9 per cent during 2006-07. To achieve this, manufacturing group has to record a double digit growth in 2006-07, which is a challenge. The electricity group achieved a subdued growth of 1.5 per cent only in the Plan period. The high order growth of 8.2 per cent and 8.5 per cent achieved during the 3rd and 4th year of the Plan period could not compensate the low growth rates during 2002-03 and 2003-04.
- In the IT Sector, the State has achieved significant progress. During the first three years of the Tenth Plan Period, the software industry in the State has grown at the rate of 8.2 per cent per annum and export of software items by 27.3 per cent.
- In the textile sector, the annual growth of yarn production was 3.5 per cent and cloth production was 3.2 per cent during the first three years of Tenth Plan as against 3.4 per cent and (-) 4.7 per cent respectively in the Ninth Plan period. The performance of textile sector has shown signs of revival from 2004-05 in sync with the reforms made in the sector at the national level.
- Production performance of sugar industries is not encouraging. Low supply of sugarcane compared to previous years, high cost of production, unremunerative price for the sugar in the open market, piling of huge stock and arrears in payment to sugarcane growers for long time may be the reasons for the low production of sugar. During the first two years of the Tenth Plan period, the growth rate of sugar production was (-)27.4 per cent as against 12.8 per cent witnessed in the Ninth Plan period.
- The construction activities by both public and private sectors, concrete of roads etc. increased the demand for cement which spurred growth in cement production. In the first four years of the Tenth Plan period, this industry recorded an annual average growth of 11.7 per cent which was marginally higher than the growth rate of 11.1 per cent achieved in the Ninth Plan period.
- The SSI sector performance in the State was satisfactory. All the parameters recorded positive growth rate in the first four years of the Tenth Plan. The growth rate was 5.2 per cent in number of registered units, 5.8 per cent each in investment and output and 4.4 per cent in employment as against 9.7 per cent, 12.0 per cent, 15.2 per cent and 8.8 per cent respectively in the Ninth Five Year Plan Period.
- During the Tenth Plan period, the Annual Survey of Industries data depicts a measure of positive growth in all the value based principal industrial characters. In the first two years of the Tenth Plan period, the fixed capital, productive capital, output and net value added have grown at the rate of 2.6 per cent, 3.1 per cent, 6.2 per cent and 4.2 per cent respectively as against the negative growth in all the characters except in value of output in the Ninth Plan period.