

2.16. Village & Small Industries

The Small and Medium Enterprises sector occupies a significant role in the total manufacturing sector of the country and our state. Tamil Nadu has been in the forefront, with a proactive policy to stimulate the growth of this sector. Encouraging the development of a sound industrial base without losing focus on the small and medium enterprise sector has been one of the unique features of our State's balanced industrial policy.

The importance of the small enterprise sector in our state stems from the contribution it makes to the State Domestic Product and its major role in employment generation, being next only to agriculture in this regard. The sector also serves to facilitate equitable distribution of national wealth and reduce inter and intra-regional disparities by exploiting rural skills and potential to the maximum, thus helping to reduce rural-urban migration. It is also recognised for its contribution to industrial growth in serving as a nursery for entrepreneurial talent in the country. Its importance can be seen by the fact that it accounts for 95% of industrial units, 40% of output in manufacturing sector and 30% of exports at the national level.

While the definition and the concept of the Small Scale Industries (SSI) sector differ in many countries to suit the local requirements, the concept of SME (Small & Medium Enterprises) sector has been found to be more flexible as more emphasis has now been laid on the enterprises / service sector. As a response to the long-standing demand of the SSI sector, and considering the emergent need to provide a legal framework to address the developmental concerns of what is globally known as "Small And Medium Enterprises", the Government of India in its recent enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 has changed the nomenclature of SSI sector into SME sector, giving due importance to the enterprise segment and at the same time bringing or merging the medium sector into its fold.

In Tamil Nadu, the SSI sector is one of the most vibrant and vital sectors of the economy both in terms of employment generation and in share of production and exports, besides serving as an incubator for entrepreneurial talent. Nearly 40% of export earnings in the state come from the SSI sector. As per the registration data available with the Directorate of Industries and Commerce, there are 523,764 registered SSI units in the State with a total investment of about Rs.16,430 crore, providing employment to about 36.40 lakh persons as on 15.12.2006.

It is proposed to encourage the Small Industries through various incentives. This package of incentives will be unveiled in the form of a Small Industries Policy shortly. This policy will provide special incentives to Agro Processing Industries. About 10 lakh persons will get employment from the large number of new small industrial units that are likely to be established due to this initiative.

Directorate of Industries and Commerce

The nodal agency for implementing programmes for the development of Small Scale /Tiny Sector Industries is the State Directorate of Industries and Commerce. It has been entrusted with the responsibility to register small scale industrial units, to assist them under the 'Single Window' system to get statutory approvals and clearances, providing testing facilities for electrical, electronic and chemical industries, etc. District Industries Centres are functioning in 29 Districts in Tamil Nadu except Chennai District where Regional Joint Directorate renders all help to the prospective entrepreneurs for starting Small, Rural and Tiny industries. District Industries Centres provide escort services to the entrepreneurs, i.e., in identification of industries, in the preparation of project profile, obtaining financial assistance from financial institutions and sanction and disbursement of State subsidies and incentives. Export Guidance cells have been created in all the District Industries Centres to provide information relating to export activities, potential for further exports and to provide

necessary assistance in procedural matters. The Directorate has also established and maintains Industrial Estates for various activities such as chemical, ceramics, electrical, electronic and allied industries.

Upgradation of existing industrial Estates (Public Sector)

It is proposed to upgrade 3 Industrial Estates managed by Directorate of Industries and Commerce, 3 Industrial Estates in the Cooperative Sector and 8 Industrial estates managed by SIDCO as per the pattern of assistance under the Industrial Infrastructure Development (IID) Scheme of the Government of India at an average unit cost of Rs. 2.50 crore, with a share of 40% each by the State and the Centre and the balance 20% to be met by the occupants. . An outlay of Rs. 252.00 lakh is proposed for the on-going scheme towards the share of the State during 2008-09.

Cluster Development

The Government of India under Industrial Infrastructure Upgradation Scheme (IIUS) and Industry and the Small Industries Cluster Development Programme (SICDP) is funding cluster development schemes In addition, small clusters are funded under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI). In these cases, Special Purpose Vehicles (SPVs) are set up by the cluster associations to implement the scheme. It is proposed to develop 4 clusters under IIUS at the rate of Rs. 50 crore each during the Eleventh Plan, with the Central share being 75% and the SPVs share being 25% of the total cost. As regards to SICDP scheme for development of medium level clusters, Government of India provides assistance ranging between 75% and 80% of the project cost subject to a ceiling of Rs. 10 crore per project. Around 20% to 25% of the cost is to be borne by the SPV. Cost of components like land, road and streetlight are not funded under the SICDP. It is therefore proposed to provide 5% of the project cost as State assistance towards the cost of basic infrastructure including land. It is proposed to develop 50 clusters at an anticipated average cost of Rs. 5.00 crore per cluster.

An outlay of Rs. 235.29 lakh is proposed as the state share for these ongoing schemes during 2008-09.

In respect of Village Industries and Coir Industries cluster, funded under SFURTI Scheme, the Central assistance is 75% towards the cost of Common Facilities Centre, Product Development and Design Interventions and 100% for other components. It is proposed to develop six clusters viz., Tamarind processing rural cluster at Erode, Wood Carving Cluster at Villupuram, Arecanut Leaf Cup Cluster at Salem and Namakkal, Brass Utensils Making Cluster at Tirunelveli, Bell Metal Cluster at Nachiarcoil and Thanjavur and Sea Food Preservation, Processing, Packaging and Marketing Cluster at Nagapattinam under SFURTI during the Eleventh Plan period with a Central share of Rs.6.15 crore and a State share of Rs.0.88 crore. During 2008-09, an outlay of 16.56 lakh is proposed to implement this scheme.

Backward Area Subsidy in specific identified areas

A Committee has been set up for identifying the backward areas in the State to extend Capital Subsidy for Industrial Units set up in these areas. An outlay of Rs. 100 crore is approved during the Eleventh Plan for the scheme, which seeks to encourage setting up of industries in the identified backward areas. A sum of Rs.20.00 crore has been allocated for the year 2007-08 and expenditure for the same will be incurred by the end of the year. In the year 2008-09 an amount of Rs.30.00 crore is proposed to be incurred for this scheme.

Assistance for Technology Upgradation and Modernization

Existing schemes for providing interest subsidy for technology upgradation did not have a good response, because the 3% subsidy was linked to the Prime Lending Rate (PLR) of banks. Further, the scheme was partitioned into four parts affecting its flexibility and there was low awareness regarding the benefits.

It is proposed to extend the interest subsidy at a flat rate of 3% for the loan obtained from the banks / financial institutions

without reference to Prime Lending Rate (PLR). With the investment ceiling on Plant and machine being increased from Rs.1.00 to Rs.5.00 crore, it is expected that the interest subsidy scheme will be energized and reactivated. A sum of Rs.50.00 lakh was allocated for the year 2007-08 and the same is expected to be incurred by the end of the year. For the year 2008-09, a sum of Rs.50.00 lakh is proposed to be allocated for this purpose.

Handlooms & Textiles

The Tamil Nadu Textile Industry is the forerunner in the industrial development as it provides large scale employment for the rural people next to agriculture. The various sectors of the textile industry in the state comprise of handloom, powerloom, spinning, processing and hosiery and garments sectors.

Based on the Handloom Census of 1995-96, there are 34.86 lakh Handlooms in the country, out of which 4.13 lakh Handlooms are in Tamil Nadu, which provide employment to 6.08 lakh weavers. Out of the total handlooms in Tamil Nadu, 2.19 lakh handlooms are functioning with 1117 Handloom Weavers' Cooperative Societies and the remaining 1.94 lakh looms are outside the cooperative fold. All the developmental and welfare schemes of the state Government intended for the handloom weavers are being channelised through these Weavers' Cooperative Societies.

There are 19.03 lakh registered powerlooms in India, of which, Tamil Nadu has nearly 3.66 lakh registered powerlooms. Of them, 33,504 powerlooms are functioning with 127 Powerloom Weavers Co-operative Societies in Tamil Nadu. These societies mainly produce cloth required under the scheme of free supply of uniforms to school children and free distribution of sarees and dhoties scheme. The powerloom industry in Tamil Nadu provides employment to 9.14 lakh powerloom workers. The powerlooms in Tamil Nadu are mainly cotton oriented. Out of 3.66 lakh powerlooms, only about 5000 powerlooms are sophisticated.

The spinning mills are the backbone of Tamil Nadu's industrial development. They are predominantly managed by private entrepreneurs and are also cotton oriented. Out of 3039 large, medium and small spinning mills in India, 1850 are located in Tamil Nadu which includes 18 cooperative spinning mills, 8 National Textile Corporation mills and 20 composite mills.

Processing is an important value-added segment in the textile sector. There are about 10397 hand processing units in India, of which, 2614 hand processing units are located in Tamil Nadu. There are about 2510 power processing units in India of which 985 power processing units are in Tamil Nadu. Out of 985 power processing units in the state, 713 units are located in Tirupur. As the present availability of processing facilities is very insignificant, the Government is taking steps to establish a Textile Processing Park at Cuddalore so as to undertake large scale processing activities.

The garment industry occupies a predominant position in world trade and it is the fastest growing sector in the textile industry. In Tamil Nadu, the garment units are located substantially in and around Chennai. There are about 600 garment units in the state providing employment to about 2 lakh persons. This Sector in Tamil Nadu contributes Rs.2500 crore in foreign exchange.

There are about 6000 hosiery units in India of which 2900 units are located in Tirupur in Coimbatore District. The hosiery sector in Tamil Nadu provides large scale employment to around 3 lakh persons. The hosiery industry in Tirupur contributes 48% of the country's exports and earns Rs.8000 crore in foreign exchange per annum.

The Department of Handlooms and Textiles has been implementing various welfare and developmental schemes so as to improve the socio-economic conditions of the Handloom weavers and the smooth functioning of the Spinning and Textile Mills, Garment and Hosiery sectors in the state. The various welfare and

developmental schemes implemented by the Department of Handlooms and Textiles are given below:

1. Rebate on sale of Handloom Cloth
2. Free distribution of Sarees and Dhoties
3. Mahatma Gandhi Bunkar Bima Yojana Scheme (Insurance Scheme for Handloom Weavers)
4. Co-operative Handloom Weavers Savings and Security Scheme
5. Health Insurance Scheme for Handloom Weavers
6. Tamilnadu Cooperative Weavers Old Age Pension and Family Pension Scheme

The Centrally sponsored schemes implemented by this department are:

1. Central Thrift Fund Scheme in the nature of a provident fund.
2. Establishment of Enforcement Machinery in order to protect handloom weavers and handloom industry from the onslaught of powerlooms.
3. Integrated Handlooms Development Scheme which focuses on:
 - a. Clusters having handlooms in the range of 300-500 per cluster
 - b. Group approach for development of handlooms.
 - c. Financial assistance to Handloom Organisations
 - d. Assistance for Innovative Ideas and Publicity, Monitoring, Supervision, Training and Evaluation of scheme.

Some of the important schemes implemented by this department and which will be continued in the year 2008-09 are detailed below:

Free Distribution of Handloom Cloth to the people below poverty line

Every year during Pongal Festival, Sarees and Dhoties are distributed free to the people living below poverty line in Rural and Urban areas. This scheme provides continuous employment to about 50,000 weavers and also fulfill the clothing needs of 3.28 crore poor people approximately.

In the year 2007-08, 1.64 lakh people are expected to be benefited at a cost of Rs.207.50 crore and the scheme will be implemented in the year 2008-09 also.

Rebate on sale of Handloom Cloth

The state Government is providing subsidy towards rebate to promote the sale of Handloom cloth. The state Government permitted the primary weavers' co-operative societies and Co-optex to allow rebate at the rate of 20% for the sale of handloom cloth throughout the year for the retail and wholesale business, subject to the limitation of 20% or Rs.100/- per unit for cotton varieties and 20% or Rs.200/- per unit for silk varieties whichever is less.

A sum of Rs.40.00 crore has been allocated in the year 2007-2008 and the scheme will continue in the year 2008-2009 also.

New Health Insurance Scheme for Handloom Weavers

The Government of India has introduced a New Health Insurance Scheme for Handloom Weavers from the year 2005-06 in place of earlier Health Package Scheme for Handloom Weavers. Under the Scheme the total premium payable to the insurance company would be Rs.1000/- per weaver per annum. Out of this, Rs.800 will be Government of India's contribution and Rs.200 will be weavers' contribution. In Tamil Nadu, the weavers' contribution of Rs.200 is being paid by the state Government. Under this scheme the weaver's family of four can avail of the Medical treatment in any one of the empanelled hospitals/ nursing homes in various districts throughout

the state without actually having to pay for the medical treatment up to a maximum of Rs.15,000/- per annum.

In the year 2007-2008, a sum of Rs.1.00 crore has been allotted as state share towards premium payable for the existing beneficiaries. In the year 2008-2009, an addition of 5000 new members will be enrolled in this scheme at a cost of Rs.1.60 crore.

The Co-operative Handloom Weavers' Savings & Security Scheme

To encourage the saving habit among handloom weavers, this scheme is being implemented by the state Government since 1975. From the year 1985-86, the Government of India is also participating in the scheme and contributing its share as part of the Central Thrift Fund Scheme.

Under this scheme, while a weaver-member contributes 8 paise per rupee of wages earned, the State Government contributes 4 paise per Rupee of wages and Government of India contributes 4 paise as matching contribution under Central Thrift Fund Scheme. Thus, 16 paise per rupee is deposited in the Government account for which the state Government allows 9.5% interest. Out of the 9.5% interest, 6.5% is credited to Weaver-members' account and the remaining 3% is used for implementing the Old Age Pension Scheme and Family Pension Scheme for handloom weavers.

A sum of Rs.4 crore has been allocated for the year 2007-2008 and the scheme will be continued in the year 2008-2009 at a cost of Rs.4.25 crore.

Khadi and Village Industries

The Khadi and Village Industries sector provides economic activity for a large section of the rural poor with minimum investment using local resources. This activity, which is largely being carried out by Co-operative Societies and other Charitable Societies such as Sarvodaya Sanghs.

Khadi Sector

The Khadi Rural Spinning Centres provide employment to such categories of people to help them to earn subsidiary wages so as to lift them above the poverty line.

The main products that are being produced under Khadi sector are Cotton, Poly vastra and Silk varieties. TNKVIB has established its production centres for Khadi cotton and Poly vastra fabrics in different parts of the State. TNKVIB is also known for its exquisite Khadi Silk Sarees, made specially from original Zari, using eco-friendly and natural dyes.

The various welfare schemes implemented by the Khadi sector are replacement of old charkas and looms, construction of spinning and weaving sheds, provision of heels and reeds to weavers, modernisation of Khadi Sector by improving designs and renovation of Khadi Kraft outlets. In the year 2008-09, it is proposed to modernize the Khadi Kraft outlets in Nagercoil at a cost of Rs.5.00 lakh.

Village Industries Sector

Village Industries are employment intensive and require less capital. However, the earnings per worker are low and hence they require to be upgraded so as to compete in the highly competitive and constrained market. TNKVIB has been promoting Village Industries by establishing production centres in different districts, organizing Co-operative Societies and granting margin money to entrepreneurs for establishing Village Industrial Units. The KVIB also provides support by providing raw materials required for production, technical guidance and marketing the finished products through its retail outlets, viz., "Khadi Krafts", spread throughout the state. The items produced by the Self-Help Groups are also being sold through the Khadi Kraft outlets.

The major Village industries supported under the Tamilnadu Khadi and Village Industries Board are Leather Industry, Beekeeping Industry, Non-Edible Oil & Soap Industry, Pottery Industry, Hand

Made Paper Industry, Palmgur Industry, Carpentry and Blacksmithy Industry.

Palm Products Development

The Palm Products Industry is also one of the major cottage industries under the Village Industries Sector in the State. Tamil Nadu is a pioneer in development of Palm Products Industry in India. Out of the estimated 8.59 crores of Palmyrah trees in India, about 5.20 crores of Palmyrah trees are in Tamil Nadu. Palmyrah is declared as the "State Tree" of Tamil Nadu. The State also earns foreign exchange by export of Palm Products.

The Tamil Nadu Palm Products Development Board is functioning from 6.1.1995 and is engaged in the introduction of modern concepts to promote research for the development of Palm products industry and better utilization of Palm products with the social objective of uplifting the economic condition of rural palmgur artisans. Edible products such as Neera, Palm Jaggery, Palm Candy, Palm Sugar, Palm Fruit Jam, Preserved Nungu and other confectionary products as well as non edible items like Palm Fibre and Palm Leaf products, Brushes and baskets are produced and marketed.

Six lakh artisans, both men and women, are currently engaged in the Palm Products Industry in the State both directly and indirectly. This includes 30,000 Scheduled Caste artisans who are directly engaged in activities related to the Palm Products Industry such as tapping of Neera, manufacturing of Palm Jaggery, Palm Fibre and Date Palm Baskets.

The various welfare schemes proposed to be implemented in the Palm Board Sector during the Eleventh Five Year Plan are distribution of tools and equipments for processing of Neera, opening of Sales outlets with infrastructure facilities training for artisans to improve the quality of the palm products, provision of margin money and interest subsidy for state federation and district federations.

In the year 2007-08, a sum of Rs.8.00 lakh was allocated for provision of prepacking machine, Neera Cooler for Neera Catering Unit at Koviloor in Dindigul District and distribution of tools and equipments to the 200 Palmgur Artisans to process palm jaggery out of Neera in Salem District. In the year 2008-09, it is proposed to modernize the Palm Board Sector by providing automatic pre packing machine, Neera Cooler and other equipments for Neera Catering Unit at the cost of Rs.47.00 lakh.

Sericulture

Sericulture is a unique combination of both agricultural and industrial activities. On the agriculture side, it involves cultivation of mulberry to feed the silkworms. The industrial activities involve reeling of the silk filament from the cocoons and value addition such as processing and weaving. Sericulture is a labour intensive industry in all its phases, viz., cultivation of mulberry, silkworm rearing, silk reeling and other post-cocoon processes such as twisting, dyeing, weaving, printing and finishing. It provides employment to small and marginal farmers and workers in tiny and household industry mainly in the hand-reeling and hand-weaving sections.

Women constitute over 60% of those employed in the sericulture and allied activities in the country. This is possible because pre-cocoon activities including mulberry garden management, leaf harvesting and silkworm rearing are effectively taken up by the women folk. Activities in the post-cocoon sector like silk reeling, weaving etc., are also largely supported by women.

The total area under mulberry cultivation in Tamil Nadu as on date is 32,400 acres, i.e. an area of 8350 acres have been additionally planted with mulberry by 30.11.07 and the target of planting in 10,000 acres will be completed in due course. The sericulture sector employs 1,25,535 persons for mulberry cultivation, silk reeling and weaving throughout the year.

During 2008-09 it has been programmed to produce 1575 MTs of raw-silk by covering additional 8000 acres under mulberry in the state. For the development of sericulture and silk industry, the Central Silk Board is supporting various sericulture schemes by providing matching financial assistance under Catalytic Development Programme.

The major schemes to be taken up in the year 2008-2009 are given below:

- Assistance for planting high yielding mulberry varieties for increased cocoon and silk production.
- Assistance for installation of drip irrigation system in mulberry gardens to conserve water.
- Assistance for construction of separate silkworm rearing houses to conduct silkworm rearing.
- Assistance for procurement of improved silkworm rearing equipments to reduce labour and to ensure successful cocoon harvest.
- Supply of quality disinfectants to control diseases in silkworm rearing and to avoid cocoon crop losses.
- Assistance to establish chawkie rearing centres to ensure the success of cocoon crops through professional and scientific management of young age silkworm (chawkie) rearing.
- Assistance to establish silk reeling units in different levels so as to facilitate farmers (cocoon producers) to sell their cocoons locally instead of going to neighbouring states.

The above mentioned schemes are proposed to be implemented at a total cost of Rs.24.27 crore with Rs.0.72 crore as State share.

Handicrafts Development

The handicrafts sector is of special significance in the country's economy due to its contribution to employment generation and foreign exchange earning through exports. Tamil Nadu has been

endowed with a rich cultural heritage, which is reflected in the various handicrafts of the state. The State Government in collaboration with the Government of India have been implementing various schemes to preserve and nurture the ancient crafts of the state while at the same time ensuring the welfare of the artisans who make these beautiful artefacts. While there are more than thirty types of handicrafts identified with the state, bronzes from Swamimalai, stone sculptures from Mamallapuram and Thirumuruganpoondi (Coimbatore District), artistic brass lamps from Nachiarcoil (Thanjavur District), intricately carved art plates from Thanjavur, woodcarvings from the craft pockets at Arumbavur, Thammampatti and Chinna Salem, appliqué work from Madurai and Kumbakonam are the crafts that have received maximum attention.

The Tamil Nadu Handicrafts Development Corporation Limited is the apex body in charge of the Handicrafts sector in the state. The main objective of the Corporation has been to provide marketing assistance to the artisans, while at the same time implementing various schemes for the development of the crafts and craftsmen in the state. The Corporation has a network of 17 showrooms through which it provides direct marketing assistance to the artisans for the sale of their products. In addition, the Corporation also organizes exhibitions throughout the country to explore more marketing avenues for the handicrafts produced by the artisans. The Corporation has also been implementing schemes for technology upgradation, design development and training in order to develop the Handicrafts sector in the state.

In order to provide social security to the handicraft artisans it is proposed to continue the health and insurance cover to 10000 artisans in the year 2008-2009 at a proposed outlay of Rs.4.00 lakh.

Plan outlay for 2008-09

The outlay approved for the year 2008-09 for Village and Small Industries is Rs. 248.68 crore. Of this, an outlay of Rs.64.00 crore is set apart for Scheduled Caste Sub Plan (SCSP).